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# Chinese Strategic Intentions: A Deep Dive into China's Worldwide Activities

A Strategic Multilayer Assessment (SMA) White Paper

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## JOINT STAFF PREFACE

**RDML Jeffrey J. Czerewko, Joint Staff, J39**

The Joint Staff and the United States military adheres to the maxim that effective strategy formulation starts with a proper diagnosis of the environment. This is particularly true when the operational environment has high levels of interactive complexity across various domains. In these settings there are no easy choices but we know from centuries of experience that the best plans are informed by thoughtful, disciplined exploration of ideas and diversity of thought. In pursuit of this axiom, SMA white papers are a concerted effort to harvest the informed opinions of leading experts but do not represent the policies or positions of the U.S. government. Our hope is that the ideas presented in the pages that follow expand the readers' strategic horizons and inform better strategic choices.

This white paper was prepared in support of the Strategic Multilayer Assessment, entitled *The Future of Global Competition and Conflict*. This effort examines China's domestic and international activities in order to assess the future of China and what types of challenges these activities are likely to present.

This white paper explores the following key topics:

- China's self-perception and worldview
- The strength and durability of China's economy, as well as China's global power projection capabilities and aspirations
- China's present and future capabilities, with respect to key technical advances in artificial intelligence (AI), military science and technology (S/T), blockchain, and brain science
- The durability of the Chinese regime and, in particular, the sustainability of its emerging brand of digital authoritarianism
- China's interests, strategies, and objectives, as well as the activities that it pursues in order to achieve them
- How the West might most effectively manage challenges from China in light of both its strengths and weaknesses

This white paper also makes some key observations and recommendations on how to strategically engage with China in order to best address current and long-term Western interests. Within the framework of geopolitical considerations, this work encourages readers to think beyond the traditional "engagement" versus "containment" framework that has dominated the discussions of US-China relations over the past two decades (Copeland). Furthermore, this white paper argues that understanding the reasons and strategy underlying China's actions is essential, for this context shapes the Chinese approach to information and information technologies, which includes AI, quantum computing, and space operations (Cheng).

For example, this white paper highlights the Chinese Communist Party's (CCP) attempts at exercising the politics of humiliation (Watson) and leveraging its media ecology (Hinck & Cooley) in order to retain power. Dr. Robert Spalding III suggests that the CCP also seeks to embed its method of social control in the technological matrix developed by the West and powered by Silicon Valley's business models. As Mr. Daniel J. Flynn notes, China also adopts coercive strategies involving the orchestrated employment of nonmilitary and military means to deter and compel China's perceived competitors prior to and after the outbreak of hostilities.

This white paper also examines the political values and perspectives of students studying at top Chinese universities (i.e., the future elites), highlighting their attitudes towards Russia and the United States, as well as the implications for policy towards China in the midst of this trilateral competition (Gregory & Sherlock).

On the economic front, Dr. Michael Beckley argues that, although China's economic growth over the past three decades has been astonishing, the veneer of double-digit growth rates has distracted individuals from the liabilities that constrain China's ability to close its wealth gap.

On the technological front, China has made significant investments and deepened political interest in research and innovation to increasingly affect international scientific, biomedical, and technological markets (Giordano, DeFranco, & Bremseth). In addition, there are clear signs that China wants to dominate the financial technology (fintech) sector (Nandakumar) and that China's senior leaders believe that leadership in artificial intelligence (AI) technology will play a critical role in the future of economic and military power (Allen). Moreover, China places a strong emphasis on military and science and technology (S/T) innovation, as evidenced by its 'Military-Civil Fusion' plan, due to its belief that these types of innovation are precursors to becoming a global leader (Schurtz).

The durability of the Chinese regime is also addressed in this white paper (Wright). China is currently building a digital authoritarian regime, and China's development of such a regime will influence other states in a competition for global influence, according to Dr. Nicholas D. Wright.

This white paper also extensively covers global outreach activities that China is undertaking, including:

- Chinese outreach activities in Europe (Dorondo)
- Chinese/Russian relations in Eurasia (Weitz)
- China's mixed reception in Central Asia (McGlinchey)
- China's key sensitivities on the Korean Peninsula (Astorino-Courtois & Bragg)
- China in Central, West, and South Asia (Ehteshami)
- China's creeping interests in Latin America (Watson)

Lastly, this white paper addresses the issue of how the West could manage Chinese challenges to Western influence and interests globally. Dr. Michael Mazarr argues that, at the core, the United States and China are competing to shape the foundational global paradigm—the essential ideas, habits, and expectations that govern international politics. A flexible soft-power deterrence approach that simultaneously engages, challenges, and integrates China, according to Dr. Maorong Jiang, will ultimately advance US interests across the spectrum of cooperation, competition, and conflict throughout the coming decade.

In her submission, Prof. Cynthia Roberts emphasizes the critical importance of strategic adjustment given tradeoffs between competing objectives and the likelihood that the behavior of opponents, like viruses, will evolve and change. She identifies two concerns regarding the extension of great power competition to America's currently unrivalled dominance in financial power. First, overuse of financial instruments may incentivize opponents to find workarounds. Second, such weaponization of finance could lead to an escalation in unfavorable activities.

In the final chapter, Lt. Col. Christopher Forrest makes the case that the US should focus time, energy, and resources in order to adequately compete in the gray zone as part of a long-term strategic competition against the CCP.

## OPENING REMARKS

**Dr. Joseph G. D. Babb, United States Army Command and General Staff College**

China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As China continues its economic and military ascendance, asserting power through an all-of-nation, long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future. The most far-reaching objective of this defense strategy is to set the military relationship between our two countries on a path of transparency and non-aggression.

- Summary of the 2018 National Defense Strategy

This white paper provides a predictive assessment of China in its global competition with the United States by a group of the most knowledgeable and experienced China Hands—academics, analysts, and experts in the field. This effort is critically important in illuminating what many argue is the nation’s most important security challenge. Understanding what China is doing in the fields of global politics, economics, technology, and defense modernization is of vital importance to policy makers, concerned citizens, and the American military leadership. The rise of the Chinese economy, technical prowess and access (licit and illicit), and defense capabilities since the People’s Liberation Army’s stunning defeat in its short war with Vietnam in 1979 is truly historic. The intent of these opening remarks is to provide a sobering warning that China’s economic, diplomatic, and (especially) military road ahead is not likely to be smooth, inexorable, and certainly not pre-ordained.

Works over the last decade by pre-eminent international relations experts and China watchers such as Graham Allison (*Destined for War*, 2017), Henry Kissinger (*On China*, 2011), Michael Pillsbury (*The Hundred-Year Marathon*, 2015), and Susan Shirk (*Fragile Superpower*, 2007) argue for significantly different paths, objectives, and possible end states in the uncharted and unknowable future. A potential Thucydides Trap, a road map for successful diplomacy, a marathon challenge conducted by a determined foe, and an arguably fragile, and therefore vulnerable, superpower are all well-founded and argued assertions. However, there is a very good chance someone is wrong or the truth will change, as some might remember Gordon Chang’s book on *The Coming Collapse of China*. A brief look at China’s history further supports this cautionary note on predicting the future.

A century ago, a diplomatic battle raged over the contents of the Treaty of Versailles. In 1917, the United States and the Republic of China joined in the “War to End All Wars.” Both nations expected to be players in negotiations at the end of the conflict. The resulting treaty would have significant implications for both countries in the coming decades. In June of 1919, who could have guessed, with any accuracy, the Great Depression and its political and economic impact? Who had any idea when these countries would fight next, who would be their allies, and what weapons of war would be developed and employed two decades later? In 1937, the 2nd World War would start in China; Japan would not be an ally; the Italians would be the enemy; the French, with an impregnable defense, would surrender in weeks; and the Soviets would be an enemy, an ally, and neutral before America entered the war.

In terms of weapons of war in 1919, the world had seen tanks, but not Panzers; planes, but not super-fortresses; bombs, but not atomic ones; and few would surmise that future dreadnoughts would not be battleships, but aircraft carriers. An unknowable type of war in three domains was rapidly emerging in 1919, and we are now attempting to predict the characteristics of conflict in five domains

in 2019. What unforeseen innovations and combinations are yet to emerge? These observations should give pause in declaring China the enemy too early and should be especially troubling, particularly when looking at how and why war will be conducted in 2039, or at the one-hundredth anniversary of the People's Republic of China in 2049. Could China be our ally in 2039? They were almost an ally in 1979. What are the implications of that possibility? For a common enemy, one could look to China's north, the Middle East, or even Central Asia. Black swans are possible in many climes.

Historically, from the time before the establishment of the Han dynasty in 206 BCE through the 17th century, China's enemies predominately came from the north—the Xiongnu, the Mongol, and the Manchu. In the 18th and 19th centuries, China's main enemies were imperialistic, European, non-contiguous countries, later joined by the United States and, at the end of the century, its Asian rival, Japan. China's Hundred Years (or Century) of Humiliation at the hands of foreign powers began with the First Opium War in 1839. It ended in 1949 with Mao's victory over the American-backed Chiang Kai-shek and his retreat to Taiwan. Less than a year later, China fought beside its Communist neighbor against the United States in Korea. In October of 1950, the United Nations' forces neared the Yalu River, nearly completing the re-unification of the peninsula. However, with the Chinese counterattack, two months later, the two sides fought to restore a dividing line that is still in place today. Over the next (nearly) four decades, two crises over Taiwan, a war with India, a skirmish with the Soviet Union, and a war with Vietnam followed—hardly predictable, except for the conflicts with Taiwan. Only these two minor crises involved the United States. There were two common themes: guarding its sovereignty on the periphery and an aggressively defensive posture.

What historical pattern of conflict will China mimic in the 21st century? As the Samuel B. Griffith translation of the Sunzi Bingfa (*Art of War*) states in Chapter 4, “[I]nvincibility lies in the defense; the possibility victory in the attack.” Is China today content with its defensive anti-access, area denial posture, or does it sense possible gains from more aggressive, offensive activities? Ma Han was not a Chinese naval strategist. As the People's Liberation Army Navy's second aircraft carrier is about to enter service, it might be useful to remember that China has not been a sea power since the voyages of Zheng He (1371-1433) at the beginning of the Ming Dynasty (1405-1433). It was not a foreign navy that destroyed this fleet, but the Emperor who beached the ships as not worth the expense. What economic or military sense does building and manning difficult-to-defend, exposed sand castles in the South China Seas make? Could these outposts be as easily be abandoned as the Ming fleet? Are the land and sea lines of communication of the Belt and Road Initiative economically driven in response to China's need for natural resources, an outlet for excess capital, or a more sinister, long-term objective to posture for military supremacy in the Indo-Pacific and beyond? The answers to the questions posed above relate to intentions, cost-benefit, and pragmatism, which are all rooted in China's long, complicated, and often contradictory history.

In a speech at West Point on February 25<sup>th</sup>, 2011, Secretary of Defense Robert M. Gates said, “And I must tell you, when it comes to predicting the nature and location of our next military engagements, since Vietnam, our record has been perfect. We have never gotten it right....” This white paper covers a wide range of important topics delving into the rise of China and its potential effects on Sino-American relations. Understanding China's motives and capabilities is especially important for promulgating a strategy for dealing with China and for maintaining the preparedness and security posture of the United States military forces. These opening remarks argue in favor of considering historical context, using reasoned skepticism, and constantly striving for a complete and nuanced view of China's strategy and emerging capabilities. China has not fought a war in over 40 years (since the Sino-Vietnamese War of 1979), and in the 140 years before that, beginning with the first Opium War in 1839, it has won few battles and lost almost every conflict it fought against foreign



adversaries. That is hardly the history of an invincible foe—its weaknesses are as important as its strengths.

That said, we ignore the rise, especially of China’s military capabilities, at our peril. In October and November of 1950 in Korea, the Chinese People’s Volunteers surprised the American-led United Nations forces approaching the Yalu River. Over the next two months, the Chinese forces in support of their Korean allies administered what might be the worst defeat in American military history. How could we not know Mao’s intentions and the capability of China’s military in 1950? Beginning in 1941, we had trained, advised, and equipped nearly forty Nationalist Chinese divisions to fight our common enemy, Japan. From 1944 to 1947, we had military personnel at Mao Zedong’s headquarters in Yan’an observing the training and employment of the Communist forces. After the global conflict, during the Chinese Civil War, a Joint United States Military Assistance Advisory Group remained in China supporting Chiang Kai-shek. The leader of this element was Brigadier General David C. Barr, who would later command the 7th Infantry Division fighting the Chinese in Korea. Despite this experience and the close relationships over that decade, the Chinese People’s Volunteers under the command of Marshall Peng Dehuai deceived United States forces and nearly drove them off the peninsula.

The United States and its allies and friends in the Indo-Pacific must not only be prepared for a rising China but also be prudent and cautious in forecasting the future. Korea, Taiwan, and the South China Sea remain flashpoints, as they have been for decades. The key to understanding the future of Sino-American relations is comprehensive intelligence collection and well-informed estimates. Sunzi’s chapter on intelligence is instructive when reading this white paper: “What is called foreknowledge cannot be elicited from spirits, nor from gods, nor by analogy with past events, nor from calculations. It must be obtained from men who know the enemy situation.” The authors included in this effort are experts in discerning the enemy situation, which is a very difficult task at best.

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## EXECUTIVE SUMMARY

**Ms. Nicole Peterson, NSI, Inc.**

This white paper was prepared as part of the Strategic Multilayer Assessment, entitled *The Future of Global Competition and Conflict*. Twenty-seven experts contributed to this white paper, providing wide-ranging assessments of China’s domestic and international activities in order to assess the future of China and the challenges that these activities may present to US interests. This white paper is divided into five sections and twenty-four chapters. While this summary presents some of the white paper’s high-level findings, the summary alone cannot fully convey the fine detail of the experts’ individual contributions, which are worth reading in their entirety.

### Understanding Chinese motivations and strategy

There is broad consensus among the white paper contributors that understanding the reasons, motivation, and strategy behind China’s actions is critical. Several of the contributors highlight the motivations behind China’s global activities. For example, one driver of China’s actions is the Chinese Communist Party’s (CCP) belief that it is currently in a state of competition with the US (Cheng). A sense of insecurity about the future (Copeland) and a desire to maintain power also influence CCP behaviors (Copeland; Mazarr; Watson), as does the Party’s belief that information is inseparably linked both to the national interest and to the CCP’s survival (Cheng).

Other contributors focused on Chinese strategy. Internally, the CCP uses humiliation, distrust of the US, and China’s historical grievance to validate its rule and maintain power (Watson). Externally, China has developed a form of “strategic integrated deterrence.” This concept—which goes beyond military capabilities to incorporate political, diplomatic, economic, information, psychological, and scientific/technical capabilities—is designed to “deter and compel the US prior to and after the outbreak of hostilities” (Flynn). Given the criticality of information to regime survival, the CCP deems it necessary not only to control and influence information flow into China, but also to shape and mold the international structures that manage this flow (Cheng). Similarly, the CCP recognizes the importance of data—particularly for social control. The Party seeks to embed its model of social control into the technological matrix built and powered by Western tech companies, according to Dr. Robert Spalding III. It also seeks to expand and guide the development of tech-based businesses and social models in the future, and in order to do so, the CCP may recognize the benefits of adopting a more open system.

### China and technological innovation

Several contributors indicate that China is well-positioned to become a world leader in science and technology research and development (S/T R&D), blockchain technology, and artificial intelligence (AI) technology. Dr. James Giordano, CAPT (ret) L. R. Bremseth, and Mr. Joseph DeFranco indicate that China is making significant investments in international scientific, biomedical, and technological markets for strategic purposes. Moreover, China intends to align its S/T R&D with explicit national directives and agendas to exercise its global hegemony and could leverage its S/T to disrupt global balances of order and power (Giordano, Bremseth, & DeFranco). China is also aiming to dominate the financial technology (fintech) sector. Several Chinese companies possess digital payment systems that have major competitive advantages in the form of scale and proprietary technologies (Nandakumar). These companies could easily become market leaders if blockchain-based financial systems become the norm, and blockchains can also be used by the CCP for strategic purposes. Lastly, according to Mr.

Gregory Allen, the CCP believes that AI is a “strategic technology” that will play a critical role in the future of economic and military power. Allen suggests that AI has the potential to start an “intelligentized” military technological revolution, which could give China the opportunity to narrow its military gap with the US. Consequently, China will only continue to seek leadership and make even greater use of its AI strength.

Another contributor, Mr. John Schurtz, argues that China is becoming a world leader in technology and military innovation as well. The People’s Liberation Army (PLA) recognizes the importance of leading military innovation, and as a result, it has become poised to challenge the world’s most advanced militaries in the production of next generation high technology weapon systems. China will only continue to pursue ambitious innovation objectives in these areas, as is evidenced by its ‘Military-Civilian Fusion’ (MCF) development efforts.

### Digital authoritarianism and Chinese regime durability

In this white paper, Dr. Nicholas D. Wright critically examines the relationship between digital authoritarianism and the durability of the Chinese regime. Although digitization may have negative effects on the durability of the Chinese regime, Dr. Wright argues that it can also strengthen the regime’s durability in the short- to medium-term by providing a plausible route for ongoing regime control while also making Chinese citizens wealthy. In addition, China’s development of a digital authoritarian regime enables its influence over other states in a competition for global influence, both through ideas and the exportation of digital systems (Wright). However, if China’s model is not broadly appealing to swing states, China may not be able to solidify its influence over these countries’ regimes and will ultimately lose this competition for influence. The future evolution of AI technology and the way in which liberal democracies adapt to becoming digital political regimes are also factors that could impact the situation (Wright).

### Chinese global influence

China aspires to achieve global power status and challenge the US by extending its influence and strengthening its relationships with regions such as Europe; Eurasia; Central, West, and South Asia; and Latin America. One way in which China is aiming to increase its global influence is by increasing its economic footprint in these regions, as is evidenced by China’s expansion of trade and investments via its Belt and Road Initiative (Ehteshami & Weitz). China wants to secure access to valuable resources and create an “economic web” for its own benefit (Ehteshami, Watson, & Weitz). If these countries become economically dependent on trade with China, Beijing could use these dependencies to its advantage by using economic pressure to gain political compliance and/or undermine alliances with the US, as China did with South Korea and US deployment of a Terminal High Altitude Air Defense (THAAD) system (Astorino-Courtois & Bragg).

Some regions, such as Central Asia, have reacted to Chinese influence activities with hesitation and skepticism (McGlinchey). Other regions, such as Latin America (Watson), have welcomed China’s increasing engagement and have increasingly turned to China, rather than the US, to fulfill their economic needs. European states benefit significantly from access to Chinese markets for exports and have thus welcomed Chinese economic engagement opportunities as well, despite disapproval of enforced technology-transfer by domestic European companies seeking to operate in China, international property theft, and human rights abuses by Chinese companies (Dorondo).

Another outcome of increasing Chinese influence across these regions is that pre-existing US alliances with regional states are subject to increased pressure from China. Modern US alliances

across the globe, and with European nations in particular, have enabled a high level of US prosperity and security; conversely, weakening of these relationships could lead to potential US vulnerabilities (Dorondo). The diminishment of US relations with states in the referenced regions could result in economic troubles and/or a loss of regional influence, for instance. The US has the ability to counter these Chinese global outreach activities and prevent reliance on trade with China by strengthening its own relationships with these countries and using Chinese regional shortcomings to its advantage.

Despite Chinese global influence activities that present challenges to US interests and the current global order, the US must recognize that Chinese “future elites” (e.g., students from the top universities in China) still generally respect and admire American values and institutions (Gregory & Sherlock). Thus, despite the critical narratives being propagated by the Chinese regime and the competitive nature between the US and China, a significant portion of the Chinese population still views the US in a positive light, and not as an enemy.

### The future of US-China competition

The future of global competition between the US and China will be centered around economic development and technological innovation (Hinck & Cooley). Dr. Michael Beckley presents a critical perspective of China’s economic growth, arguing that it is not as impressive as it appears, and that China faces several significant restraints that prevent it from closing the wealth gap with the US. However, China will try to continue to make economic strides in an effort to catch up to the US. Prof. Cynthia Roberts cautions that, despite the importance and usefulness of international financial instruments, the US should refrain from overusing such instruments. US decision makers must consider the consequences of weaponizing finance or imposing economic costs on its opponents. Such actions could result in consequences such as countries looking to diversify to currencies other than the US dollar, like the renminbi (RMB) or digital currencies, which over time could significantly reduce US leverage and give others, including China, greater freedom to maneuver.

### Managing the challenges that China presents

The US and China are competing to shape the foundational global paradigm—the ideas, habits, and expectations that govern international politics (Mazarr). This competition ultimately revolves around norms, narratives, and legitimacy. The CCP has tethered its legitimacy to achieving the goals of the China Dream proposed by Xi Jinping, which include economic success, increasing Chinese influence, and defending national territories (Astorino-Courtois & Bragg). Both internally and externally, it is critical for China to highlight its successes and portray itself in a positive manner in order to make the China Dream a reality. In its attempts to achieve these goals and shape the global paradigm, China is pursuing ambitious economic endeavors, such as the Belt and Road Initiative. China’s power is also growing in the form of its military buildup, as is evident through its increased pressure on Taiwan, its limited war with Vietnam, and its conflict with India over disputed territory (Mazarr). The challenges that China presents threaten US interests and the current world order, and therefore, it is imperative that the US successfully and carefully mitigates these challenges.

Several contributors also provide recommendations for US decision makers, namely that they must acknowledge the extent to which the US is already in competition with China and recognize the range of actions that China is taking; they must also begin to counter these actions by engaging in hard bargaining, drawing clear redlines, and remaining cautious to not provoke unwanted Chinese behaviors (Cheng). One white paper contributor, Dr. Maorong Jiang, suggests that the US might need a new strategy, utilizing a soft-power deterrence approach in order to simultaneously engage, challenge, and integrate China. Additionally, Lt. Col. Christopher D. Forrest asserts that competing in

the gray zone will be an integral part of this competition, where the US must focus its time, energy, and resources. In order to effectively counter ongoing Chinese gray zone actions, the US will likely need to make some cultural and organizational changes and adapt a different lens through which to view US capability development and operations (Forrest).

## Report Overview

This white paper has been separated into five parts:

**Part I** provides a deeper look into China’s motivations and strategy. It also examines the strength and durability of China’s economy, as well as China’s global power projection capabilities and aspirations.

**Part II** examines China’s future capabilities from the perspective of key technological advances in artificial intelligence (AI) and other areas.

**Part III** focuses on the durability of the Chinese regime itself and questions the sustainability of its emerging brand of digital authoritarianism.

**Part IV** assesses China’s interests, strategies, and objectives over various regions, as well as the activities that it is pursuing in order to achieve them.

**Part V** addresses how the US, its allies, and partner nations might most effectively manage challenges from China in light of both its strengths and its weaknesses.

### Part I. Chinese Motivations, Aspirations, and Strategy

**Chapter 1: Dr. Dale Copeland** encourages readers to think beyond the traditional “engagement” and “containment” models that have dominated discussions of US-China relations over the past twenty years by proposing a third, alternative model—the “stabilization” model. After identifying the existing problems within the engagement and containment models, Dr. Copeland explains how the stabilization model envelops both models’ strengths and neglects their weaknesses. The stabilization model also allows one to explain China’s recent behavior by looking at two primary historical factors: China’s insecurity for the future and the Chinese Communist Party’s (CCP) desire to hold onto power. Dr. Copeland also provides a series of policy recommendations for US decision makers based on the implications of the stabilization model. He highlights that the US should be concerned about China’s relative growth, engage in hard bargaining, and draw lines, while also remaining cautious as to not provoke any unwanted behaviors.

**Chapter 2: Mr. Dean Cheng** emphasizes the importance of understanding the reasons and strategy behind China’s actions, as it shapes the Chinese approach to information and critical information technologies, such as artificial intelligence, quantum computing, and space operations. According to Mr. Cheng, the Chinese leadership believes that information is inseparably linked to both the broader national interest and to the CCP’s survival. Moreover, the CCP recognizes that if it is going to control and influence information flow into China, it must also shape and mold the international structures which manage that flow. China believes that it is in a state of competition with other great powers, particularly the US, which will also shape China’s future actions. Given these thought patterns and behaviors, Mr. Cheng writes that Chinese actions will be holistic and comprehensive, unlikely to be heavily influenced by external pressure, extend beyond its own borders, and likely lead to isolationism. Based on these conclusions, Mr. Cheng argues that US decision makers should recognize

the extent to which China is already in competition with the US, recognize the range of actions that China is taking, and begin countering these actions.

**Chapter 3: Dr. Cynthia Watson** discusses the CCP's use of humiliation to validate both the Party's rule and its distrust of the United States in global affairs. This profound sense of grievance has historical roots, dating back to the defeat of the Qing Dynasty in the 1840s by foreigners. This defeat marked the beginning of the Century of Humiliation, while Mao Zedong's declaration of the Communist Party's victory over the pro-US Guomindang (Nationalist Party) in 1949 marked the end of this era. Dr. Watson explains why this sense of humiliation is such an important and effective tool for the CCP, while also identifying the limitations of its impact and the ways in which the CCP's approach could backfire.

**Chapter 4: Dr. Robert Spalding III** argues that the CCP's method of strategic competition is incredibly similar to that of the West. Both methods rely on an increasingly connected world and have a dependence on data. Moreover, according to Dr. Spalding, major Western tech companies' treatment of data is beginning to resemble the CCP's method of using data for social control. Despite these similarities, the CCP has skillfully modified and/or controlled major Chinese tech companies' platforms to promote support for the regime. However, Dr. Spalding indicates that China, despite its resistance, will require an open system in order to expand and guide the development of tech-based businesses and social models in the future. A significant challenge will also be presented by the growing awareness in open systems of the negative consequences of the CCP's social control efforts. Ultimately, Dr. Spalding suggests that the CCP may welcome major western tech companies into China to become more open and mitigate these challenges.

**Chapter 5: Mr. Daniel J. Flynn** discusses China's concept of "strategic integrated deterrence," which incorporates not just military capabilities but political, diplomatic, economic, information, psychological, and scientific/technical capabilities as well. This concept of deterrence, along with a variety of evolving coercive strategies involving the purposeful employment of nonmilitary and military means, is designed to "deter and compel the US prior to and after the outbreak of hostilities." Mr. Flynn argues, however, that these evolving strategies will ultimately increase China's risk of miscalculation and escalation in a future crisis or conflict scenario.

**Chapter 6: Dr. Michael Beckley** presents substantial evidence that China's economic growth over the past three decades is not as impressive as it appears. Although China has a larger GDP, a higher investment rate, larger trade flows, and a faster economic growth rate than the US, China faces a myriad of restraints that prevent it from closing the wealth gap with the US. Dr. Beckley argues that China's economy is large but inefficient. Furthermore, upon examination of both China's and the US's produced, human, and natural capital, one can conclude that the US is indeed far wealthier than China, and this gap may even be growing by trillions of dollars yearly.

**Chapter 7: Dr. Robert Hinck and Dr. Skye Cooley** examine "China's evolving media ecology, influence strategies, target audiences, and the narrative themes employed within its media as a means to understand its global motivation, interests, and overall communication strategy constituting its identity and worldview." Their analysis of Chinese media indicated that China views the future of global competition as one centered around economic development and technological innovation. Moreover, China views the rise of nationalism and isolationist policies as its most pressing problem. Finally, the authors indicate that China's domestic population remains its primary target audience, which is necessary for ensuring ongoing CCP rule; international messaging strategies are oriented around diplomatic relations, which China cultivates in support of its economic and technological development goals.

**Chapter 8: Col E. John Gregory and Dr. Thomas Sherlock** examine the prospects for the future of the China-Russia relationship through the lens of their “future elites,” i.e. students from the top universities in China and Russia. There is a disagreement among scholars and analysts over whether ties between China and Russia can be best explained as “hedging” behavior or as norms-based conduct. Col Gregory and Dr. Sherlock indicate in their contribution that a robust partnership between Russia and China is unlikely. The Chinese and Russian students surveyed do not believe that their countries share “common values and norms that would bind them in durable, deep cooperation.” Chinese participants tended to lack respect for Russia and to look down on or express ambivalence about Russia due to its perceived lack of cultural and economic power. Russian participants similarly failed to see the value of Russia’s “pivot to the East.” Despite some general criticism of US foreign policy, these students generally expressed respect and often admiration for American values and institutions. This indicates that the American liberal-democratic model and images of American society remain attractive despite the critical narratives being propagated by the Russian and Chinese regimes.

## Part II. Key Technical Advances and Their Long-Term Strategic Impact

**Chapter 9: Dr. James Giordano, CAPT (ret) L. R. Bremseth, and Mr. Joseph DeFranco** examine China’s significant ongoing investments in international scientific, biomedical, and technological markets for strategic purposes. The authors highlight China’s advancement of neuroscience and technology (neuroS/T) for dual- and/or direct-use applications in warfare, intelligence, and national security (WINS) operations—a key indicator that China intends to “align its scientific and technology (S/T) research and development (R&D) with explicit national directives and agendas to exercise global hegemony.” Furthermore, the authors raise concern about the potential for China to leverage its S/T to disrupt the global balances of order and power. Given this possibility, the authors recommend that the US recognizes and realistically assesses China’s current and near-term capabilities and the directions of its S/T R&D, as well as their potential to disrupt the global order, stability, and balance of power.

**Chapter 10: Mr. Girish Nandakumar** discusses China’s ambitions within the financial technology (fintech) sector. Chinese companies have digital payment systems that have major competitive advantages in the form of scale and proprietary technologies. Thus, these companies could easily become market leaders if blockchain-based financial systems become the norm. Mr. Nandakumar argues that the future of money is digital, so an increased movement towards alternative financial systems is likely, and consequently, the US should be wary of these Chinese companies’ potential economic and political advantages within the fintech sector. Moreover, many of these companies are influenced by the Chinese government. Therefore, the CCP could gain unparalleled access to invaluable data on markets on a daily basis and use this data for strategic purposes. Mr. Nandakumar also suggests that China could use currencies themselves as a strategic tool in economic warfare against an opponent, such as the US.

**Chapter 11: Mr. Gregory Allen** highlights the importance that Chinese senior leadership places on leadership in artificial intelligence (AI) technology. Although the Chinese government primarily uses AI for domestic surveillance and social control purposes, national security leadership has indicated that China plans to use AI for militaristic purposes as well. Furthermore, these Chinese leaders believe that AI will play a critical role in the future of economic and military power, and AI has the potential to launch the world into a “intelligentized” military technology revolution, during which China will have an opportunity narrow its military capability gap with the US. This perception of AI as a “strategic technology,” in combination with China’s present strength and competitive advantages

in this field, indicates that China will continue to seek leadership in this critical domain and make even greater use of its AI strength.

**Chapter 12:** In his contribution, **Mr. John Schurtz** writes that China is becoming a world leader in technology and military innovation. The CCP has placed high priority on achieving ambitious innovation objectives across the S/T spectrum, as is evidenced by its ‘Military-Civilian Fusion’ (MCF) development efforts. Moreover, the PLA has recognized the importance of leading the next wave of military innovation and is becoming poised to challenge the world’s most advanced militaries in the production of next generation high technology weapons systems. China will also continue to improve its innovativeness across the S/T and military domains, according to Mr. Schurtz. Consequently, he advises that the US must respond with its own national-level push to make advancements or risk losing its advantage in this critical domain, especially since there is great uncertainty surrounding how China will utilize its cutting edge technologies in the military domain.

### Part III. Durability of the Chinese Regime

**Chapter 13:** China is building a digital authoritarian regime that may assist in meeting the formidable economic, social, and political challenges that it is facing. **Dr. Nicholas D. Wright** explores the potential effects of this digitization on the durability of the PRC regime, which has survived for 69 years to date. While digitization is only one factor among a complex set of factors affecting the Chinese domestic political regime’s durability, digitization can strengthen regime durability in the short- to medium-term by providing a plausible route for ongoing regime control while at the same time making its citizens wealthy. Moreover, digitization provides the regime with a plausible story. Nonetheless, whether digitization will bolster regime durability or whether China will languish in a regime-threatening “middle income trap” of comparative economic failure may only become apparent over the long-term.

**Chapter 14:** **Dr. Nicholas D. Wright** discusses how China’s development of a digital authoritarian regime enables its influence over other states in a competition for global influence, delineating several ways in which this is accomplished. The first is through ideas—i.e., by providing a plausible model for authoritarian regimes to maintain control while making their citizens rich. The second is through export of digital systems, whose adoption may go unresisted due to their dual use capabilities. While the export of such systems may assist China in solidifying its influence over swing states’ regimes, China’s may ultimately lose its competition for influence if its model is not broadly attractive across these heterogeneous states. Key unknowns in this competition include future evolution of AI technology, as well as the way in which liberal democracies adapt to being digital political regimes.

### Part IV. What Outreach Activities Is China Undertaking Globally?

**Chapter 15:** **Dr. David R. Dorondo** comments on China’s aspiration to challenge the United States in Europe. He explains that modern alliances between the US and European nations have provided the US with a historically unprecedented degree of prosperity and security. However, today, these alliances are subject to increasing, immediate pressure from both internal (i.e., other European nations) and external actors, particularly China. Europe benefits significantly from access to Chinese markets for exports, and moreover, European nations share commonality of interest with China in several areas, such as the Joint Comprehensive Plan of Action (JCPOA), upon which the Chinese and European stance contrasts with that of the US. Dr. Dorondo writes that Chinese success in this region has the long-term potential to reduce European independence and undermine transatlantic relations.



**Chapter 16: Dr. Richard Weitz** explores Chinese relations in Eurasia, focusing on the case of Kazakhstan. Beijing’s objectives in that Central Asian country relate to counterterrorism, energy, transportation, and diplomacy. Chinese analysts view Kazakhstan as the gateway into Europe, and thus a crucial component to Beijing’s Belt and Road Initiative. In recent years, the Chinese government has prioritized repressing Uighur nationalists, gaining access to Kazakhstan’s oil and gas, making Kazakhstan a strategic hub for Chinese economic activities in Central Asia, and balancing other great powers, including the United States. In Kazakhstan and the other states of Eurasia, Chinese leaders seem comfortable with their traditional division of labor with Russia—with Moscow having the lead security role and Beijing enjoying opportunities to expand its economic presence. China has generally been discreet about laying claim to the region, seeking to avoid antagonizing Russia by appearing to threaten its core interests.

**Chapter 17:** China has replaced Russia as Central Asia’s largest source of trade and investment. Despite this seemingly significant increase in economic influence, **Dr. Eric McGlinchey** writes that Central Asians generally believe that Chinese investment projects benefit a narrow political elite and not the population broadly. Furthermore, Dr. McGlinchey suggests in his contribution that Central Asians do not see China in a positive light. Central Asians are upset with the Chinese treatment of Turkic and Muslim coethnics in northwest China. Moreover, they recognize the repression and corruption surrounding the CCP and believe the stories of Chinese encroachment on Central Asian lands that are constantly covered by their local media. Dr. McGlinchey states that Beijing must find a way to “shift these narratives of threat and corruption to ones of shared prosperity” if it wants Central Asians’ opinions to shift as well.

**Chapter 18: Dr. Allison Astorino-Courtois and Dr. Belinda Bragg** explore China’s key sensitivities on the Korean Peninsula. They present the deployment of a US Terminal High Altitude Area Defense (THAAD) system in the Republic of Korea (ROK) as an interesting case in which to examine China’s response to an event that it viewed as a significant threat to its key national security interests. Initially, China attempted to use bilateral diplomacy as a means to block deployment of THAAD and ramped up these diplomatic efforts over time. After the system was installed, China began to exert economic pressure on South Korea in order to gain its agreement on restrictions on use and future deployment of THAAD systems. Astorino-Courtois and Bragg illustrate that, by tolerating continued deployment of a single THAAD system, China was able to gain significant assurances regarding the future scope of South Korea’s alliance with the US. In doing so, China directly served one of its key national interests—increasing regional influence at the expense of the US.

**Chapter 19: Prof. Anoush Ehteshami** writes about China’s ‘look west’ strategy, i.e. its comprehensive Belt and Road Initiative, through which China is financing and building a web of infrastructure and transportation networks across Asia and into East Africa and Europe. He focuses on Central, West, and South Asia, as the success of the BRI is contingent upon the successful integration of as many of these regional economies as possible into its web of economic relationships. China also finds this region important due to its growing reliance on coal and the hydrocarbon resources of the Persian Gulf in West and Central Asia, as well as its desire to secure unhindered access to the crude oil, oil products, and natural gas exports of the Persian Gulf. Moreover, China sees the Indian Ocean as an area of strategic priority—as it does the South China Sea—and it has consequently begun building up its relationships with local South Asian nations. Given these dependencies, China has also exposed itself to a variety of security dilemmas and raised its vulnerability to instability.

**Chapter 20: Dr. Cynthia Watson** highlights China’s increasing engagement with Latin American in order to 1) guarantee long-term access to energy, natural resources, and food; 2) increase diplomatic

links to support China's global power aspirations and replace the US as the primary country for long-term relations in general; and 3) eliminate any existing recognition of Taipei as the legitimate regime in China. Although Latin America is nowhere near China's periphery, when the United States began to distance itself from the region to focus on the "war on terrorism," China recognized an opportunity and began strengthening its relationships with Latin American nations. Consequently, Dr. Watson highlights that Latin American countries are increasingly turning to China to fulfill their economic needs, as opposed to the US, which is rapidly losing influence in the region.

## Part V. How Should the US, Its Allies, and Partner Nations Manage These Challenges Globally?

**Chapter 21: Dr. Michael Mazarr** comments on China's growing power, including its military buildup, regional and eventual global ambitions, and "outsized self-conception," noting the challenges that these developments pose to US interests and the post-war, rule-based order more generally. He emphasizes, however, that the precise nature of the challenge—and thus the essence of the emerging competition—remains an open question. Mazarr argues for one possible answer to that question, emphasizing that the US and China are competing to shape the foundational global paradigm—the essential ideas, habits, and expectations that govern international politics. He notes that the competition is ultimately one of norms, narratives, and legitimacy. Mazarr concludes by suggesting that China is ill-prepared to win this competition, but that the US nonetheless could lose if it makes self-imposed mistakes.

**Chapter 22: Dr. Maorong Jiang** advises that the US develops a comprehensive strategy to guide US-China relations moving forward, noting the lack of efficacy of both the traditional approach and more recent practices. He proposes a new overarching strategic framework that embraces Chinese political and economic realities and uses those realities to US advantage in order to advance US national and international agendas. Jiang's proposed framework would utilize a soft-power deterrence approach to simultaneously engage, challenge, and integrate China. He argues that successful implementation of this strategy demands a flexible rather than reactive US-China policy, encompassing short-term (re-engagement), medium-term (challenging), and long-term (integrating) approaches. Adopting this strategy will advance US interests across the spectrum of cooperation, competition, and conflict throughout the coming decade.

**Chapter 23: Prof. Cynthia Roberts** cautions that, although international financial instruments are important and useful weapons for great power economic competition, the US must refrain from overusing such instruments. Due to the dominance of the US dollar and the centrality of the US economic and financial system to international commerce, the US possesses a unique set of economic and financial tools that it can use strategically against other nations. However, Prof. Roberts encourages US decision makers to consider the consequences of aggressively weaponizing finance and imposing economic costs on opponents, namely that countries may look to diversify to currencies other than the US dollar, such as the renminbi (RMB) or digital currencies, and also create parallel international financial institutions. Such developments could eventually reduce US dollar dominance. In the worst case, unintended consequences could result from US weaponization of finance, i.e. inadvertent escalation with an opponent. Prof. Roberts encourages the US to "create winning strategies that outcompete rivals, while discouraging miscalculations and averting worst case outcomes."

**Chapter 24:** Noting the breadth of the global challenge that the US-led western democratic world order faces with China's rise, **Lt. Col. Christopher D. Forrest** emphasizes the importance of the US focusing its time, energy, and resources on competing effectively in the gray zone as part of a long-

term strategic competition with the Chinese Communist Party. He indicates that, to effectively counter ongoing Chinese gray zone actions, this competition likely will require cultural and organizational changes, as well as a different lens through which to view US capability development and operations. Forrest's contribution establishes the foundations for this new focus and suggests some key areas for investment and capability development for the US military as well as other instruments of national power.

## PART I. CHINESE MOTIVATIONS, ASPIRATIONS, AND STRATEGY

### Chapter 1. Grappling with the Rise of China: A New Model for Thinking about Sino-American Relations

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#### Abstract

This short contribution has one main objective: to encourage the reader to think beyond the traditional “engagement” versus “containment” framework that has dominated the discussions of US-China relations over the past two decades. I hope to show that there is an important alternative approach, one that not only explains China’s recent increased “assertiveness” in foreign policy but also allows us to set Chinese behavior within the last three hundred years of great power geopolitics. This alternative model can help American decision-makers craft a balanced policy that fosters security and prosperity while avoiding the problems inherent in both of the traditional options.

#### The Models

The debate between the advocates of engagement and containment has revolved around disagreement over two key variables: whether a rising China will actually overtake the United States in economic power and what kind of state China will be if it does become the number one economy in the world. The engagement camp tends to argue that (a) it is not certain that China will ever surpass America in economic power (relative GDP measured via exchange rates), and (b) that even if it did, there are a whole host of reasons to believe that China would be moderate in its foreign policies, even if it is increasingly authoritarian at home. The containment camp starts from the premise that China will overtake the US in GDP (at least if engagement continues) and that once China is the dominant economic power, it will become truly expansionist in its region, and perhaps beyond. Yet if we restrict its economic growth and stand up to its adventurism in East Asia now, America can preserve its dominant position and keep the peace.

Underpinning these positions are certain assumptions. Advocates of engagement tend to argue that China today, even under Xi Jinping, is quite different from the China or Russia we confronted in the Cold War era, and that Chinese leaders’ commitment to high levels of trade give them an incentive to act moderately, even if China catches up and overtakes the United States in total GDP. Advocates of containment believe that recent Chinese policies regarding military modernization and the South China Sea indicate that Chinese leaders are driven by status and glory goals, if not also by ideological ends. High trade levels do not constrain such states and indeed may only make things worse by increasing China’s ability to project power and to leverage its trading partners.

There are a number of problems with above two models as they stand. The engagement model only captures the positive benefits of commerce – the gains from trade that give a leader an incentive to avoid conflict. It downplays the extent to which high levels of dependence on vital raw materials and foreign markets can push great powers in history to expand their economic power spheres, sometimes through force, to ensure continued trade into the future. The model thus ignores the extent to which China will be driven to support its Belt and Road Initiative (BRI) by strong economic

and even military policies to secure access to goods and markets. The containment model's main downside is this: it ignores or minimizes the extent to which Chinese leaders are *already* worried about their ability to sustain economic growth into the future and about how a US switch to containment could push them into much more hostile actions, sparking a cold war spiral or worse. In short, China's recent "assertiveness" may be driven not by a new confidence and drive for status. Rather, it may reflect Chinese leaders' anticipation of a peaking of relative power *if they don't push harder now* to establish a Chinese sphere of economic influence, one that can sustain GDP growth and ensure the stability of the Chinese Communist Party's (CCP) rule at home into the future.

The third, alternative approach – the stabilization model – takes the other two logics' strengths and leaves behind their weaknesses. It starts from a premise that is nicely supported by geopolitical history, namely, that *great powers are constantly driven by uncertainty and insecurity about the future to expand their commercial spheres of influence*. Even when they do this in moderate ways, they bump up against one another, sparking competitions over raw materials and markets. Yet when these competitions lead dependent states to fear for their ability to maintain access to goods and markets, their negative expectations for the future and fear of relative decline can push them into military actions that lead to dangerous great power crises and war (Japan's attack on Pearl Harbor after American cut-offs from oil and raw materials is one such example) (Copeland, 2000; Copeland, 2015). Bottom-line, given that fears for the future drive great powers into conflict and war, *states should seek to stabilize each other's expectations about the future commercial environment and relative power positions in order to moderate the incentive for either side to engage in destabilizing behavior*.

The stabilization model focuses on the trade-offs states face when determining their best policies. China has indeed benefitted from trade over the last thirty years. It thus has an incentive to act moderately, if only to make sure that it avoids an action-reaction spiral that creates the one thing that Chinese leaders fear above all else: an end to the trade-driven growth that has sustained the CCP's internal legitimacy and hold on power. Yet in the anarchic world of great power politics, great power leaders must act to ensure that they can protect their access to resources and markets and deter other great powers from threatening that access. This is why all great powers after 1890, including the United States, built strong navies to secure their lines of communication and trade. This is why America put such emphasis on the free flow of oil out of the Middle East after 1940. The tension here, for any great power, is straight-forward: *it must grow and protect its economic power sphere while simultaneously trying not to provoke counter-balancing and containment from other great powers, which are also seeking to grow and protect their economic power spheres*.

This is China's core dilemma today. Now that it has entered a period of slower growth (5-6% rather than the 10-12% of 1990-2012), it must use such policies as the BRI to increase access to cheap raw materials and markets or risk seeing a slowdown to 2-3% growth (or the 0-1% growth Japan experienced after 1991). And like great powers of old, China feels the necessity of projecting greater military power, particularly naval power, to protect its growing economic sphere and trade routes. In this sense, the stabilization model provides an important corrective to the containment camp's approach. China's military modernization and projection into the South China Sea is not primarily about glory or status, but about anxiety regarding the Malacca Strait and Beijing's belief that a stronger position in the Spratly Islands will dissuade any American leader from using the threat of a trade cut-off to leverage China on foreign policy issues.<sup>1</sup>

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<sup>1</sup> Likewise, China's shift to increasing authoritarianism at home and its repression of ethnic minorities in Tibet and Xinjiang reflect its fear of reliving its historical problem of civil strife during periods of modernization (e.g., 1910-49, 1960-69, 1985-89) more than a confidence that China's "new model" of socio-economic organization will gain adherents around the world.

From the perspective of the stabilization model, one cannot look at recent Chinese behavior in the South China Sea and assume that the premises of the containment model are confirmed. It is much more likely that China's new assertiveness is driven most fundamentally by fears of future commercial access rather than by status goals. *Beijing's anticipation of a peaking in power if China does not keep expanding its trade is primary.* Xi Jinping's speeches over the last seven years are filled with statements expressing his underlying uncertainty about China's ability to sustain even the "new normal" of 6% growth without ongoing innovation and open access to raw materials and markets, facilitated by the BRI. The implications of a further slowdown in growth on China's domestic stability, as Xi and his officials understand all too well, are enormous (Xi, 2018).

This fear of peaking is a classic concern of rising great powers in history. Yet from the perspective of the stabilization model, it is critical for American policy-makers to place China's recent behavior within the larger context of global great power history, in order to avoid overreacting to Beijing's "new assertiveness." In particular, it is important to note that China has been much less bold and assertive than comparable rising great powers in history – Britain after 1720 and 1815, Germany and Japan after 1895, and the United States after 1898, for example. Britain, Germany, and Japan used gunboat diplomacy and colonial empires to protect and enhance their economic power spheres. The United States secured access to vital goods and markets through a more informal, non-colonial approach. Nonetheless, it still put boots on the ground in the Caribbean and Central America more than twenty-five times between 1898 and 1930 in support of its economic and geostrategic objectives. China, for all its faults, has not had a significant military intervention in its region since before its period of reform (the 1979 punitive attack on Vietnam).

This does not mean China is somehow "nicer" than historical great powers. There have been, and still are, good geopolitical reasons for China's cautious behavior compared to what we've seen in the past. There is, of course, China's huge need to keep trade and investment flows going, as mentioned above. This need only gets stronger over time as Chinese leaders seek to offset factors that have already started to slow its growth rate, including industrial over-capacity, environmental degradation, high debt, an aging population, and a currency that is not truly convertible.<sup>2</sup> But there are at least three other important factors that constrain Beijing's behavior. The first is the fact that China, given its huge population, will have one-quarter of America's GDP per capita for quite some time to come. This greatly limits its ability to match the US in global military power without harming its economic growth prospects (as the Soviets realized by the 1980s). Second, China is rising in a world with only one dominant economic and naval power – the United States – and thus must worry about being the focus of this power's wrath should it build its naval power projection capability too quickly (Germany, Japan, and the United States in the 1890s could develop their navies knowing Britain would be torn on which rising state to target).

The third factor constraining China is its geography. The United States can project naval power across two oceans, while China is hemmed in by a series of island chains as well as by choke points such as the Malacca Strait. Chinese leaders are well aware that gaining control of the Malacca Strait would do little for China's ability to control access to Middle Eastern and African raw materials and oil. The US and Indian navies could simply restrict access through the Andaman and Nicobar islands, if they so desired. Hence, the recent militarization of South China Sea atolls is part of a Chinese effort to *deter* any US policy to employ the Malacca Strait as a point of economic leverage, rather than the opening move to push the Americans and Indians out of the Indian Ocean, let alone challenge US global naval

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<sup>2</sup> Most China experts are doubtful that China can easily overcome such problems, a view that reinforces the point that Washington must be careful not to overreact to China's rise. It is China's possible future peaking and then decline that is more of a concern (Beckley, 2018; Economy, 2018; Minzner, 2018).

dominance. Chinese leaders know what happened to Germany in response to its *Weltpolitik* strategy after 1897 – economic and political encirclement leading to decline and incentives for preventive war – and they are anxious to avoid anything resembling a repeat of the 1900-1914 period.

## Policy Implications

In practical policy terms, the stabilization model's package of recommendations differs significantly from those of the other two approaches. On economic policy, the model agrees with the engagement argument that trade can be a good thing, since it gives both sides an incentive to maintain a stable peace and to avoid spirals of misunderstanding. Yet this is only true under two conditions: first, that one state is not suffering severe long-term losses in relative economic power as a result of trade, and second, that both states have positive expectations that the trade will continue into the future. These two conditions can be in tension with one another. A state that believes it is relatively declining due to trade may decide to cut off trade to reduce this relative loss, but such an action can cause the rising state to believe *it* is going to decline and that only hard-line expansionist policies can secure its access to raw material and markets. This, in a nutshell, was the dynamic that led to a deterioration in US-Japanese relations in East Asia between 1938 and 1941. The Chinese are very much aware of the need to avoid a repeat of this scenario, especially now that they have become almost as dependent on foreigners for vital goods and markets as was Japan by the 1930s.

From a tactical point of view, China's high dependence does of course provide Washington with leverage in trade talks. And this leverage should be employed. Yet US officials need to recognize the potentially big downside to going further, that is, to trying to economically contain China as part of a new, more hard-line grand strategy. Such a posture might have worked to prevent China's relative rise had it been started in the late 1980s (albeit at a cost of increased tension). But now that China is so dependent on trade, a growing belief in Beijing that the country is going to be cut off from the resources and markets it needs to sustain domestic stability and its position as a great power – and that Washington is not amenable to a diplomatic solution – may lead China and the United States into a new cold war. The risk of Cuban-Missile-type crises over commercial and political spheres of influence would rise accordingly.

In short, Washington does need to use certain forms of tariffs and other restrictions as bargaining chips to help create a more level economic playing field. Yet US officials must avoid giving the impression that these restrictions are part of a concerted campaign, as during the Cold War, to undermine China's economy in absolute terms. Most importantly, China needs to be reassured that it will continue to have access to low-priced raw material imports from abroad. Twenty-five percent tariffs on exports to the United States are one thing. But as we learned in 1941, cutting a state off from the vital resources that support its whole economic structure can lead to disaster. Positive expectations of access to trade through the Malacca Strait and elsewhere are therefore crucial to avoiding a trade-security spiral that leads to a new cold war or worse.

In essence, the goal both economically and politically is to create a situation where both states believe they will continue to grow in absolute terms but where neither side is fearful of severe relative or absolute decline that would leave it vulnerable to external threats or civil unrest in the future. *Both the United States and China must therefore work hard to stabilize each other's expectations of the future trade environment*, notwithstanding any hard bargaining on the specific terms of the commercial relationship, including intellectual property, state subsidies, exchange rates, and trade and investment flows. There must be push-back on China's neo-mercantilist policies to avoid further relative US economic losses. Yet "containment" in the 1947-1987 sense should not be the strategic

objective. Given Chinese worries that their economy is already slowing down, containment would only spur Beijing to take harder-line steps to avert economic encirclement and internal unrest.

In political terms, the “middle way” of the stabilization model indicates that while it is necessary for Washington to play the great power game, it is dangerous to paint China as an ideologically-driven actor of the kind we saw in the Maoist period. To be sure, China under Xi is more authoritarian and repressive than it has been for decades. Yet in foreign policy, it is more interested in securing strong and dependable trading partners – whether authoritarian or democratic – than it is in dominating these partners ideologically or with military forces, as the Soviet Union and China did in the Cold War. Accordingly, both autocratic and liberal states in Asia, Europe, and Africa have become involved in the activities of China’s BRI and its Asia Infrastructure and Investment Bank (AIIB). Moreover, in the ongoing competition between America and China to build and protect their economic power spheres, it is easy to forget about the two main cards the United States holds in its deck: the attractiveness of the US-led alliance system based on a non-colonial liberal ideology; and the dominance of the American dollar and the inability of China to create a truly convertible currency.<sup>3</sup> Even if China’s BRI and AIIB policies are successful, this does not mean that the states of Europe, Asia, and Africa will automatically fall into the Chinese economic sphere. These states will want to stay aligned with Washington to maintain their sovereignty. And even if China helps build infrastructures that allow BRI recipients to extract raw materials, there is nothing Beijing can do to force these states to sell these goods to China. Indeed, they will be inclined to sell to countries that can offer them dollars, euros, or yen, since the renminbi is not very useful for buying things on the world market.<sup>4</sup> The United States is in a strong position going into the next phase of the Sino-American relationship, and we must recognize this fact.

## Summing Up

My goal in this memo has been a straight-forward one: to show that there is indeed a “third way” to think about Sino-American relations, one that lies between the traditional dichotomy of engagement and containment. The stabilization model suggests that the United States *does* have to be concerned about China’s relative growth through neo-mercantilist economic policies and its expansion of its commercial power sphere. This means hard bargaining and drawing lines. Yet because Chinese leaders are driven mainly by insecurity for the future and the implications of economic stagnation for the CCP’s domestic hold on power, we should be cautious about provoking undesired spirals of mistrust and hostility. China is more like a normal rising great power in world history – worried about sustaining its commercial access and relative power position – than it is like a Maoist or Stalinist state compelled to spread a universalistic ideology around the world. By understanding the mistakes that led to wars in the past, we can avoid making the same mistakes in the future.

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<sup>3</sup> There has never been an authoritarian state in history that has had a truly convertible (“global”) currency, for a reason that Chinese officials well understand: a convertible currency would encourage wealthier citizens fed up with oppression at home to flee the country and take their money with them.

<sup>4</sup> The great irony of the BRI is that China will likely end up helping western countries obtain better access to more plentiful and cheaper raw materials than before Beijing’s initiative.



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## Chapter 2. Chinese Views of Information and Implications for the United States

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### Abstract

When it comes to Chinese activities in the information domain, much of the public's attention has been focused on its information extraction activities. Hacking of US government databases, such as the Office of Personnel Management (OPM) as well as various corporations have tended to dominate the American public's discourse on Chinese information activities. However, understanding the reasons and strategy underlying China's actions is essential, for this context shapes the Chinese approach to information and information technologies, which includes artificial intelligence, quantum computing, and space operations.

### How China Sees Information and Future Power

The most important element, as reflected in Chinese writings regarding the nature of future power, as well as on informationized warfare, information warfare, and information operations, is that ***the Chinese leadership sees information as inextricably linked to both the broader national interest and to regime (or at least CCP) survival***. It is important to note here that this is *not* simply about the role of information in wartime. The Chinese leadership is not solely focused on how information might be applied in a military conflict; rather, they see it as being a determinative factor in the ongoing competition among states writ large.

This, as Chinese writings emphasize, is because of the ascendant role of information in the 21<sup>st</sup> century's economic and political realities. In their view, we are living in the Information Age, and the ability to gather accurate information in a timely manner, transmit and analyze it, and then rapidly exploit it, is the key to success. These abilities are the centerpiece of any effort to achieve "information dominance"—the ability to gather, transmit, analyze, and exploit information more rapidly and accurately in support of one's own ends, while denying an adversary the ability to do the same.

At the same time, however, the free flow of information constitutes a dire potential threat to the Chinese Communist Party's (CCP) rule. While the CCP may no longer emphasize ideological arguments of "from each according to their ability, to each according to their needs," it remains firmly committed to its role as the "vanguard party," and therefore, the sole legitimate political authority in the PRC. It also likely sees the collapse of the Soviet Union as a consequence of the failure to retain the "vanguard party" role, and as important, the liberalization of informational controls. The policies of *glasnost* and *perestroika*, of opening and reform, led to the downfall of the other major Communist Party. Just as information is the currency of economic and military power, it is also the basis for political power.

This *maodun* (矛盾), or conundrum, sets the stage for the second key conclusion. As an authoritarian party, and with the fate of the Communist Party of the Soviet Union as an object lesson, the CCP cannot afford to allow the free flow of information. This would allow too many challenges to its rule. ***The Chinese leadership therefore will seek to control the flow of information.***

To some extent, efforts at exerting this control are merely sustaining longstanding policies. The CCP has long demonstrated a willingness to employ extravagant lengths, such as the massive organizational infrastructure to support censorship, to limit that flow of information. Such efforts, moreover, predate the Internet, as the CCP has never been comfortable with free and open access to information, whether it was print or broadcast media. However, because of the nature of the Information Age, including extensive interconnections and linkages across various information networks, the CCP cannot only control the flow of information *within* China. Instead, it must also now control the flow of information *to* China.

This effort to control the external flow of information constitutes a fundamental, qualitative change in how nations approach information as a resource. Of course, states have long sought to shape and influence how they are portrayed. Limiting access to outside information is also not a new phenomena. However, the Chinese efforts, in light of their views of the qualitative changes wrought by the rise of the Information Age, are different in scale and scope. Controlling information now means limiting not just foreign newspapers and television programs, but the functioning of the Internet, on a global scale.

Some of this may be achieved through technical means. The “Great Firewall of China,” for example, is a major undertaking to examine, in detail, the data streams that are trying to enter the PRC. Similarly, Chinese state-run telecoms reportedly hijack and redirect portions of the Internet that are not normally intended for Chinese destinations.

However, China’s efforts are not limited to the technical side. The effort to influence, if not control, the functioning of the Internet extends to how the PRC looks upon the international system, including the governance of the international common spaces. ***If the Chinese are going to control and influence information flow to China, then it will have to shape and mold the international structures which manage that information flow.*** This is not to suggest that China is about to overthrow the current system. Chinese writings regularly note that the PRC is still in the period of “strategic opportunity,” which China needs to exploit, if it is to improve itself and elevate itself to the ranks of middle-developed powers (Yuan, 2012; Xu, 2013; Zhang, 2015). Thus, China must continue to pursue policies of peaceful development and interaction.

As China has grown steadily more powerful, though, it has increasingly questioned the underlying international structures that more and more often constrain its behavior. These structures, as Chinese writings note, were often formulated without input from the PRC. A reviving China, as well as a CCP intent on staying in power, increasingly chafes at these externally imposed limitations.

Nonetheless, challenging the current structure assumes greater urgency as ***the PRC, and especially the CCP, also sees itself as increasingly in competition with the other major powers, especially the United States.*** It is the United States that champions Internet freedom and, more broadly, the free flow of information. Moreover, as many Chinese officials have argued, it is American policies that encourage China’s neighbors to challenge Chinese hegemony over its littoral waters, or help sustain the Dalai Lama and other sources of internal instability.

This does not mean that the PRC believes that war or armed conflict is inevitable. Indeed, there is no reason to think that, in the short-term (the next decade or so), that the PRC would actively engage in an armed attack on its neighbors. Unlike the Cold War, there is no “Fulda Gap” scenario to concentrate upon.

At the same time, the Chinese leadership is well aware of the utility of pursuing its ends through a variety of means, including “hybrid warfare.” China has demonstrated an ability to employ fishing boats and civilian law enforcement vessels to pursue its territorial agenda. If Chinese warships are not shooting at foreign craft, Chinese fishing boats have had fewer compunctions about physically interfering with foreign vessels’ operations. The world’s information networks, where attributing actions are much harder, would seem to be the ideal environment for waging the kind of gray conflict typical of hybrid warfare.

Therefore, at the strategic level, the PRC will be constantly striving to shape both domestic and foreign views of itself through the information that it transmits and projects. Meanwhile, it will be trying to determine and dictate how others view China, as well as identifying their strengths and weaknesses. These efforts are no different than how every state behaves, in terms of collecting intelligence about potential allies and adversaries.

Where the PRC has diverged from other states’ practices, however, is their growing focus on dominating the information-space in both peacetime and wartime. In particular, Chinese efforts to establish information dominance, while somewhat constrained in peacetime by the international system, are likely to be more comprehensive as well as much more pronounced in the event of war.

This is reflected in Chinese military developments of the past several years, which are themselves ***the culmination of nearly a quarter century of thought regarding the shape and requirements of future warfare.*** The Chinese concept of “informationized local wars” reflects this ongoing evolution, with its focus on the role of information in all aspects of future warfare. This concept grows out of the lessons initially derived from observing the allied coalition in the first Gulf War of 1990-1991, leavened with observations from the Balkan Wars of the 1990s and the American invasions of Afghanistan and Iraq. Thus, the People’s Liberation Army (PLA) initially conceived of future wars as “local wars under modern, high-technology conditions,” but then concluded that not all high technology was equally important.

With the conclusion that information technology is the foremost element of high technology, reflecting the larger strategic shift from the Industrial Age to the Information Age, the PLA has subsequently developed new doctrine to link its concept of future wars to the kinds of forces it will field and the kinds of operations they will conduct. In the process, the PLA appears to again be refining its views.

From an initial focus on network warfare, electronic warfare, and psychological warfare, it is not apparently emphasizing command and control warfare, and intelligence warfare. The implication would seem to be that not all networks, electronic systems, or leaders are equally important; instead, those in key decision-making roles, and the people and systems that inform their decisions, should be higher priority targets. It is important to note here that this does not mean that the PLA will neglect other networks, systems, or personnel (e.g., logistics, combat units) in its pursuit of winning future informationized wars. Rather, it reflects priorities for allocating resources and developing capabilities.

This may be seen in the efforts of the last several years in fielding various types of new equipment and improved joint training. Alongside new fighters, warships, and self-propelled artillery are an array of new unmanned aerial vehicles, electronic warfare platforms, and sensors. The massive reorganization of late 2015 and early 2016 marks a major waypoint in this steady effort to prepare the PLA “to fight and win future local wars under informationized conditions.”

Especially important is outer space. One of the key domains of Hu Jintao's "New Historic Missions" for the PLA (alongside the maritime and electromagnetic domains), the PLA clearly views the ability to establish "space dominance (*zhitian quan*; 制天权)" as a key element of future "informationized local wars." But space is important not as a place or domain, but because of its role in gathering, transmitting, and allowing the exploitation of information. Consequently, efforts to establish space dominance are not necessarily focused on anti-satellite missiles or co-orbital satellite killers. A special operations force that can destroy a mission control facility, or an insider threat that can insert malware into a space tracking system, are as much means of achieving space dominance.

## How Chinese Conclusions Will Shape Chinese Actions

Given these Chinese conclusions, there are certain implications that arise, which are reflected in Chinese behavior.

**Chinese actions must be holistic, and will be comprehensive.** The PRC still sees itself as a developing country. Despite being the second-largest GDP in the world, this must be spread over a population of 1.3 billion. As important, China is not necessarily wealthy; while it has enormous untapped human and physical potential, until that is converted into actual capacity and capability, much of China will remain poor. In this light, the Chinese are likely to pursue more of a whole-of-government approach, if only to leverage its available resources. Thus, whereas the United States has both a military and a civilian space program (the latter divided into three substantial segments), China is unlikely to pursue such a strategy that demands extensive redundancy and overlap.

This will likely be reinforced by the high priority accorded informationization in general. While various senior level efforts have been halting at times, Xi Jinping has clearly made informationizing China a major policy focus. Insofar as the Chinese see their future inextricably embedded in the Information Age, these efforts will enjoy highest level support, with efforts to reduce stove-piping and enhance cross-bureaucracy cooperation. This, in turn, will mean not only greater cooperation within the military but also between the military and the other national security bureaucracies, as well as with the larger range of Chinese ministries, and both public and private enterprises.

**Chinese actions are determined by Chinese priorities and are unlikely to be heavily influenced by external pressure or blandishments.** If the Chinese leadership sees information as integral to national survival and views economic espionage as part of the process of obtaining necessary information, then it will not be easily dissuaded. Similarly, insofar as the Chinese leadership links information flow with regime survival, Beijing will also restrict and channel information flow in ways that meet internal security requirements. To this end, the targets of Chinese actions will have to impose very high costs on Beijing, so that the gains are not worthwhile to the PRC, if they seek to alter the Chinese approach.

The difficulty of influencing Beijing is exacerbated by the Chinese leadership's sense that it is already in a strategic competition with various other states. The CCP perceives challenges to its security stemming not only from the United States but also from Russia, India, and Japan, as well as certain non-state actors such as Uighur and Tibetan separatists. Indeed, it is essential to recognize that the Chinese leadership sees itself as already engaging in multilateral deterrence—a position it has adopted since at least the 1960s, when it believed it was facing threats from both the Soviet Union and the United States.

Chinese views about the extent of threats are further reinforced by the reality that the information space is both virtual and global; it is therefore not currently restricted by any national borders. For the Chinese leadership, controlling information flow and content therefore entails operating not just within the Chinese portion of information space, but globally. It requires accessing foreign information sources and influencing foreign decision-makers, while preventing outside powers from being able to do the same in China.

As a result, the PRC is undertaking an increasing array of actions beyond its own borders, striving to dominate what had previously been part of shared spaces. This applies not only to the information space, such as the Internet, but also physical domains such as the seas and outer space. Indeed, one can see parallels among Chinese efforts to dominate the South China Sea, its growing array of counter-space capabilities, and its efforts to control and dominate the information space. In each case, the PRC is intent upon extending Chinese sovereignty, including its rules and its administrative prerogatives, over what had previously been open domains.

In this regard, Chinese actions are justified by a very different perspective on the functioning of national and international law. Indeed, Chinese views of legal warfare occur in the context of a historical and cultural view of the role of law that is very different from that in the West. At base, the Chinese subscribe to the concept of rule *by* law, rather than the rule *of* law. That is, the law serves as an instrument by which authority is exercised, but does not constrain the exercise of authority.

In the broadest sense, pre-1911 Chinese society viewed the law from an instrumental perspective. That is, the imperial authorities saw the law as a means by which they could control the population but not restrict their own authority. Laws were secondary to the network of obligations enunciated under the Confucian ethic. The Legalist “school” of ancient China placed more emphasis on the creation of legal codes (versus the ethical codes preferred by the Confucians), but ultimately also saw the law as a means of enforcing societal and state control of the population. No strong tradition ever developed in China that saw the law as applying to the ruler as much as to the ruled.

During the early years of the PRC, Chinese legal development was influenced by the Marxist perspective that the “law should serve as an ideological instrument of politics” (Orts, 2001). Consequently, the CCP during the formative years of the PRC saw the law in the same terms as imperial China. The law served as essentially an instrument of governance but not a constraint upon the Party, much less the Great Helmsman, Mao Zedong. In any case, the Party exercised rule by decree, rather than through the provision of legal mechanisms. Mao himself, during the Cultural Revolution, effectively abolished both the judiciary and the legal structure (Murray, 1999, 43; Perkins, 2000, 235). Since Mao’s passing, while there have been efforts at developing a body of laws, most have been in the area of commercial and contract law. Moreover, the law remains an instrument that applies primarily to the masses as opposed to the Party, i.e., the law exists to serve authority, not to constrain it.

This has meant that the Chinese government employs laws, treaties, and other legal instruments to achieve their ends, even when they fly in the face of traditional legal understanding or original intentions. Thus, the Chinese do not see their efforts to extend Chinese authority over shared spaces as inconsistent with international law, but as part of political warfare; opposition to their efforts is similarly seen as an effort to contain China and to threaten CCP rule.

Consequently, Chinese efforts to dominate information space strive not only to control the flow of information but to delegitimize the idea of the information realm as a shared space, accessible to a variety of groups. Chinese authorities have striven to limit the role of non-state players in setting the

rules for the Internet. At the same time, it has also sought to limit the access of dissidents, Taiwan political authorities, Tibetan activists, and others who have tried to oppose China's position to not only Chinese audiences but global ones. Given the Chinese leadership's view of the existential threat posed by information (whether inside or outside China), such efforts are perceived as defensive efforts aimed at preserving the regime.

**China is likely to pursue a form of informational isolationism.** The Chinese solution to the challenge of information vulnerability is to restrict the flow of information. This is not intended to replicate the extreme North Korean form of isolation, but to align information flows ideally "with Chinese characteristics." Indeed, Beijing strives to make itself informationally autarkic, wholly self-dependent in terms of information access, information generation, and information transmission. Thus, the PRC has created Chinese versions of information companies, is pursuing a homegrown semiconductor industry to substitute for imported computer components (as part of the "Made in China 2025" effort), and otherwise tries to limit informational access to and from China.

This is an ironic rejection of the very macroeconomic policies of the past four decades that have allowed China to succeed and advance. But, just as the CCP accepts performance costs in the speed of the Chinese Internet (imposed by the nature of the Great Firewall of China), they accept the economic and innovative opportunity costs that are imposed by the broader restrictions imposed on information flow. This is a dangerous bargain, however, as CCP leaders appear to be trading longer term economic growth for short-term stability and curbing immediate challenges to their authority. If the Chinese leaders are correct that future development of "comprehensive national power (CNP)" is directly tied to the ability to exploit information, then their actions are likely, in the long run, to actually limit future CNP growth.

It is important to note, however, that this isolationism does *not* mean closing China off from the rest of the world's information. Reports that China actively redirects and hijacks entire segments of the Internet to Chinese servers (presumably for later examination and analysis) highlight that Chinese leaders want to control what comes into China, not simply exclude it (Demchak & Shavitt, 2018). As important, they are willing to undertake actions that affect, and could alienate, many other states and actors in pursuit of this end.

## Implications for American Policy Makers

Given the Chinese conclusions regarding the impact of information on Chinese strategy and policy, American decision makers need to recognize the extent to which the United States is already in competition with the PRC. This, in turn, has implications for a variety of American policies. Similarly, all those involved in the national security enterprise, not simply decision-makers, need to recognize the range of efforts that the PRC is undertaking and begin to move to counter them.

## The United States and China are competing

The foremost consideration must be the recognition that the Chinese leadership sees itself in competition with the United States, and with the rest of the world writ large, and arguably in a state of conflict. It is important to note that *competition* does not imply *war*. The PRC clearly does not operate as though it is in a state of armed conflict with the United States, nor with its neighbors. But it does see its relations with many of these states, including the United States and Japan, as fundamentally adversarial in nature. Restrictions on access to advanced technology, imposed in the wake of the Tiananmen Massacre in 1989, subsequent additional restrictions on transfers of space

and other technology, limitations on Chinese ability to acquire various Western corporations, all are seen as denoting an unfriendly stance towards China.

There is a recognition among various key decision-makers that China is one of the foremost security competitors of the United States. The 1999 Cox Commission report, the annual Worldwide Threat Assessment provided by the Office of the Director of National Intelligence, the annual DOD report to Congress on China, all make clear that China is increasingly challenging American security constructs in the western Pacific and globally. This involves not only Chinese development of an array of new capabilities in its armed forces but in the realm of information warfare capabilities.

Ironically, many of the concepts underlying these new capabilities appear to parallel American ones. Chinese descriptions of the need to establish information dominance correspond to American writings regarding the need to understand and exploit the information environment, especially as embodied in Joint Publication 3-13 *Information Operations* (Joint, 2014).<sup>5</sup> In terms of military doctrinal writings, the two sides' uniformed services clearly share some common ground.

### The United States and China are competing orthogonally

The difference between the Chinese and American approaches to information warfare, despite certain similarities in doctrinal writings, typifies the larger, more fundamental chasm separating the two nations. In many ways, American leaders do not recognize how the two states are competing.

What is essential is understanding the extent to which Chinese and American concepts approach the entire realm of information, including informationized warfare, from very different starting points. The two sides are not so much *asymmetric* (implying a different approach to a problem from a common starting point), as *orthogonal* (implying a completely different set of starting points for the two parties). For example, publications from the Joint Chiefs of Staff, such as doctrinal statements regarding information operations or space operations, only apply to American military forces, operating under the restrictions imposed by American laws (e.g., the separation of military, Title 10, functions from intelligence, Title 50, functions). Chinese writings, by contrast, clearly encompass all national information resources, whether military, civilian, or non-governmental.

At a more fundamental level, American policy-makers recognize that there are large swathes of information that are not likely to be accessible to the government due to considerations of privacy. Few legislators or presidents would seriously consider creating a "social credit score" that the PRC is actively striving to implement.

Part of this difference is rooted in the fundamentally different historic circumstances that frame the contexts for Chinese and American decision-makers. As noted earlier, East and West have radically different perspectives on the role and nature of law, whether it constrains authority or not. Similarly, the United States, for example, ultimately believes in the free flow of information. The Constitution and the rights enshrined therein essentially guarantee a minimum of governmental interference in the transmission of information, such as through freedom of the press, freedom of expression, and freedom of assembly. As important, there has long been a role for a robust civil society in the West's more liberal conception of the interplay between state and society. The very recognition that the two are discrete elements, distinct from each other, reflects this core concept.

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<sup>5</sup> It is useful to examine the evolution of this joint publication, from the 1998 version (then entitled *Joint Doctrine for Information Operations*), through the 2006, 2012, and 2014 revisions.



By contrast, the CCP has clearly demonstrated that it is not prepared to countenance free and open expression of information. And the pervasive presence of Party committees ensures that civil society develops in China only under Party guidance and supervision. This view is not simply the product of the CCP's positions, but it is more deeply rooted in various aspects of Chinese culture and history, including the very different views regarding the role of the law. It should not be surprising, then, that there is no "right to privacy" in the PRC.

For this reason, the Chinese should not be seen as pursuing an *asymmetric* approach, because "asymmetric" implies a different approach from a comparable starting point for roughly similar ends. Beijing's starting point is one that is fundamentally dissimilar, shaped by wholly different circumstances. It should not be surprising that this radically alternative contextual framework leads to constraints and objectives that are wildly divergent from our own—in short, *orthogonal*.

In this regard, it is not that the US and China are necessarily pursuing *antagonistic* goals. Indeed, the two sides may at times find themselves in agreement on ends, means, or both. At other times, they will find themselves pursuing mutually unrelated objectives. However, more and more often, the two states will find themselves at odds, as the two states' interests intersect, albeit for different reasons.

Most fundamentally, the American interest in maintaining a free flow of information on a global scale, for philosophical, political, commercial, and military reasons, will constitute a challenge to the Chinese, and specifically the CCP's, vision of its interests. So long as the CCP sees regime survival as tantamount to national survival ("l'état, c'est nous"), then such efforts will also be seen as jeopardizing the Party's grip on power, even if that is not the motivation underlying American efforts.

### The competition is all-encompassing

For the same reason, the Chinese leadership sees the competition with the United States, and the larger liberal Western order, as all-encompassing. In the first place, the Chinese concern about raising their "comprehensive national power" requires that the PRC improve itself, not simply in military or economic terms, but across the board. This will include elevating the level of sophistication of the economy, expanding its scientific and technological prowess, obtaining greater political unity, and securing more diplomatic respect. All of these aspects entail some degree of information operations, whether it is engaging in espionage, gathering intelligence, exerting influence, or preparing for military operations. Because of the emphasis on improving China's position during this period of "strategic opportunity," there is little likelihood of any abatement in various Chinese information activities, including economic and technological espionage or efforts at extending global influence.

Moreover, from Beijing's perspective, determining who controls the flow information across the globe and who has access to that information is not only a fundamental national security issue but one touching on regime survival. The United States subscribes to the view that there are multiple legitimate stakeholders in determining who should have access. This is reflected in the American support for ICANN, and its inclusive stance on who gets to participate in the rules-setting regime. The free flow of information does not affect the fundamental stability of the United States or its institutions.

For the Chinese leadership, allowing such a wide variety of groups to have unfettered access to the dissemination of information necessarily poses a fundamental threat. Information can not only affect China's future security, but more importantly, it *will* affect the CCP's ability to retain power. In the first place, if this divergence is left unchecked, then there will be a proliferation of potential sources of information. This would make it virtually impossible for the PRC to limit its flow. As important, the

greater the variety of players providing information, the more likely that it will include sources such as religious groups, separatists, and dissidents. That, in turn, would begin to make such groups, and their messaging, appear legitimate to Chinese audiences, and therefore pose a greater challenge to the CCP.

Therefore, the PRC wants to restrict access, ideally, to state-level players—hence, its support for transferring administration of the Internet to entities such as the United Nations International Telecommunications Union (ITU). If successful, this would minimize the range of players while affording Beijing maximum leverage over each of them. China is more likely to successfully pressure states into denying groups Internet addresses and the like, by employing its economic strength (this would be a case of asymmetric pressures). By contrast, the greater the role for civil society organizations (NGOs, press entities, religious organizations), the harder it will be to suppress the introduction of unfriendly information.

This same persistence will mark Chinese military activities. There will, on the one hand, be a growing effort on the part of the Chinese military to obtain information about potential adversaries, including not only the United States but Taiwan, Japan, Vietnam, India, and also Russia. This will include not only technical information about weapons systems but information about organization and processes—how decisions are made, who staffs those decisions, what procedures are followed. All of this provides insights both about whom to target, when, and with what types of capabilities. It might be determined that it would be more advantageous to defer attacking a target until it has become a single point of failure (e.g., attacking satellites after first damaging undersea cables which carry far more bandwidth). Or there may be circumstances where it is determined that it would be more useful to employ trusted agents to alter information rather than employ hard-kill methods to destroy physical infrastructure. Much of this will depend upon peacetime gathering of information.

At the same time, there will likely be a growing effort to deny adversaries the ability to collect comparable information about their Chinese counterparts. American and other states' intelligence gathering operations are likely to be major targets for physical, technical, and political interference. The Chinese island-building activities in the South China Sea, for example, are likely to lead to the creation of an air defense identification zone which, in turn, will serve to exclude American reconnaissance aircraft from patrolling easily off China's shores. Similarly, the ability to engage in a variety of jamming and dazzling behavior against space systems will compel adversaries to consider carefully when (and whether) they will employ their satellites to observe the PRC. If gaps emerge in coverage, that, in turn, will afford Chinese military forces opportunities to engage in more effective denial and deception operations.

Given the Chinese leadership's efforts at integrating civilian and military capabilities and assets, these enhanced efforts at information reconnaissance and denial are likely to involve greater participation of various Chinese entities that are not necessarily formally part of the military, but which have been assigned supporting tasks and roles. This will likely make attribution even more difficult than it has been in the past. At the same time, the massive reorganization of the PLA is likely to similarly complicate attribution efforts, as past patterns (and therefore certain indicators) are disrupted as well.

### The competition will be intensifying—and militarizing

None of this means that Chinese efforts at establishing strategic information dominance in peacetime will be abating. Indeed, if the Chinese economy slows down, and if this leads to greater internal unrest, then the Chinese are likely to *intensify* their efforts to control the global information space.

This will be in order to minimize the ability of outsiders to influence, exacerbate, or exploit the domestic discord. At the same time, they will also be even more restrictive on the Chinese domestic information scene, for the same reason—to limit the potential for more widespread dissent and disruption.

Unfortunately, this is also likely to mean an intensification of Chinese efforts to exclude foreign, and especially American, forces from the western Pacific littoral. Insofar as Chinese leaders believe that it is the American military that heartens local states in rejecting Chinese sovereignty claims (or even that the US foments such efforts outright), limiting American freedom of action in the region will reduce that appeal. Moreover, denying American forces the ability to establish information dominance is an essential means of deterring, or coercing, Washington into acceding more to China's vision of the regional order.

The reorganization of the PLA will also likely lead to an intensification of Chinese military information gathering efforts, as various organizations determine their respective purviews. With an entire service (the People's Liberation Army Strategic Support Force (PLASSF)) oriented towards establishing information dominance through actions in the electromagnetic domain, network space, and outer space, that new organization will probably be as intensively engaged as its previous constituent elements (e.g., the various General Staff Department (GSD) 3rd Department entities). Similarly, the newly created permanent joint commands in charge of the various new war zones will undoubtedly also be trying to obtain information about their respective areas of responsibility.

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## Chapter 3. The Politics of Humiliation as a Driver in China's View of Strategic Competition

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### Abstract

The politics of humiliation, a residual of China's profound sense of grievance initiated by foreigners defeating the Qing Dynasty in the 19th century, is a tool that the Chinese Communist Party (CCP) is using to express the need for the Communists to retain power and to distrust the United States in global affairs. This approach could backfire on an exceptionally weak Party, but it is a constant theme used by Xi Jinping's government.

### China's View of Strategic Competition

China's vast population and size create a wider array of diverse opinions than are often anticipated, allowing for a greater diversity of causal views in its foreign policy and national culture. Communist Party rule began seventy years ago and remains the central governing feature for the society. While the CCP brooks no dissent, it does have to incorporate competing views and sectoral interests, forcing the Party to sell its perspective rather than assume all Chinese simply acquiesce to that view.

Han Chinese culture dominates the political and economic dynamics of Asia, largely because China is most of Asia with its borders tied to more than a dozen other nation-states. This results in part from Chinese strength in science, technology, and commerce; its ability to keep a state apparatus governing an ever-increasing political entity through a dynastic system; and its tributary relationships with the surrounding regimes. China has been a powerful country that has been able to dictate others for the overwhelming majority of the past five millennia.

One of the many competing arguments undergirding China's view of the world today, however, is the narrative formed by the historic experience between the 1840s and the mid-twentieth century, known as the Century of Humiliation (Kaufman, 2011). The ruling Qing Dynasty (1644-1911) was a Manchurian minority government that forced the Han population into political subjugation, including, among many measures, men wearing a queue as a hair style and women abdicating the traditional foot binding process. Most relevantly, the Qing served powerfully as head of China's government for a century and a half, culminated by the sixty-year rules of Kangxi Emperor (1661-1722) and his grandson, the Qianlong (1735-1796). After the latter's death, the Qing began to suffer substantial decrease in their power as a modernizing Europe encroached on China.

The Qing proved unable to stem outside interference led and dominated by Great Britain, beginning with the importation of opium in the early nineteenth century. By 1842, the British victory near Guangzhou in the First Opium War forced the Beijing regime to surrender Hong Kong (theoretically in perpetuity) and to open several ports to outside traders, missionaries, and diplomats. The Chinese remember this event as the beginning of a period of national humiliation, one which continued as French, US, Russian, German, Japanese, and other foreign governments joined Queen Victoria in dictating the behavior of the Chinese government. This "shock to the Chinese worldview cannot be overestimated," (Kaufman, 2011) but it is noteworthy that this shock precedes the end of the Qing Dynasty; thus, it is a Chinese reaction that did not occur under Communist rule.

The humiliation continued, according to national mythology, until Mao Zedong declared the Communist Party's victory over the still heavily-influenced, pro-US Guomindang (Nationalist) Party in 1949. In the speech where Mao proclaimed the establishment of the People's Republic of China in place of the Republic of China, he noted:

*"Fellow Delegates, we are all convinced that our work will go down in the history of mankind, demonstrating that the Chinese people, comprising one quarter of humanity, have now stood up. The Chinese have always been a great, courageous, and industrious nation; it is only in modern times that they have fallen behind. And that was due entirely to oppression and exploitation by foreign imperialism and domestic reactionary governments. For over a century our forefathers never stopped waging unyielding struggles against domestic and foreign oppressors...Our forefathers enjoined us to carry out their unfulfilled will... We... have defeated both domestic and foreign oppressors through the People's Liberation and the great people's revolution, and now we are proclaiming the founding of the People's Republic of China... The imperialists and the domestic reactionaries will certainly not take their defeat lying down; they will fight to the last ditch..."*

- Mao Zedong, 1949

The country's history includes the understanding that the celestial heavens have entrusted China's rulers with a "mandate" to govern from China's unique position as the Middle Kingdom. The mandate requires the regime to meet the needs of its people in a just manner, while also recognizing that whomever holds the Mandate of Heaven can see it slip away if the ruler does not meet the needs of his (or theoretically her) people in a society without *luan* (chaos). This is a very different concept than simply a hereditary monarchy; the core tenet of Confucianism is that the emperor has rites only as far as he fulfills his duties.

The Communist Party has evolved dramatically from seizing power after a military victory which expelled the Guomindang to the nearby island of Taiwan in 1949. Following the tumult of the Maoist era, political power has been centralized and routinized. While the CCP remains an elite vanguard organization, it now allows capitalists' membership in a supposedly Marxist-Leninist party. As the party has largely shed Marxist economic doctrine, it has increasingly relied on nationalism and, in particular, justifying its hold on power to reverse the "Century of Humiliation" and re-assert China's return to global centrality. This may be intended to enhance the ideological credibility of the regime in the face of China's embrace of less traditional economic Marxism under the rubric of "socialism with Chinese characteristics."

Mao Zedong consistently emphasized the Party's socialist nature and internal focus through his quarter of a century rule. Deng Xiaoping's course for the country following Mao's death in 1976 focused on greater outside interactions and substantially reorienting the society. Deng's emphasis allowed China to acquire much needed technology and investment necessary to capitalize on massive urbanization. This produced the labor force, allowing China's development as the global manufacturing hub for the past four decades.

The Party's resulting ability to increase the standard of living for a substantial portion of the country—roughly half a billion citizens—obviated many questions about the ideological incoherence of a Marxist-Leninist society founded to address national humiliation and economic exploitation by foreigners. China's ability to sell goods, attract abundant foreign investment, and raise China from a declining state at war over much of the twentieth century into the second largest economy in the world by 2010 were the accomplishments of the Communist Party, according to Beijing's messaging.

China's Fifth Generation leader Xi Jinping has especially emphasized this argument since becoming General Secretary of the Party and head of the government in November of 2012. His initial public speech after elevation to the highest position noted that:

*"The great trust of all members of the party and the expectations of people of all ethnic groups around the country are not only a tremendous encouragement to our doing the work well, but also a heavy burden on our shoulders. This great responsibility is the responsibility to our nation. Our nation is a great nation. During the civilization and development process of more than 5,000 years, the Chinese nation has made an indelible contribution to the civilization and advancement of mankind. In the modern era, our nation experienced constant hardship and difficulties. The Chinese nation reached the most dangerous period. Since then, countless people with lofty ideas to realize the great revival of the Chinese nation rose to resist and fight but failed one time after another. Since the founding of the CPC, we have united and led the people to advanced and struggle tenaciously, transforming the impoverished and backward Old China into the New China that has become prosperous and strong gradually."*

- Xi Jinping, 2012

Xi has increased the use of nationalist rhetoric to focus less on the Party's inability to maintain the same improved standard of living advancements from an export-led model in the face of less abundant cheap labor after forty years of a one-child policy and more on concerns about foreign moves designed to reign in China's rejuvenation. One hypothesis is that "domestic challenges may necessitate that Beijing continue with its use of 'Century of National Humiliation' language as a means to promote regime security" (Florick, 2016). The barrage of Xi's statements about attempts by outsiders, increasingly focused on the United States, to thwart China's modernization or return to its position as a great power and to undermine Communist Party rule over the country have grown substantially during Xi's rule. His December 2018 remarks on the 40<sup>th</sup> anniversary of "reform and opening" illustrated harsh criticisms of both actions and motives by foreigners engaged with China today (Xi, 2018). As noted in the *Atlantic* in 2013, this appeal to fight hard against historic national humiliation advances the Party's role as the protector against such threats (Schiavenza, 2013), even as the Party in fact facilitated an engagement with the global community that Mao largely eschewed.

Additionally, Xi's moves to disadvantage foreigners in China illustrate the context he is setting for consideration of China's role in the world. In late April 2016, the National People's Congress Standing Committee passed a law substantially undermining non-governmental organizations' ability to operate within China by curtailing NGOs' ability to assist Chinese groups in promoting government transparency (Chinafile, 2017). Similarly, the 2017 Cybersecurity Law strongly disadvantaged non-Chinese companies' ability to operate in the People's Republic (Wagner, 2017). This law consolidated cyber activities in a manner threatening to foreign interests while consolidating China's ability to deter what it perceives as threatening activities perpetrated by the US and its associated, exploitative western regimes aimed at controlling China's rejuvenation. These are two of the domestic instruments that the Party uses to prevent outsiders from operating on an equal footing, thus perpetuating the idea of the Party protecting the nation from further humiliation inflicted by the rest of the world.

The CCP continues to raise concerns about the international community "containing China," thwarting its return to its historic position as the Middle Kingdom. Beijing's development of the world's largest navy (especially a noteworthy submarine capability to deter Washington in a Taiwan contingency) and hypersonic weapons, in conjunction with rejecting global norms relating to island-building activities in disputed sections of the South China Sea, indicate the Party's willingness to deter any states it views as preventing China from competing with the United States and its allies in Asia.

The Party views strategic competition as a struggle occurring in a variety of ways around the globe and one in which the Party alone can address to advance China as it did with the economy for the past forty years. Beijing's current analysis of China's place in the world continues to rely on the "Century of Humiliation" to justify its belief that others, especially the United States, are determined to "contain" China, and therefore prevent its return to its rightful global prominence as the "Middle Kingdom." This essence of competition then supersedes the particular regime in Beijing to be a galvanizing factor for whatever rulers lead the nation as they seek to return China to its rightful historic position (Taylor, 2009).

Beijing runs a significant risk by using the Century of Humiliation to justify nationalist fury against foreigners, such as Japan in 2005 or 2010 (Babones, 2019). Smart Party officials realize that attacks on foreign-owned property could escalate to a level that Beijing cannot control. By prompting China's leadership to expand the use of domestic surveillance, social shaming, and incarceration for dissidence, the Party seeks to guide the population because of its vast size and potential power to change society. More importantly, this anger based on historic incidents cited as humiliation could incite popular protests aimed at foreigners to turn suddenly against the current Party leadership itself. The CCP recognizes that *luan* can occur when popular opinion turns on its own, leading the regime to constantly monitor discussions on the Internet and the factors spurring public assembly by the population that the Party itself fears. Xi's apparently unceasing efforts to curb any chance of public retribution against the Party for its poor accountability, poor governance, and possible poor reactions masks a deep fear of the people he claims to represent.

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## Chapter 4. How Does China View Strategic Competition?

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### Abstract

The Chinese Communist Party's (CCP) method of strategic competition is so intertwined with the development of the West's digital economy that it is difficult to distinguish between the two models. They both rely on an increasingly connected world, fueled by data. The largest tech companies in the West are in the United States. Their business models rely on a treatment of data that closely mimics the CCP's method of using data for social control. Strategically, the CCP seeks to embed its method of social control in the technological matrix developed by the West and powered by Silicon Valley's business models. While the former relished a closed system, they both require openness for expansion. The best strategic path for the CCP may be to embrace openness domestically in order to guide the development of IT-based business and social models in the future. But the CCP's totalitarian instincts may preclude the collaboration enabled by the CCP's inclusion of the FANGs (Facebooks, Amazons, Netfixes, and Googles) in the PRC.

### Introduction

This topic requires significantly more explanation than is permitted here. The Chinese Communist Party's method of competition is simple in description, yet complex in execution. The CCP seeks to use the West's openness to spread totalitarian principles. The economic, financial, trade, and informational ties created by globalization and the Internet are the vectors for the CCP's attack. This requires a masking of totalitarianism in an open world. Trying to balance the two ideas—closed for control, but open for expansion—requires enormous resources and alignment and is best accomplished when the West is distracted, such as after 9/11. To succeed, the CCP must adopt openness over its instincts for control.

The Chinese Communist Party continues to view the world through the lens of revolutionary struggle. From its early days as a peasant army, it has continued to view itself as the underdog. It is determined to return the People's Republic of China to its rightful place as the center of the modern world.

This struggle has many challenges that must be simultaneously balanced. The first is legitimacy. The CCP is keenly aware that economic growth grants it leave by the citizens of the PRC to continue its plan to achieve its goals vis-à-vis other challengers. At the same time, it requires the complicity of those challengers to enable its continued economic growth. Finally, the territorial claims that the CCP includes as part of its mandate creates a tension between the two.

### Legitimacy

The protests in Tiananmen Square were educational for the party. Deng Xiaoping's reforms brought the promise of wealth, but it also brought a desire for more freedom by some. After crushing the student and worker protests, the party set about reengineering its social control to continue the acquisition of technology, innovation, and western capital, while carefully screening cultural leanings promoting democratic principles.

Using China's massive market potential and financial incentives, the CCP courted the western corporate sector. To do this, the CCP promised high profits for some US corporations, while those corporations shared their means of success with the CCP. Some of these relationships, like Hughes and Boeing's space business, led to both economic and military benefits (Pae, 2003).

For those corporate players who were not willing partners, the PRC's non-market based economic model forced western corporations into cooperative partnerships. These partnerships led to their erosion over time. Lucent, Nortel and Motorola are all good examples of corporate victims of an industry strategy designed by the CCP to gain economic and technological dominance (Stacey, 2019).

The combination of growing economic strength and strong employment numbers boosted the PRC's stature in the world, while simultaneously earning the populace's loyalty to the party. As social media, e-commerce and the Internet began to solidify in the West, the PRC was able to harness these same tools to create self-reinforcing incentives, turning loyalty into consumer-based behavior that encouraged conformity. This use of IT-based totalitarianism is best thought of as a systems approach to social engineering hereafter referred to as six-sigma fascism.

Six-sigma fascism works by using IT-based marketing, e-commerce, fintech, the Internet, social media, big data, AI/ML, and various applications and business models perfected by western corporations to drive the information economy to simultaneously 1) grow economic and military power, 2) prevent domestic threats to its rule, and 3) influence external threats to its rule. This is the main engine driving Chinese competitive strategy.

### **Built-in Challenges and Opportunities**

Six-sigma fascism works to systematically suppress the outliers in society, who tend to be non-conformist. In a closed system, this will decrease innovation, which comes primarily from the outliers. To overcome this fault, the CCP pursues an open international order that allows for easy access to thought leaders. Therefore, a natural tension exists between domestic social control and connection to an international order with democratic underpinnings.

The CCP deals with the tension by developing allies in the international community who can serve as advocates when oppressive behavior is brought into the open. Allies are created through mutually beneficial relationships usually involving financial incentives. Through its seamless connection to the West, corporate leaders, politicians, scientists, engineers, and professional experts are brought into the CCP's orbit. In China, these leaders can promote a totalitarian party, while also living in a western society that maintains the openness they crave.

The CCP makes this charade possible by portraying a desire for openness to the international community while hiding its closed and oppressive nature. Since most outliers have been trained in a western fact-based system of scientific discovery, the lack of evidence created by CCP obfuscation allows them to brush aside concerns. This strategy of feigned openness but actual closedness is itself enabled by differing economic, financial, and trading standards for "developing countries" negotiated by the CCP after the end of the Cold War.

This behavior of non-compliance with transparency requirements was made possible by the western belief that enabling the PRC's economic development would lead to openness. Thus, it is the theory that open markets promote wealth and wealth promotes liberalization that the CCP has harnessed to remove external challenges to its model of social control.

Faced with growing international recognition of its oppressive nature, the CCP is leveraging two major domestic programs designed to export its model – Made in China 2025 and the Belt and Road Initiative. The former will result in 90% indigenous production of 21<sup>st</sup> century technology, and the latter involves tying the digital, economic, and financial elements of member states to the PRC. The hope is that this effort will result in a new international order which more readily accepts the suppression of individualism while promoting CCP interests.

To counter criticism of its totalitarian system, the CCP is calling its allies in academia, business, and the international arena to come to its defense. The CCP is effective because its system of social control makes it dangerous for both domestic and international critics to speak out. Since the CCP monopolizes domestic media, it has few fact-based challenges to its narratives.

Thus, the CCP's model both creates challenges to its continued rule, while developing the necessary technology and financial based relationships that enable it to combat those challenges. Therefore, the main impediment becomes unforeseen events, which expose the CCP's oppressive and aggressive nature.

### The Tipping Point

Faced with both the reason for its downfall and the means to prevent that downfall, the CCP's biggest challenge going forward may be its territorial claims. While its allies can claim ignorance of CCP behavior occurring behind closed doors, territorial aggression is very visible. The CCP has been able to mask its territorially aggressive nature by using economic and financial inducements to reach agreements with foreign governments.

Since the CCP knows at some point it may need to settle territorial claims through force, it seeks to create the capability to seize territory while simultaneously pursuing mutually beneficial economic and financial relationships with the disputing countries. Island, ship, and missile building continues apace, while the neighboring states convince themselves that increasing economic relationships will inhibit future CCP aggression.

At the same time, the citizens of these neighboring countries are awakening to CCP strategy and putting pressure on the governments to change accommodating behavior. Over time, this will increase the resource requirements if the CCP is to maintain its ability to influence neighboring countries towards dismissing its ever-increasing military might.

The correct response to the growing recognition of the CCP's true nature would be embracing the corporate sector partners that will enable its continued rise. In this response, companies like Facebook, Google, and Twitter would be allowed to enter the PRC marketplace with strict controls enabled by the CCP's extremely capable IT-based system of control. These companies would then become strong advocates for the CCP model through their sharing of profits. Since both systems rely on free data to enable their success, it would be a fruitful marriage.

Yet the most likely CCP response will be to tighten control over its own society while lashing out at critics in the West. This is consistent with its need to control all aspects of its external environment. Doing so, however, will most likely lead to more challenges as the CCP might anger the very allies it needs for continued success.

As heightened concerns continue to limit the CCP's options in the economic, financial, trade, diplomatic, and digital space, their ability to grow their economy will come under pressure. This may

lead to increased pressure on the regime to settle an open territorial claim by force. The CCP will seek a claim that is clearly recognized by the international community and has the fewest external allies.

The most likely candidate is Hong Kong. It is clearly recognized territory of the PRC but has been allowed some semblance of autonomy as the PRC has sought to avoid creating a rift with the West. This action will most likely precipitate capital flight. This will further restrict the CCP economic growth model and force a strategic reassessment.

Once Hong Kong falls, the CCP will be faced with a choice: either accept the isolation which caused the downfall of the Soviet Union or sacrifice the current regime leadership. The path taken will either lead to further conflict in Asia or a period of openness that grants the CCP more runway. Either choice will see a weakened CCP.

## Conclusion

The CCP has adapted and is deploying many of the same technologies, tools, and strategies that have made the West dominant in the e-economy. The 2017 US National Security Strategy calls out data as a key resource: "Data, like energy, will shape US economic prosperity and our future strategic position in the world." Companies like Facebook and Google have used their access to data to build enormously powerful platforms, but so have companies like Baidu and Tencent. While these tech companies use data to make money, the CCP cleverly adds in social control. Although these tech companies come from what was previously considered to be the dominant "open" system, the CCP has become adept at modifying and/or controlling the same platform types to promote support for the regime. The challenge for the CCP will be in continuing to expand its influence in an environment when there is growing awareness in open systems of the negative consequences of CCP behavior. Ultimately, the CCP may need to partner with western tech firms by allowing their entry into the Chinese market in order to gain their allegiance to the CCP's model for social and commerce data usage and control.

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## Chapter 5. China’s Evolving Approach to “Integrated Strategic Deterrence”

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### Abstract

China is adopting coercive strategies involving the orchestrated employment of nonmilitary and military means to deter and compel the United States prior to and after the outbreak of hostilities. China’s evolving strategies, however, will likely increase the risk of miscalculation and escalation during a future crisis.

### Introduction

China’s concept of “strategic integrated deterrence” appeared in the People’s Liberation Army’s (PLA) literature starting around 2001 (Chase & Chan, 2016, p. 7). This concept calls for coordinating elements of Chinese national power to include nonmilitary, information, space, conventional military, and nuclear capabilities (p. 8). The main objectives of “integrated strategic deterrence” include: deterring the outbreak of war; safeguarding China’s maritime sovereignty rights and interests; protecting China’s national security interests, including in space and cyberspace; and preserving the current “period of strategic opportunity” to allow China’s economy to continue to grow, according to the 2013 edition of *The Science of Military Strategy* (SMS). The Chinese military’s approach to “deterrence” also includes acts of compellence, including the potential preemptive use of force. The 2013 SMS, for example, describes “deterrence” as one of the basic ways to use force. Therefore, the term “coercion”—that includes both deterrence and compellence—more accurately describes China’s approach.

### Deterrence by Nonmilitary Means

China’s approach to “integrated strategic deterrence” incorporates not only military capabilities but also political, diplomatic, economic, information, psychological, and scientific/technical means (Blasko, 2016, p. 335). Chinese military literature indicates that China would employ nonmilitary means in both peacetime and after the outbreak of hostilities to shape the strategic information environment and dissuade opposition to Chinese objectives. For example, Beijing has imposed trade restrictions and discouraged Chinese tourists from visiting countries that are in a dispute with China while encouraging investment, tourism, and other economic incentives in countries that support Chinese interests (Cheng, 2016b). Chinese military strategists also portray the ability to leverage civilian scientific and technological developments and the mobilization of civilian resources in support of military operations as component of its “integrated strategic deterrence.” Enhancing “civilian-military” fusion in this way is a modern form of “People’s War” that the Chinese military views as an important element of its overall deterrence capabilities (Chase & Chan, p. 31).

Chinese military strategists view information manipulation, law enforcement activities, and psychological operations as contributing to China’s concept of deterrence. The PLA has defined the “Three Warfares”—media warfare, legal warfare, and psychological warfare—as part of its political operations and an integral part of modern warfare and deterrence (Du Mont & Kivlehan-Wise, 2006, pp. 1-2). Media warfare refers to the dissemination of information through a variety of sources to

influence public opinion and obtain domestic and international support for China's activities. In doing so, Beijing also seeks to use public opinion to influence the governments of states that might oppose China to dissuade those governments from actively challenging Chinese interests. Legal warfare involves the use of domestic and international laws in furthering Chinese interests to achieve international support for Chinese actions and dissuade opposition. China would use legal warfare to legitimize its actions, including the use of force, to domestic and international audiences. For example, in 2005 China passed an "anti-secession" law to legitimize Chinese use of force in the event that Taiwan moves toward independence (Embassy of the PRC, 2005). Psychological warfare employs propaganda, deception, and threats to demoralize and weaken an enemy's morale to deter resistance and win without fighting. This can include conducting military exercises, mobilization efforts, public displays of new weapon systems, and weapon tests during peacetime and crises to have a psychological "deterrent" impact on potential enemies.

### Deterrence Through Information Operations

The PLA views information deterrence as including all aspects of information operations, including cyber operations and electronic warfare, as well as psychological operations. According to a PLA terminology reference guide, "information deterrence" is defined as "a type of information operations activity in which one compels an adversary to abandon their resistance or reduce their level of resistance, through displays of information advantage or the expression of deterrent/coercive information" (Cheng, 2016a, p. 6). Another PLA guide describes information operations designed to paralyze an adversary's information systems as a means of constraining the adversary as part a deterrent or coercive goal (p. 6). The 2001 edition of *Science of Military Strategy* (SMS) describes information warfare as "expanding the scope of deterrence targets" using "both soft kill and hard destruction" to disrupt an enemy's information flow processes (McReynolds, 2016, p. 232). The PLA's view of "information deterrence" encompasses not only the psychological aspects of information operations but also the ability to threaten the disruption of an adversary's civilian and military information systems and the actual degradation of enemy combat capabilities through attacks on information networks.

### Deterrence Through Space Operations

The PLA characterizes "space deterrence" as the use of space forces and capabilities to dissuade or compel an adversary to prevent the outbreak of conflict and to limit the escalation of a conflict that does occur (Cheng, 2016a, p. 5). According to the 2013 SMS, Chinese space deterrence capabilities are becoming increasingly important because of the growing use of space for both military and civilian applications. The authors of the 2013 SMS note that "even in a peaceful period, under circumstances where a hostile relationship is unclear, the presence and development of one side's space systems and boosting of its space capabilities can still positively influence and constrain military activity of other nations and generate a certain deterrent effect" (Pollpeter & Ray, 2016, p. 287).

PLA writings describe how China could employ space capabilities to create "deterrent" effects during time of peace, crisis, and war. According to these writings, during peacetime or at the outset of a crisis, China would use the displays and testing of space forces and weapons to dissuade an adversary from taking actions that might lead to conflict. As tensions escalate, China might conduct military exercises involving space forces to demonstrate China's capabilities and readiness. The next level of "space deterrence" would be the deployment of space forces, to include the positioning of ASAT systems and the movement of satellites in orbit. The final step of space deterrence is what China describes as "space shock and awe strikes" (Cheng, 2016a, p. 5). China foresees these strikes as

limited, designed to have a psychological impact to compel an adversary to cease unwanted behavior and to deter further aggression. Such strikes might involve either hard or soft kill attacks, or a combination of both, against an adversary's reconnaissance and communication satellites (Cheng, 2016a, pp. 5-6; "Annual report to Congress", 2017, p. 35).

### **Deterrence by Conventional Military Means**

Chinese strategists view the importance of conventional weapons in supporting China's concept of strategic integrated deterrence as growing as China's precision-strike capabilities continue to improve. These strategists view conventional capabilities to dissuade and compel an enemy as being more flexible and credible in their employment compared to nuclear weapons in conflicts that China is likely to face (Chase & Chan, p. 24). The conventional capabilities that would most likely contribute to China's "integrated strategic deterrence" concept would be the land-based antiship ballistic missiles and conventional ballistic missiles assigned to China's PLA Rocket Force, the PLA Air Force's air launched cruise missiles, and the PLA Navy's anti-ship missiles deployed on submarines and surface ships (p. 2).

The objective of conventional deterrence is to convince an adversary that China has powerful strike capabilities that Beijing will employ if necessary to coerce an adversary from challenging China's interests or to de-escalate hostilities (Mahnken, Scouras & Smyth, 2017, p. 16). PLA literature describes the use of conventional missile forces for "deterrence" operations at various levels of intensity. These operations ranges from the use of propaganda to highlight China's capabilities, to conducting missile force exercises, to firing missiles near enemy territory to create psychological pressure, to conducting "critical deterrence strikes."

### **Deterrence by Nuclear Means**

China's nuclear arsenal remains its ultimate deterrent against a nuclear attack and a backstop to Chinese coercive actions using nonnuclear capabilities. China designed its nuclear posture to survive a nuclear first strike in sufficient numbers to be able to retaliate and impose costs at a level that an enemy would consider unacceptable. China, however, has avoided the large nuclear arms buildup that the United States and the Soviet Union experienced during Cold War. While some Western analysts have described this as "minimal deterrence," PLA writings suggest that China's approach is more analogous to a "moderate intensity" nuclear posture. The 2001 SMS describes "three gradations" of nuclear strength as "maximum," "minimum," and "moderate intensity" (Chase, 2016, p. 143). The 2001 SMS authors describe a "moderate intensity" posture as having a "sufficient and effective" level of nuclear strike capability to threaten an enemy with "unbearable destruction" to achieve deterrence (pp. 143-144).

### **Deterrence and China's Way of War**

Chinese strategists believe to make "deterrence" credible, an enemy must not only be aware of Chinese capabilities but also China's willingness to employ its capabilities. According to PLA strategists, "preventive deterrence" are actions that China might take, including limited but effective use of force or information attacks, to stop an enemy from taking further actions (Blasko, p. 344). According to the 2001 SMS, China might need to "dare to use war to stop war" and fight a small battle to stop a large war. These statements suggest that China would consider a limited preemptive strikes as part of its overall "integrated strategic deterrence" approach to prevent a wider conflict and compel the enemy to de-escalate. Such actions are compatible with the PLA concept of "active

defense,” which includes taking actions to seize the initiative, create “shock and awe,” and compel a de-escalation of a conflict (Blasko, pp. 39-40; Mahnken et al., pp. 16-17).

A key theme in PLA writings related to deterrence is the importance of managing escalation in times of crisis and conflict. The PLA has developed the concept of “war control” to describe actions taken to “curb the war, control the war situation, eliminate war chaos, and safeguard national interests and world peace” (Mahnken et al., p. 12). China would employ “war control” during periods of crisis and conflict, as well as in stability operations after the war.

China’s approach to crisis and conflicts, however, includes contradictory goals that might undermine China’s ability to manage escalation. According to Chinese military writings, during times of crisis, China should expand its diplomatic public opinion and propaganda efforts to convey specific information and advice to an opponent while at the same time actively carrying out military deployments and “deterrence activities” (Mahnken et al., p. 10). These Chinese writings, however, do not acknowledge the potential for inadvertent escalation of a crisis that might occur as a result of China simultaneously pushing for political advantages while making preparations for war. Similarly, Chinese military writings speak to the importance of managing escalation in war, as well as seizing the initiative early in a conflict (p. 13).

The Chinese military view that war is a controllable phenomenon explains these apparent contradictions. The 2013 SMS argues that war’s intensity, scope, and scale are fully controllable and are a function of “meticulous planning based on scientific methods and full preparations” (Mahnken et al., pp. 12-13). The Chinese military’s belief in the controllability of crisis and war is an important context for understanding China’s concept of deterrence.

**Table 1. Potential Chinese Coercive Actions during Peacetime, Crisis, and Conflict**

<b>Peacetime</b>	<b>Increasing Tensions—Crisis</b>	<b>Initial Period of Conflict</b>
<p><b><i>Goal: Shape the Strategic Environment to Dissuade Aggression Against Chinese Interests.</i></b></p> <p>Use the “three warfares”—media, legal, and psychological—to shape international and domestic perceptions.</p> <p>Exploit economic means, such as trade relations and dependencies on the Chinese economy, using both incentives and discouragements to dissuade resistance to Chinese preferences.</p>	<p><b><i>Goal: Prevent Crisis from Evolving to Military Conflict by Deterring Aggression.</i></b></p> <p>Conduct strategic messaging to foster divisions between Washington and its allies.</p> <p>Manipulate information to sow doubt.</p> <p>Demonstrate preparedness for military actions by deploying forces and increasing military readiness.</p> <p>Signal capabilities to conduct specific deterrence actions by openly deploying key</p>	<p><b><i>Goal: Compel De-escalation and Deter Further Aggression Through Actions Taken Preemptively or During the Early Stages of Conflict.</i></b></p> <p>Reveal surprising new capabilities.</p> <p>Conduct limited cyber and other information attacks on critical infrastructure and networks, including non-destructive attacks on satellite systems.</p> <p>Conduct destructive attacks on satellite systems.</p>



Signal new military capabilities and demonstrate information and space capabilities.	capabilities, such as counterspace weapons.	Employ conventional precision-strike systems in “deterrence strikes.”
Conduct military exercises to demonstrate military strength.	Demonstrate cyber capabilities through manipulation of key adversary information systems.	Lower China’s nuclear use threshold.
Employ primarily non-military means, including land reclamation efforts and the use of Coast Guard, fishing fleets, and maritime militia, to expand Chinese position in disputed maritime areas, while staying below the threshold of open warfare.	Demonstrate missile capabilities.  Conduct nuclear saber rattling through deployment of nuclear-capable forces.  Announce a lowering of China’s nuclear use threshold.	

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## Chapter 6. The Chinese Economic Miracle: How Much Is Real... How Much Is a Mirage?<sup>6</sup>

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### Abstract

China's economic growth over the past three decades has been spectacular, but the veneer of double-digit growth rates has masked gaping liabilities that constrain China's ability to close the wealth gap with the United States. China has achieved high growth at high costs, and now the costs are rising while growth is slowing. New data that accounts for these costs reveals that the United States is several times wealthier than China, and the gap may be growing by trillions of dollars every year.

### Introduction

This conclusion may surprise many people, given that China has a bigger GDP, a higher investment rate, larger trade flows, and a faster economic growth rate than the United States. How can China outproduce, outinvest, and outrade the United States—and own nearly \$1.2 trillion in US debt—yet still have substantially less wealth?

The reason is that China's economy is big but inefficient. It produces vast output but at an enormous expense. Chinese businesses suffer from chronically high production costs, and China's 1.4 billion people impose substantial welfare and security burdens. The United States, by contrast, is big and efficient. American businesses are among the most productive in the world, and with four times fewer people than China, the United States has much lower welfare and security costs.

GDP and other standard measures of economic heft ignore these costs and create the false impression that China is overtaking the United States economically. In reality, China's economy is barely keeping pace as the burden of propping up loss-making companies and feeding, policing, protecting, and cleaning up after one-fifth of humanity erodes China's stocks of wealth.

### The Real Wealth of Nations

For decades, analysts have measured national wealth in gross rather than net terms, relying primarily on GDP and its components, such as trade and financial flows and investment spending. These gross indicators, however, overstate the wealth of populous countries because they count the benefits of having a large workforce but not the costs of having many people to feed, police, protect, and serve. These costs add up. In fact, they consume most of the resources in every nation. Analysts, therefore, must deduct them to accurately assess the wealth of nations.

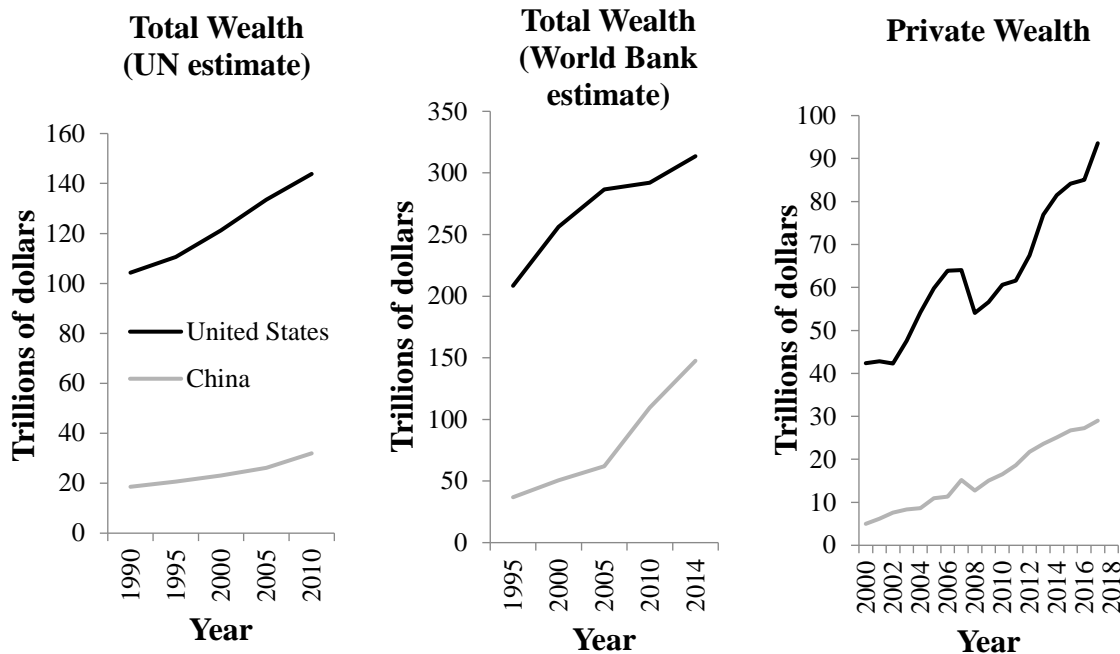
The World Bank and the UN have recently taken up this task and published rough estimates of countries' net wealth stocks in three areas: produced capital (man-made items such as machinery, buildings, infrastructure, software); human capital (the population's education, skills, and working

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<sup>6</sup> This chapter draws from Michael Beckley's *Unrivaled: Why American Will Remain the World's Sole Superpower* (Cornell University Press, 2018).

life span); and natural capital (water, energy resources, arable land). In addition, Credit Suisse, a private firm, has published data on countries' private stocks of wealth.

Despite using different data and methods, these three databases show a similar and surprising result: the United States is several times wealthier than China, and the absolute gap may be growing by trillions of dollars each year.



**Figure 1.** Stocks of wealth. UN estimate in constant 2005 dollars. World Bank estimate in constant 2014 dollars. Private wealth data in current dollars.

Sources: UNU-IHDP, 2014; Lange and Carey, 2018; Credit Suisse, 2018.

Are these results believable? A closer look at each country's produced, human, and natural capital suggests that they may actually be underestimates of the true US-China wealth gap.

### Produced Capital

China has a larger GDP in purchasing power parity terms and a faster GDP growth rate than the United States, but GDP growth is not necessarily a sign of expanding wealth. If a country spends billions of dollars building bridges to nowhere, its GDP will rise but its stock of wealth will remain unchanged or even decline. To accumulate produced capital, a country needs to increase its productivity, which implies a sustained rise in output produced per unit of input, a metric that economists call "total factor productivity." Mere increases in input, without an increase in the efficiency with which those inputs are used, will suffer diminishing returns and wrack up debt.

How productive is China's economy? Remarkably, nearly all of China's economic growth since 2007 has stemmed from inputs—hiring workers and spending money—and its productivity growth has been negative. So, China is spending money to make money, and it's been spending more and more to make less and less. China's productivity growth has not only been unspectacular, it has been

virtually nonexistent. By contrast, productivity improvements have accounted for roughly 20% of US economic growth over the past decade, as it has for most of the past hundred years.

Even without visiting China, one could conclude from these productivity figures that much of China's GDP is a mirage based on fruitless investment. It is only when one tours China, however, that the sheer volume of waste becomes apparent.

China has built more than 50 "ghost cities"—entire metropolises composed of empty office buildings, apartment complexes, shopping malls, and, in some cases, airports. In industry after industry, from refining to ships to aluminum, the picture is the same—supply far outpaces demand—and still, expansion continues. China's unused capacity in steelmaking, for example, is greater than the total steel production capacity of Japan, the United States, and Germany combined.

All told, more than one-third of China's industrial capacity goes to waste and nearly two-thirds of China's infrastructure projects cost more to build than they will ever generate in economic returns. Total losses from this waste are difficult to calculate, but the Chinese government estimates that it blew at least \$6 trillion on "ineffective investment" between 2009 and 2014 alone.

In addition to being less productive than the United States, China also bears greater welfare and security burdens due to its huge population. For example, China spends around \$1 trillion per year on food, which is 30% more than the United States. China has at least \$10 trillion in unfunded pension liabilities, a shortfall that is \$2.5 trillion greater than the United States'. China spends at least \$35 billion more than the United States each year on internal security, and the true gap is likely much larger given that much of China's police state is funded off-book.

The unsurprising result of all these burdens, plus the wasted investment highlighted above, has been a dramatic rise in China's debt, from roughly 100% of GDP in the 1990s to roughly 300% in 2019. At \$35 trillion and counting, China's debt is not only the largest ever recorded by a developing country, it has risen faster than any country's, quadrupling in absolute size between 2008 and 2018.

China is sitting on \$3 trillion of foreign exchange reserves, but the Chinese government purchased these reserves with money taken from state-owned banks, most of which was deposited there by Chinese citizens. If the government were to spend that money, it would be stealing \$3 trillion from the Chinese people—a move that would probably collapse the banking system, as people would not be willing to put more money in banks that just expropriated their life-savings.

Ultimately, the only way for China to solve its debt problem without gutting social spending is to increase its productivity, which in turn will require innovation. The Chinese government understands this well. Since 2007, it has tripled R&D spending, employed more scientists and engineers than any other country, and mounted the most extensive corporate espionage campaign in history.

So far, however, these measures have failed to turn China into an innovation powerhouse. China has developed pockets of economic excellence—it has the world's largest e-commerce market, dominates some manufacturing industries, and conducts cutting-edge research in quantum communications, genetics, and artificial intelligence—but it produces half the high-technology output and highly-cited scientific studies as the United States, holds five times fewer international patents, and still dishes out more royalties for technology than it takes in.

China's government has ordered its scientists to make China the world leader in science and technology by 2050. Rather than spurring innovation, however, this mandate has fostered a publish-or-perish climate in which scientists, under enormous pressure to produce, are incentivized to fake results and hoard grant money. China now leads the world in retractions of scientific studies due to fraud, one-third of Chinese scientists have admitted to plagiarizing or falsifying results (versus 2% of US scientists), and nearly two-thirds of China's R&D spending has been lost to corruption.

This culture of fraud extends throughout China's economy. Dozens of studies have shown that Chinese officials systematically inflate China's economic output numbers, and top Chinese leaders, including the Premier and the head of China's National Bureau for Statistics, have admitted as much. Many economists believe that China's true economic growth rate is roughly half the government-listed rate, and some analysts argue that China's economy has not grown since the 2008 financial crisis.

## Human Capital

According to the World Bank and the UN, human capital—the knowledge, skills, and labor embodied in a nation's population—constitutes more than half of the wealth of most countries. Both organizations estimate that the US stock of human capital is several times greater than China's. China has four times the population of the United States, but the average American worker generates seven times the output of the average Chinese worker.

One reason is that Americans are better educated, receiving twice as many years of schooling as Chinese citizens on average. Whereas 90% of the US workforce has completed high school, only 23% of China's has, and roughly one-third of the children currently entering China's workforce have an IQ below 90 and are barely literate or numerate.

China also loses 400,000 of its most highly-educated workers every year to foreign countries in net terms, including thousands of scientists, engineers, and "inventors" (people that have registered at least one patent). The United States, by contrast, nets 1 million workers annually from all foreign countries, including roughly 20,000 inventors and 15,000 scientists and engineers, 5,000 of whom come from China.

The US workforce is not only better educated but also healthier than China's. China loses 40% more years of productive life per capita on average from major ailments. Part of the reason is that Chinese healthcare is abysmal for all but the elite. Premiums under China's national healthcare scheme average only \$24, a sum far from sufficient to cover a basic checkup, let alone a major procedure. As a result, one-third of Chinese citizens who are told to go to a hospital decide not to because of the cost, and 80% of rural residents diagnosed with serious illnesses die at home. The United States has one of the most expensive and inefficient healthcare systems in the world, spending \$3 trillion a year versus China's \$1 trillion, but it provides far greater access and better care than China's system, resulting in a much healthier and more productive workforce.

In addition to receiving better care, Americans enjoy a less toxic environment than Chinese citizens. Air pollution is seven times worse in China than in the United States—breathing the air in China's major cities is equivalent to smoking a pack of cigarettes a day—and kills 1.6 million Chinese citizens each year versus 200,000 Americans. Whereas nearly all Americans enjoy clean water out of the tap, 90% of China's groundwater is polluted. Every year, 190 million Chinese fall ill and 60,000 die because of water pollution. All told, air and water pollution cost China 7.5% of GDP annually—roughly \$1 trillion dollars—in lost productivity and medical expenses.

Americans also generally have healthier habits than Chinese citizens. China's smoking rate, for example, is 50% higher than America's and is projected to be 70% higher by 2025; and China now has a higher incidence of diabetes and prediabetes than the United States, mainly because of poorer nutrition. Americans consume 50% more alcohol per capita than Chinese citizens and are ten times more likely to die of a drug overdose, but the toll taken by America's substance abuse problem does not compare to the collective toll taken by China's multiple health crises. For example, the United States loses six more years of productive life per thousand people from substance abuse, but China loses sixteen more years from heart disease and another eight from cancer.

The Chinese government is working hard to solve these health problems, but the health gap between China and the United States will expand in the years ahead for a simple reason: China is aging more rapidly than any society in history. The number of Chinese aged sixty-five and older will more than triple by midcentury, from 130 million in 2015 to 400 million by 2050. Meanwhile, China's workforce will shrink by 212 million—about one-third of the current total. At that point, senior citizens will account for more than 30% of China's population versus only 20% of the US population. Given that most health problems get worse with age, the aging of China's society essentially guarantees a decline in the productivity of China's workforce and further erosion of China's stock of human capital.

A final reason the United States has a larger stock of human capital than China is that the United States can feed its population with only 1% of its workforce in agriculture whereas China devotes 30% of its workforce to farming—and still depends on food imports to feed its population. China suffers a massive opportunity cost from having so many workers in the fields—the productivity level of Chinese agriculture is one-fourth that of the rest of the economy, and most of China's agricultural output is immediately consumed and therefore does not add to China's stock of wealth. Economic development is, at its core, a process of structural change from agriculture to industry; the fewer farmers a nation uses to feed itself, the more workers it can mobilize to produce wealth in modern industries. The United States has 99% of its workforce potentially available for wealth creation, whereas China only has 70%.

## Natural Capital

The main elements of natural capital are water, energy resources, and arable land, all of which are necessary to sustain life and power agriculture and industry. The United States has 10% more renewable freshwater than China, and the actual gap is much larger, because half of China's river water and 90% of its groundwater is unfit to drink, and 25% of China's river water and 60% of its groundwater is so polluted that the Chinese government has deemed it "unfit for human contact" and unusable even for agriculture or industry.

China's per capita availability of water is less than one-quarter of the United States' and less than one-third the world's average, and roughly one-third of China's provinces and two-thirds of its major cities suffer from extreme water scarcity. Beijing, for example, has roughly the same amount of water per person (145 cubic meters) as Saudi Arabia. Dealing with water scarcity costs China roughly \$140 billion per year in government expenditures and reduced productivity versus \$12 billion for the United States.

The United States has three times as much oil and natural gas as China and twice as much coal. China heavily subsidizes its renewable energy and nuclear power industries, but both combined still account for less than 5% of China's energy use compared to 12% of the United States'.

China has large reserves of shale oil and natural gas, but it has not been able to tap them and may never do so. One reason is that China's shale deposits were left behind by prehistoric lakes and, consequently, have rock layers that are more ductile and less amenable to hydraulic fracturing than the brittle marine shales in North America. Another reason is that China lacks the water necessary for fracking. Each shale-gas well requires fifteen thousand tons of water a year to run, and China would need to drill thousands of wells a year to launch a successful industry. China has nowhere near that amount of water located close to its major shale basins, which are concentrated in Jilin and Liaoning, two of China's driest provinces.

China currently depletes \$400 billion of its energy resources per year and pays foreign countries another \$500 billion in energy imports, whereas US annual depletion and net import costs are currently \$140 billion and \$120 billion respectively. This divergence in energy fortunes is likely to expand in the decades ahead, because the United States will become a net energy exporter around 2025, whereas China, already the world's largest net energy importer, will import 80% of its oil and 45% of its natural gas.

Finally, the United States has 45% more arable land than China, and again the true size of the gap is probably much larger because large chunks of China's farmland are too polluted, desiccated, or both to support agriculture. According to a recent Chinese government study, water pollution has destroyed nearly 20% of China's arable land, an area the size of Belgium. An additional 1 million square miles of China's farmland has become desert, forcing the resettlement of 24,000 villages and pushing the edge of the Gobi Desert to within 150 miles of Beijing. In 2008, China became a net importer of grain, breaking its traditional policy of self-sufficiency, and in 2011 China became the world's largest importer of agricultural products. The United States, by contrast, is the world's top food exporter and China's top supplier.

## Conclusion

China's economic miracle is less impressive than it appears, and China's economic future is uncertain at best, so US policy must be able to cope with multiple trajectories. One, obviously, is the peer competitor scenario that occupies 95% of US planning. But another is a world where the US faces a stagnating, flailing China that lashes out after failing to live up to the hype about its rise.



## Chapter 7. China's Strategic Leveraging of Its Media Ecology: Primary Drivers and Narrative Themes within China's Communication Strategy

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### Abstract

This chapter examines China's evolving media ecology, influence strategies, target audiences, and the narrative themes employed within its media as a means to understand its global motivation, interests, and overall communication strategy constituting its identity and worldview. Analysis of Chinese media demonstrates China's belief that the future of global competition will be one of economic development and technological innovation, with the most pressing problem being the rise of nationalism and isolationist policies in Europe and the US. China's domestic populace remains its primary target audience, needed to ensure continued Chinese Communist Party rule, while its international messaging strategies focus on building diplomatic trade relations in support of its economic and technological development goals.

### Introduction

Over the next few decades, communication power will be the primary area of global contention as countries seek to define and alter the rules of international competition and increasingly operate in the gray zone. No longer is the US the sole arbiter of international norms and institutions. Indeed, the past decade has seen increasing challenges from emerging nations and nonstate actors to create and contest global norms (Hinck et al., 2019; Pu, 2012; Zurn, 2018). Furthermore, today's geopolitical anxieties are resulting in nations hedging their relations with the US, China, and Russia (Kuik, 2016; Patrick, 2017; Salman & Geeraerts, 2015), drawing further attention to the importance of persuasion and media influence in creating cooperative relations. Media production, distribution, and consumption play a vital role in mobilizing public backing of state policies, and serves as a cultural reservoir containing societal narratives depicting a political community's past and future aspirations, indicative of their national interests. With the importance of media in mind, this chapter examines China's evolving media ecology, influence strategies, target audiences, and the narrative themes employed within its media as a means to understand its global motivation, interests, and overall communication strategy constituting its identity and worldview.

### Communication Power

To understand how communication influences global competition, one must understand how it functions. Communication power operates on two dimensions: First, there is the ideational plane, where we find communication content, that is what is being said, constituting the ontological, epistemological, and mythical narratives and values laying the foundation upon which political communities come to understand their world. This includes nation's own national identities, their perceptions of their competitors and partners, and the collective values upon which "good" actions or policies are identified and deemed worthy of pursuit. The second dimension is the structural level upon which communication is allowed to occur. New communication technologies, and their networks influence the forms our communication content takes shape, and allows for those controlling technological networks to determine the rules or standards upon which communication messages are sent (Castells, 2009). Taken together, the power made manifest by communication can

be understood as the ability to transfer shared purpose and collective identities that motivate target audiences to meaningfully cooperate in action with the sender.

Chinese leaders appear to have a firm understanding of both these dimensions of communicative power. China's strategic concept of the "Three Warfares" clearly maps onto the ideational plane, with its media warfare, psychological warfare, and lawfare all attempting to influence the information environment to defend the legitimacy of its global claims and inhibit foreign nations' abilities to coordinate against and challenge Chinese actions. Furthermore, Chinese leaders, with the help of their media, employ a variety of narratives, or talking points, aimed at legitimizing China's aims and assuaging foreign fears of its rise. Some examples of these talking points include defensive narratives, such as the consistent labeling and refutation of what China sees as foreign media propagating a "China threat theory" in addition to more constructive or offensive narratives such as the "China Dream," which provide a vision for Chinese global leadership (Hinck et al., 2018).

Likewise, on the structural level, China has invested heavily in its information technology infrastructure, including attempts to strengthen its news and broadcast media both domestically and abroad (Brady, 2015; Hayden, 2012). Domestically, this is seen with the explosion of cell phone and high-speed internet access accompanied by new regulations, censorship demands, and neo-propaganda techniques to maintain control and support of China's domestic information environment in support of the Chinese Communist Party's (CCP) rule. Internationally, China is increasing its influence by investing in its international media operations to open up its messaging to global audiences in order to "tell its story" to the world, as well as by initiating a "going out" campaign for its media organizations and commercial business operations (Shambaugh, 2015). In a similar vein, China's creation of the Asian Investment and Infrastructure Bank and its larger Belt and Road Initiative are both attempts to create new networks of contact and interaction with foreign nations and their publics to augment Chinese influence. This is done to ensure that China has a place at the table in determining the rules for future competition. Finally, China's development and distribution of 5G technologies is a clear attempt to influence the world's future communication infrastructure by setting the standards upon which that communication technology will operate.

However, when considering China's communication power, it is important to place its overall strategy in context by understanding its key audiences and primary motivations. Indeed, it is often easy to see China's recent communication strategy as alarming on the surface. However, when considering more deeply the larger political situation China finds itself in, one gets a more nuanced picture of China's tenuous communication ecosystem—albeit one still possessing remarkable capacity for adaptation and control.

### **Chinese Strategic Leveraging of Its Media Ecology: Domestic and International Media Strategies and Tactics**

Since the founding of the People's Republic of China (PRC), Chinese leaders have recognized the strategic importance of media control and influence in defining how their citizens understand their social realities, with the CCP leveraging its media influence by mobilizing the Chinese public's backing of CCP policies, ensuring domestic social harmony, and legitimizing CCP rule. However, with the advance of international communication technologies, China's growing engagement with the international community, and China's subsequent economic growth and global influence, new challenges and media control tactics have emerged with greater attention to foreign audiences beginning under the Jiang Zemin and Hu Jintao eras (Brady, 2015). As such, China's communication strategy today focuses on two broad audiences: a) domestic Chinese with influence tactics designed to ensure continued support for CCP leadership, and b) foreign audiences in an effort to combat

negative depictions of China's rise, garner greater support for its continued economic modernization and trade policies, and promote China's image as a global leader.

### Domestic media control

The primary goal of China's media strategy continues to be ensuring domestic support of CCP rule. During the early days of the PRC, the CCP's media policy focused on its domestic audience, with its state media functioning primarily as a mouthpiece to inform and mobilize its population in support of CCP policies. Censorship remained an important tool, with the CCP creating a tiered system of information whereby the general populace was only made aware of positive developments while those in power were given a more comprehensive and somber depiction of affairs (Link & Qiang, 2013). Like China's economic and political reforms in the 1980s and 1990s, Chinese media likewise underwent a series of reforms. During this period, media stations were partially privatized and granted authority over programming, personnel, and business decisions, encouraged to commercialize by finding outside funding through advertising and sales, and even allowed non-media companies to invest in media organizations (Zhao, 1998; Zhao, 2005). Nonetheless, CCP control remained, with non-state investment capped at 49%, leaving the government with a controlling 51% stake in the companies (Hu, 2003). These structural reforms influenced media content as media organizations began competing with each other for readers, in addition to facing greater competition from foreign news sources and the internet.

As a consequence of Chinese media marketization, CCP media influence moved beyond functioning simply as a "mouthpiece" for policy by providing more compelling messages according with state censorship demands while satisfying Chinese news consumers' interest in real-life stories and problems (Stockmann & Gallagher, 2011). Modern versions of this include self-censorship, news reporting and framing techniques, and ideotainment (Lagerkvist, 2010; Lee et al., 2007). Online, Chinese media influence tactics include controlling and monitoring systems such as firewalls, shutting down publications or websites, and jailing dissident journalists, bloggers, and activists (Xu, 2014). As such, Chinese media continues to aid in legitimization of CCP governance through its monopoly of power in framing key issues in the media, thereby helping to consolidate national identity and Party ideology (Shen & Guo, 2013).

Key narrative projects designed to strengthen domestic cohesion and social harmony include China's two centenary goals—the one hundred-year anniversaries of the founding of CCP in 2021 and the PRC in 2049, which depict China achieving a moderate level of economic prosperity. This narrative not only ensures CCP legitimacy in delivering economic growth to its citizens, but also serves a patriotic purpose in promising a "national rejuvenation" of Chinese military strength, drawing upon the perceived humiliation of China during the Opium Wars and unequal treaties of the nineteenth and twentieth century at the hand of foreign nations (Hinck et al., 2018).

Chinese leaders have largely succeeded in co-opting journalists within its media system, enhancing CCP governance. China's domestic media control has resulted in a unique form of state-media relations whereby some space exists to critique social problems, albeit within accepted boundaries, ultimately serving the interest of the state (Repnikova, 2017). Research shows Chinese media enacting a style of "authoritarian deliberation" by carefully controlling who can speak and on what topics (He, 2006). This system has allowed the Chinese government to experiment with quasi-democratic institutions designed to provide feedback and information from its citizenry in promotion of state policy (Fishkin, He, Luskin, & Siu, 2010; He, 2014; He & Warren, 2011; Jiang, 2008; Leib & He, 2006; Stockmann & Luo, 2017). Thus, Chinese censorship takes a form of strategic

ensorship in that it permits some watchdog journalism, often in service of rooting out corrupt local-level officials, in order to improve regime power and governance (Lorentzen, 2014).

Under Xi, much of the liberalization of Chinese media has been reversed, with increased controls over party discipline, heightened pressure on dissidents, universities, and public spaces, a strong anti-corruption campaign, and a crack-down on foreign ideas (Freedom House, 2018). Chinese media have supported the rise of Xi by promoting his cult of personality, with online content propagating love songs to his leadership, references to him as “Daddy Xi,” and cartoon and action figures of him. Even a compendium of Xi’s words has been published, reminiscent of Mao’s Red Book, which includes Xi’s aphorisms (Phillips, 2014).

All of these actions illustrate China’s desire to regain national prestige and the economic and military strength required to prevent itself from being pushed around by foreign nations. These actions also suggest a significant level of resiliency in CCP rule, with much of Chinese society cooperating with CCP governance. Nonetheless, Xi Jinping’s apparent need to exert greater control over China’s media suggests some fear of unrest, both by Party members and within the society at large.

### International media influence

In support of China’s domestic goal of achieving its national rejuvenation by 2049, Chinese leaders have amped up their international communication capacities to maintain a favorable international environment for its economic and technological innovation. Historically, China’s foreign media influence had been rather stunted. Under the Mao era, China’s international communication influence operated within Marxist-Leninist ideas with a Maoist flare emphasizing support for developing nations’ attempts at revolution and challenging of imperialist powers (Deliusin, 1991). It wasn’t until the late 1980s that China opened its borders to foreign news agencies. During this time, China was skeptical of foreign institutions and concerned foreign interferences might undermine territorial integrity, repeatedly stating its “five principles of peaceful coexistence” as its guiding foreign policy concept. This concept stressed non-intervention and harmonious relations as a means to repudiate foreign criticism of its handling of internal affairs (Panda, 2014).

Today, however, China has fully engaged the international community, with contemporary Chinese media presenting a stage by which China can communicate with other countries, influencing the image of itself and others (Hao, 2013). Of primary concern regarding China’s overseas audiences are combatting notions of China’s rise as a threat to the international community, while introducing the “China Dream” as an overarching vision whereby all nations will benefit from China’s development. Closely tied to the “China Dream” narrative is its Belt and Road initiative designed to restructure China’s economic ties to the Asia Pacific, Eurasia, Middle East, Europe, and even South America.

Analysis of today’s Chinese foreign-oriented media narratives reveals China’s worldview and fears, demonstrating the paramount importance that Chinese leaders place on economic and technological innovation. While military concerns exist, including concerns over US troops deployment in the Asia-Pacific and Japanese revisions to its pacifist constitution, our recent analysis of Chinese media demonstrates China’s belief that that the future of global competition will be one of economic development and technological innovation, with the most pressing problem today being the rise of nationalism and isolationist policies in Europe and the US. China sees these political movements as undermining the current international system safeguarding trade and stability in the world while depicting itself as a global leader increasingly fulfilling the role the US had previously, by supporting and affirming the importance of the UN and WTO. As such, China vehemently argues in support of the

benefits of globalization as the primary tool for economic growth, with multilateralism being a key component of diplomatic relations.

Within this worldview, Chinese necessary capabilities for successful global competition include the formation of strategic diplomatic partnerships ensuring closer bilateral economic partnerships with China and development of multilateral institutions including the SCO and BRICS, as well as reinforcement of current institutions such as the UN, WTO, IMF, and World Bank. China's Belt and Road Initiative is depicted as central to its global economic development and increasing influence, and viewed as positively contributing to global economic development by linking developing nations to the global economy by providing infrastructure development that the US and West are unwilling to provide. Thus, China portrays itself as the leader of developing nations, including strengthening partnerships with the Global South and Latin America, and calls for international institutions to provide greater voice to these nations.

It is important to note, however, that China's global vision reflects its international concerns leading directly to its domestic problem—that is, making good on its promise to deliver economic prosperity to its citizens. Because international economic competition is viewed as vital in achieving Chinese economic and technological innovation, Chinese media actively reaffirm the need to support the CCP's "open-door" and "going-out" campaigns to compel Chinese companies to compete in international markets. These policies are believed to lead to much needed and continued reforms in China's banking and finance sectors, strengthening of its education and science programs, and improvements in quality control and standard settings. According to Chinese media, these are all necessary components for China to achieve if it is to avoid the "middle income trap," moving away from basic manufacturing to become a leader in technological and economic innovation.

Furthermore, because China sees diplomatic influence as key to ensuring the achievement of its economic goals, Chinese leaders realize that their Belt and Road Initiative is dependent on other nations' participation. Thus, Chinese media make frequent references to and positively frame, even flatter, those nations who sign trade deals with China as part of this campaign. These concerns also feed into its "China Dream" and "peaceful rise" narratives, in addition to its reputational security strategies, one of which includes the challenging of US global influence and intentions. For instance, US tariffs on Chinese goods are described as creating a "legitimacy gap" between the US and the world, undermining the institutions that the US itself created; in contrast, China has been shown to support these institutions, which China argues benefit all nations. Thus, US tariffs are viewed as challenging not only Chinese domestic innovation and economic growth, but also threatening the global economy, to which the Chinese contribute. China warns that isolationist, nationalist policies—such as the ones the US is promoting—threaten world stability, explaining that international institutions like the UN and WTO were central in curbing global conflict post-WWII. The Chinese then call upon other nations to follow China's lead, in contrast to US actions, in supporting these institutions. In doing so, and pursuant to the "China Dream" narrative, the Chinese argue that settlement of international disputes through multilateralism and free trade organizations will allow all nations to prosper—while suggesting that other nations reconsider their economic and diplomatic partnerships with the US.

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## Chapter 8. How Russia and China View Each Other and America: The Perceptions of Students at Elite Universities

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### Abstract

The problem of “great power competition” and Sino-Russia cooperation in opposition to the US is an important concern of foreign policy scholars and experts. A significant obstacle to the accurate evaluation of this problem is disagreement over whether growing collaboration between China and Russia is best explained as “hedging” behavior, in which bilateral cooperation faces limitations due to its primarily contingent nature, or as norms-based conduct, which assumes an inter-state partnership will be anchored in shared principles and values. The central purpose of this study is to provide evidence as to which of these assessments holds greater explanatory power. It does so through an investigation of Russian and Chinese public opinion, specifically, the attitudes of future elites—students at the top universities in China and Russia. Our findings indicate that a majority of the students in both Beijing and Moscow do not believe their respective countries share common values and norms that would bind them in durable, deep cooperation. By contrast, a majority of students in both countries expressed respect and often admiration for the values, institutions, and power of the United States. The analysis of the views of these future elites should provide assistance in forecasting the quality and extent of cooperation between the two most important rivals to American influence abroad.

### Introduction

One of the most important potential threats facing US foreign and security policy over the next decade is that of closer cooperation between Russia and China, particularly in opposition to American interests and values. How can Washington better evaluate the dimensions and development of this potential threat? A significant conceptual and theoretical obstacle is the disagreement among scholars and analysts over whether ties between China and Russia are best explained as “hedging” behavior, in which collaboration faces limitations due to its primarily contingent nature, or as norms-based conduct, which assumes an emerging and robust partnership will be anchored not only in interests but in deeply-shared values and norms (Rozman, 2014; Wishnick, 2017; Allison, 2018; Aron, 2019).

The central purpose of this study, which was supported by a grant from the Minerva Initiative, is to provide evidence as to which of these assessments holds greater explanatory value. It does so through an investigation of Russian and Chinese public opinion, specifically, the attitudes and values of future elites—students from the top universities in China and Russia participating in twenty-one focus groups (twelve in Beijing, nine in Moscow). The students were asked their views about cooperation and friction among the great powers of China, Russia, and the United States.

Our findings indicate that a majority of the students in both Beijing and Moscow did not believe their countries share common values and norms that would bind them in durable, deep cooperation. If the Chinese students in the focus groups were openly ambivalent about forging stronger ties with Russia, their Russian counterparts were often wary of a similar course with China. By contrast, both groups



of students, while often critical of US foreign policy, expressed respect and often admiration for American values and institutions (both political and socio-economic).

This study is grounded in the assumption that public opinion, including that of future elites, helps us understand whether “hedging” conduct or “norms-based” behavior is (and will be) the primary force drawing the two states into cooperation. Although both regimes have authoritarian systems, public opinion still exerts influence in the political arena, including foreign policy. While China and Russia lack the familiar feedback mechanisms of liberal democracy, both regimes are keenly aware that public attitudes may affect the strength of their legitimacy. According to Beibei Tang, a Chinese sociologist, the Chinese Communist Party (CCP) is highly sensitive to the attitudes and values of the population—and understands that it cannot “create legitimacy out of mere manipulation” (Tang, 2014, p. 117) (the “mere” qualifier here reflects that the CCP is committed to a high degree of manipulation). The opinions of the students in our focus groups are particularly useful because they are likely representative of future political elites in both countries (Li, 2018). At the same time, these results are based on the study of a limited demographic group. Scholars, analysts, and policy-makers in the West require more information about the attitudes and values of Russians and Chinese, at both the elite and mass levels, towards relations among China, Russia, and the United States.

While the critical views of the students in the Russian focus groups reflected significant insulation from the messaging of the Kremlin, we found the relationship between official Chinese propaganda and the perspectives of Chinese students to be much more complex. The CCP has greater capacity and often stronger determination than the Russian regime to induce its citizens to commit to certain ideals and beliefs that the CCP views as crucial to its survival as a one-party system. The CCP’s extensive supervision of society and its manipulation of public discourse has helped overturn the earlier expectation in the West that modernization and deepening linkages with the global economy would support the political liberalization of post-Mao China. Yet China is hardly North Korea: with interest and effort, the Chinese still have access to substantial amounts of unfiltered information about their country and the world. The evidence from the focus groups in China point to the existence of a significant measure of autonomous political communication in society, particularly among its future elites, who are now university students.

### Case Study: China

The sources for the China case study are primarily twelve focus groups selected in March 2018 at two elite universities in China among fifty students between 18 and 21 years old, as well as insights obtained from large-N social surveys (Zhang, 2015). Focus group participants observed that cultural influence as well as wealth and military power are the key attributes of a great power. They felt that Russia possessed substantial military power as well as a national character that enables its people to suffer stoically. However, the students viewed Russia as having weak prospects for cultural influence, economic growth, or other important non-military aspects of power that could translate into global influence. In defining a “great power,” participants often referred to military and economic power, yet they placed the greatest emphasis on the strength of national culture and its capacity to influence the international environment. According to the students: “Great powers need to have cultural influence”; “culture is at the level of national ethos”; “[a country’s] culture must be recognized by the outside world”; “through the education [and dissemination] of its cultural values, a country can obtain great power status”; “the quality of cultural influence is clearly important”; “international cultural exportation...is a key part of national power”; and “[a great power must have] comprehensive power... [through] culture.”

The students associated cultural influence with “discourse power (*huayu quan* 话语权),” which was defined as the power to set definitions, determine the global agenda, and frame international discussions. Notable observations about this aspect of soft power included: “A superpower has global influence. It should not just use brute force to get what it wants; it must rely on discourse power”; “when we speak about foreign affairs we have to think about the diplomatic world and in this world you [must] have discourse authority”; and “a great power must increase its discourse capacity.” Logically, a student noted that one of the goals of Xi Jinping’s Belt and Road Initiative is to increase Chinese “discourse power.”

While the Chinese students saw cultural influence as an indispensable attribute of a great power, they did not see Russia’s culture as a significant support for its foreign policy. Such views of Russian soft power were cautiously offered; many students were often hesitant to discuss their neighbor. When one student stated that he did not “feel comfortable talking about Russia because [he did] not know a lot about it,” several other students nodded in agreement. According to other students: “Chinese lack interest in Russian culture. Everyone studies English and nobody studies Russian....”; “Russian culture is not attractive”; and “we do not need to learn tech from Russia. We also do not lean on Russia for other things. I went to Russia. There are so many things that are missing. [Furthermore]...the [Chinese] news does not really tell us about much that is going on in Russia. We knew a lot about the US elections from our news, but we did not learn anything about the recent Russian election. We do not know much about Russian politics.”

One student provided a bleak assessment of the Russian economy: “When I went to London, I transferred planes in Moscow. In the duty free, there were lots of things for sale, but very few were Russian-manufactured things. There were Russian items, like those dolls that stack in themselves, but they were of poor quality. Most products were European, like high end bags and such things. I don’t think that Russia is developing very well. It is not very competitive. Their technology is good, but not their household/consumer goods. They are proficient at heavy industry but not at consumer goods and light industry.”

Searching for meaningful examples of non-military cooperation, the students provided the paltry example of China-Russia cultural exchanges in the form of “dance troupes.” Non-trivial links with Russia were sometimes mentioned, but they were usually limited to historical examples. For example, the students invoked Soviet aid to China in the 1950’s when Soviet influence (and Marxist-Leninist culture) was seen as a strong, animating force on the world stage. They stated: “Historically, the Soviet-Chinese relationship was special.... Russia used to be communist, and this was a basis of friendship with China” and “we used to study the USSR when it was strong.” But students also mentioned that geographic proximity between China and Russia had mixed effects on relations: “During the [late] 1920s, [Russia] invaded China, and because of that, even today, China and Russia still have issues regarding disputed territory.” The primary character attributed to Russia was strength, but strength derived from a national willingness to suffer and not give up, leading several students to describe the Russians as a “fighting race (*zhandou minzu* 战斗民族).”

The focus groups also emphasized the importance of socio-economic modernization and the building of national wealth and power as desired national attributes—qualities that Russia was said to have in short supply. When the students were asked to describe China, the most frequently cited characteristic was [relentless] materialist “development.” This perception reflects the long-standing national narrative of China seeking to become rich and powerful (*fuqiang* 富强), as well as the CCP’s propaganda that justifies its rule as the only way to achieve that goal. According to one participant, “Our values are different. Chinese are eager to have individual and personal success, for example, in

housing, medical, welfare, health, marriage, etc. However, the ability to achieve those things is not always there. Because Chinese are driven to have such things, they are often consumed with worry and anxiety.” No student considered the Russian political or economic system as a model for China to overcome these obstacles and fears on the path to prosperity.

In contrast to these negative views of Russia, the students perceived American culture, wealth, and overall power as sources of its strong global influence. The students most frequently used the following words to describe America: *free, diverse, cultural, developed, strong, advanced, technology, individualism, international, and rule-of-law*, all highly positive attributes. One student specified, “America’s cultural influence is seen in movies broadcast worldwide, for instance, in *Captain America* and *Black Panther*.” Another student bluntly stated that “culture is what makes [America] a superpower.” Other students pointed approvingly to individualism and creativity as important elements of America’s national identity. Such positive descriptions, along with other evidence, underscores the complex interaction of the CCP’s concerted efforts to shape public perceptions—through criticism of the United States and the celebration of Sino-Russian relations in the state media—with the attitudes and beliefs of individual Chinese. The often laudatory views of the United States held by the students were in many cases derived from personal experience. Many of the students in the focus groups had already travelled to the United States for tourism, interim academic programs, or to visit relatives. They also planned to study in American graduate programs and had numerous friends and acquaintances who had already done so.

To be clear, no students stated that China should imitate the United States, and almost all of the students voiced criticisms of aspects of the US political system as well as America’s domestic and international behavior. One stated, “People—minorities, including African-Americans—when they vote, they lose out to the majority, and then they lose hope, and then you get President Trump.” They could articulate very basic notions of democracy, frequently citing terms such as “vote,” “elections,” “everyone [political equality],” “representatives,” and so on. But consistent with the CCP perspective, these terms were qualified when applied to China. In a representative statement, a student observed: “In the world there are different definitions for democracy. A lot of people often say that [democracy] is about politics and safeguarding freedom. [But] socialism has expanded democracy’s rationale and its definition [for the better]....” and “people should choose their own version of democracy, one which is suitable for their own country.” It was more in the interstices of their CCP-inflected political discourse that some students carefully expressed their awareness of the political faults of both China and Russia. One explained, “The similarity between China and Russia is that both governments shelve [ignore] their own discourse of the [importance of the] individual. Chinese and Russian people obey their bosses; they choose to believe their superiors.”

Based on our focus groups, we find that even young Chinese who embrace the CCP’s aspiration to become a great power as well as its emphasis on cultural influence find much to admire or respect in America, but relatively little in Russia. While this does not mean that the students in the focus groups want China to adopt American political and social institutions, it does suggest that they understand close ties with Russia are unlikely to help China achieve the “American” outcomes they desire, including influence, wealth, and power.

### Case Study: Russia

Just as Western expectations of political liberalization in post-Mao China have faded, hope for democratization in Russia existed in the initial post-Soviet era, but withered during Putin’s first term in office (2000-2004). As the political elites of both countries developed more authoritarian institutions and patterns of rule, their concerns increased over the diffusion and export of liberal

political values from the West. Lacking strong, like-minded allies, both countries sought shelter in closer relations. China and Russia also perceived cooperation with each other as beneficial in economic terms, with resource-rich Russia complementing China's requirements for rapid economic growth. For many Western experts, the main bi-lateral attraction is rooted in geo-strategic ambitions and an aversion to American international dominance: "What binds these powers together... is their agreement that the [international] status quo must be revised. Russia wants to reassemble as much of the Soviet Union as it can. China has no intention of contenting itself with a secondary role in global affairs, nor will it accept the current degree of US influence in Asia and the territorial status quo there" (Mead, 2014).

One of the core differences between today's Russia and China, confirmed by our focus groups in both countries, is that China's capacity to influence domestic public perceptions through extensive discourse-constructing mechanisms outstrips that of Russia. The 2018 focus groups in Moscow often revealed a lack of alignment between official views and the perspectives of elite youths on such fundamental issues as the overall direction of the country, the legitimacy and effectiveness of its political institutions, and the value of closer relations with China.<sup>7</sup>

The fact that the views of students at Beijing's elite universities usually align, at least in public, with those of the government across important foreign policy and socio-political issues reflects more than the state's efforts to control public discourse and political socialization. For these privileged students, China's startling pace of modernization and attendant social mobility generates optimism about personal opportunity while the country's increasingly assertive role in international affairs stimulates national pride.

By contrast, their counterparts in Moscow expressed concern about the future of Russia as well as their own life prospects. Four years of conflict with the West over Ukraine and other issues had destroyed the heady belief prevalent after Russia's incorporation of Crimea in 2014 that Russia had rejoined the ranks of the great powers and could now make its own way, snubbing the geopolitical preferences of the America-led West (Sherlock, 2019). Pessimism in each of the focus groups underscored the limited ability of Russia's state-controlled media to suppress or redirect criticism of the government and its policies, including closer ties with China.

What do Russia's educated youth think about China and the Kremlin's turn to the East? The students in the nine focus groups drawn from three of Moscow's elite universities echoed the observations of their age cohort in country-wide surveys of Russian youth ("Representations from Russians about the Chinese and Chinese culture", 2018). Most students in the focus groups viewed China as a country with a fascinating culture and history. But these students did not believe that China and Russia shared sufficient interests and particularly values that would help forge a lasting bond. There was a strong sense among participants that China was not simply exotic but alien. For the students, China was a "mysterious" world which did not significantly overlap with the eastern elements of Russian culture and identity. For one respondent, China had an "*absolutely incomprehensible mentality. Absolutely different thinking—that of eastern people.*"

Some students found China not only enigmatic but untrustworthy, in part because it was an authoritarian regime. One stated, "If we aren't a democratic country in full measure, they are even

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<sup>7</sup> For recent analyses of the political culture of Russian youth, as well as references to relevant studies, see Laruelle, 2019; Mickiewicz, 2014; Krawatzek, 2018; Dwyer, Gorshkov, Modi, Li, & Mapadimeng, 2018; Gorshkov & Sheregi, 2018; Lipman, & Volkov, 2019; Kryshtanovskaya Laboratory, n.d.; and Kasamara, & Sorokina, 2016.

more so. That's scary. You don't know what to expect from such a closed society." Other students in the focus groups agreed that China was a "closed" system that lacked essential political freedoms due to widespread censorship and bans on criticism of the Communist Party. Several students found the Great Wall to be an apt metaphor for the Chinese political system.

These negative assessments, particularly distrust of Chinese authoritarianism, colored the students' evaluation of possible economic or strategic advantages of cooperation with China. One student observed that "China will discard us—or perhaps put a knife in our back—when Beijing sees it in its interest to do so...." Another student described Russia's predicament using an analogy of juvenile romance: America had jilted Russia, leading Moscow to start a flamboyant courtship of Beijing. But the new "girlfriend" embraced Moscow only because it had a "driver's license and a car." Since China was now completing a crash course at "driver's school" while accumulating savings for its own car, Beijing would likely be unfaithful to Moscow sooner rather than later. Still, other students discussed the difficulty of establishing a stable relationship with China given the twin pressures of demography and history. They fear an eventual flow of Chinese settlers and traders along and over Russia's border with China in the Russian Far East (RFE), a region with a small and shrinking Russian population.

Significantly, the students were not reassured by the fact that Putin had enthusiastically launched with China several long-term cooperation projects in 2009 and special economic zones in 2014. Even those students who now saw the US as more threatening than China often preferred to lean to the West rather than "throw in with China" because it was "unclear what Beijing has in mind" for the future of the relationship.

The students who still believed that Russia on balance would profit from closer ties to China, enabling it to become stronger—absolutely and relatively—in economic and strategic terms, constituted a significant minority. But more students than not viewed the Kremlin's turn to the East as a hazardous gamble that threatened to undermine, rather than advance, Russia's interests and values. In order of preference, the students expressed the following strategic choices for Russia: look inward and focus on domestic problems, carefully balance between America and China, lean to the West, and favor closer ties to China while moving away from the West. These sober expressions of geopolitical caution challenge the common Western portrayal of Russia's world view as self-confident and expansionist. Instead, the national perspective of most of the students was defensive, revealing a keen understanding of Russia's multiple vulnerabilities as a state.

If the students expressed wariness of China, they were often despondent over strained relations with the United States. Despite over four years of tense relations, few of the students expressed anger at or fear of America. While the participants frequently rebuked America as an expansionist, aggressive power, citing its interventions in Yugoslavia, Iraq, Afghanistan, and Libya, the perceived danger for Russia was not military attack, but rather economic, political, or cultural pressures. Moreover, such criticism of the United States was not a prominent theme in any of the nine focus groups in 2018. Instead, the groups tended to discuss the strengths of the United States and relative weaknesses of Russia. Most participants acknowledged without qualification or envy the superiority of American soft power, spanning the dimensions of popular entertainment, technological innovation, and broad-based economic prowess.

Although the participants were often bemused by the behavior of Donald Trump, they frequently judged American political institutions as superior to those in Russia in terms of their legitimacy and effectiveness. In discussions about US global power, particularly in the economic sphere, some students referred to the emphasis in Russia's state-controlled media on the "precarious stability" of American influence. Although they believed that Russians should be suspicious of any "beautiful

picture” of America that concealed its considerable domestic and international difficulties, the students felt it would be foolish to underestimate or mischaracterize the United States. As one student put it, “...despite all of the problems of the United States we’ve discussed, in principle it [America] all works, it all holds. And it’s been holding for a quite a long time.”

Most of the students of the Russian focus groups respected or admired American political and socio-economic freedom. While the participants criticized the economic inequality and perceived excesses of “political correctness” in the United States, they viewed the American Dream as an authentic project, not a trait of a bygone era or a legitimating narrative concocted by ruling elites. According to one student, “America and freedom are deeply associated in our subconscious.” Most of the students hoped that relations with the United States would improve for the sake of their country’s well-being as well as their personal opportunities, including the chance to travel to the United States for leisure, study, work, or permanent emigration.

Reflecting a humorous and often affectionate take on the United States, a popular fad among college-aged youths in Moscow in 2018 (more so than in previous years) was the wearing of T-shirts, sweatshirts, and baseball caps emblazoned with the names of US colleges. Some participants in the focus groups openly took issue with the 2018 appeals of Russian officials that Russian students studying abroad, particularly in the UK, demonstrate their patriotism by returning home to finish their studies. As for whether Russia’s relations with America would improve markedly in the near future, some students in the groups were pessimistic, arguing perceptively that powerful factions in both countries were committed to crafting “enemy images” to strengthen their domestic political position. Many of the students discussed emigration as a possible solution to the seemingly intractable problems they faced. Recent polling data indicates that 31% of respondents aged 18-24 have contemplated permanent emigration (“Russian emigration moods”, 2018). According to one student, the “greatest challenge facing our generation is whether or not to leave the country.”

## Conclusion

The Chinese participants in the focus groups frequently expressed ambivalence about strengthening ties with Russia due in large part to its perceived lack of cultural and economic power. Any sense of shared identity often rested on the fragile foundation of nostalgia for the early CPSU-CCP relationship. Occasional expressions of shared political values between China and Russia tended to be superficial, not extending significantly beyond the recognition that neither Russia nor China practices democracy as the West does. These views contrasted with often idealized perceptions of the United States, suggesting an underlying or nascent cynicism regarding official assurances that China and Russia share positive political attributes. Overall, the members of the focus groups in China did not have strong, positive feelings for Russia—unlike their desire to emulate America’s cultural and economic power.

In Moscow, only a minority of the students in the focus groups viewed China as a partner that could rescue Russia from what was viewed as its disastrous estrangement from the West. Most of the students had thought intently about Russia’s “pivot to the East” and found that the strategy was unable to broadly advance Russia’s interests and values. Several students hoped that relations with the United States would improve sufficiently to slow or reverse the pivot and arrest what was viewed as the quickening erosion of Russia’s European or Western identity. For many of the Russian students, a rapprochement with the United States was an essential prerequisite for a future that held the possibility of political liberalization and economic opportunity, tamping down the desire to emigrate.

Given the quest of the governments of China and Russia for greater global influence and power, and their harsh criticism of the United States for blocking these goals, it is noteworthy that the perspective that was most strongly shared by the students in Beijing and Moscow was respect and often admiration for numerous characteristics of American life. Although the Chinese students often laced their comments with criticism of US foreign policies and domestic conditions, American cultural and economic power remain objects of intense interest and fascination. The same was true for the Russian students, who were also drawn to the United States because of its Western identity and the perceived importance of its political values and institutions. By contrast, a majority of the students in the focus groups in both China and Russia did not at this point support a strong partnership between the two countries.

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## PART II: KEY TECHNICAL ADVANCES AND THEIR LONG-TERM STRATEGIC IMPACT

### Chapter 9. Dual- and Non-kinetic Use of Chinese Brain Science: Current Activities and Future Implications

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#### Abstract

The annual Worldwide Threat Assessment of the US Intelligence Community report explicitly noted that China has significant investments and deepened political interest in research and innovation to assert growing effect, if not dominance, in international scientific, biomedical, and technological markets. Key to these initiatives is the advancement of neuroscience and technology (neuroS/T) for dual- and/or direct-use applications in warfare, intelligence, and national security (WINS) operations. As well, the use of law (i.e., lawfare) empowers Chinese academic and corporate endeavors to align scientific and technology (S/T) research and development (R&D) with explicit national directives and agendas to exercise global hegemony. The use of S/T as effectors of mass disruption is viewed as a necessary WINS approach in strategically latent non-kinetic and kinetic operations. China seeks to gain advantage over international R&D and WINS operations by (1) increasing diplomatic alliances; (2) greater economic openness (e.g., the Belt and Road Initiative); and (3) far reaching military strength (i.e., external to its sovereign territories). These directed efforts are evoking international security concerns, as China's capability to both directly and indirectly (e.g., via national proxies) leverage novel S/T could disrupt global balances of order and power. The evolving "global shift" (i.e., from western supremacy) enables China to dictate near-term international (socio-political) ecologies and ethical discourses about future S/T operations. Therefore, we posit that it is essential to develop and implement (1) enhanced capabilities and programs of surveillance, quantification, and preparedness and (2) practical approaches to ethico-legal and socio-political situations that enable the United States and its allies to remain responsive to clear and present threats posed by emerging S/T and its non-kinetic and kinetic uses on the 21st century global stage.

#### Introduction

As stated by the annual Worldwide Threat Assessment of the US Intelligence Community to the Senate Select Committee on Intelligence by Director of National Intelligence Daniel R. Coats, recent advances in neuroS/T "...will likely present new economic, military, ethical, and regulatory challenges worldwide as governments struggle to keep pace" (Coats, 2019). The report noted that China has made significant investments and deepened political interest in research and innovation to assert the growing effect, if not dominance, in international scientific, biomedical, and technological markets. Such expanding efforts are part of China's "Grand Strategy" and are explicitly intended to leverage position and power in the international, economic, and geopolitical landscape

(McFate, 2019; DeFranco et al., 2019). Such enterprise is reflected by, and articulated in (1) academic/university research; (2) the economic and political encouragement of government scientific agencies; and (3) iterative financial investment in commercial endeavors. The “triple helix” of government, academia, and the commercial sectors allows and enables centralized coordination of politically motivated intent, research, and outcomes (i.e., products, such as techniques and technologies) in a range of applications. Current and proposed Five-Year Plans (FYP) are explicitly dedicated to the establishment and sustenance of large-scale S/T programs to exercise multidimensional effects on the global stage.

As well, cultural, philosophical, and historical factors contribute to ethico-legal standards of research in China that can, and in several key ways do differ from those of the West, which can thereby enable somewhat more rapid research progress across a broader range of S/T domains. Additionally, China’s establishment for legal basis for intellectual property (IP) rights and laws increase both ownership and protection of information, activities, and products (Chen et al., 2018). Taken together, these factors create force-multiplying effects that allow for enhanced mobilization of resources and services. Such assets can support and sustain development and production of cutting-edge technologies that can be utilized for medical, economic, and political hegemony, in non-kinetic, as well as kinetic engagements (DeFranco et al., 2019).

### China’s Current Efforts in Brain Sciences

Ongoing governmental investments in academic and commercial entities have increased China’s focus and efforts toward establishing world-renowned research institutions capable of competing, if not surpassing, international activities and achievements in neuroS/T. In part, this is being accomplished by attracting international researchers and projects (i.e. “research tourism”), the outcomes and products of which are then retained as Chinese IP. Research tourism allows domestic researchers to learn, integrate, and—in some cases—blatantly import other countries’ sciences into China’s national S/T agenda (Chen et al., 2018). The dictate to solicit international researchers was formalized by Deng Xiaoping in 1986 with the establishment of China’s Project 863 that (according to the United States Office of the National Counterintelligence Executive) provided a directive to clandestinely attain the United States’ biotechnology. An example of this effort is the initiation of the Hundred Talents Program in 2013, which recruits international S/T professionals to work in China, with the defined goal of enhancing China’s capability and prestige in innovation, academia, and commercial manufacturing.

China’s goals of advancing its standing and influence in S/T are apparent in, and sustained by iteratively increasing government support of research and development (R&D). The previous 12<sup>th</sup> FYP increased R&D spending from 1.75% to 2.2% GDP and raised the rate of patents from 1.7 patents/person to 3.3 patents/person. The current 13<sup>th</sup> FYP explicitly mentions brain sciences as one of six S/T programs in China’s “Sci-Tech Innovation 2030” initiative (Central Committee of the Communist Party of China, 2016). Specifically, the aims are to: (1) reorganize R&D support and funding-distribution systems to allow greater liberty and access to government-issued funds; and (2) establish a national innovation enterprise that seeks to augment synergism across S/T sectors, regions, and industries. China’s FYPs are evidenced in and supported by long-term planning and intentions (e.g., the Belt and Road Initiative) that aim to increase the number and global impact of neuroS/T innovations (e.g., pharmaceutical developments, genetically modified organisms, and advances in human-machine interfaces). Toward such ends, China has established research and academic institutions that directly articulate political initiatives in S/T so as to influence and direct the foci and trajectories of R&D (Palchik et al., 2017; see Table 2.)

The Chinese Academy of Sciences (CAS), reinvigorated by robust funding after the formation of the People’s Republic of China (PRC), has current and ongoing efforts in the brain sciences. Operating in conjunction with the government’s Ministry of Science and Technology, CAS works to (1) foster S/T research to further national economic, political, and military goals; (2) integrate activities of academic, research, and commercial institutions to optimize collaborative output(s); and (3) present scientific information to the government to guide and counsel strategic decisions. In 1999, the CAS founded the Institute of Neuroscience (ION) to propel research in “all areas of basic neuroscience, including molecular, cellular, and developmental neurobiology, systems, and computational neuroscience, as well as cognitive and behavioral neuroscience” (Poo, 2016). Through ongoing support and funding, the ION has grown to be a significant producer of cutting-edged research that is submitted to and published in major international journals, and through such efforts, is now regarded as one of the premier S/T organizations in the world. Chinese universities have also increased focus on neuroS/T research, creating several brain science institutes that receive incentives from the Chinese government for producing innovative, salient research (Chen et al., 2018).

China’s triple helix also allows the employment of advanced neuroS/T and other biotechnologies for dual- and/or direct-use applications in warfare, intelligence, and national security (WINS) initiatives and operations (Giordano, 2016). Explicit and/or implicit direction of key activities in academic, research, and/or commercial institutions is synergized by neuroS/T research in a number of military medical centers. The fusion of academic, commercial, and military R&D is enthused by a new research agency, *junweikejiwei*, launched in 2016, which will assume a DARPA-like model for engaging high risk/high reward R&D in avant-garde areas of S/T. *Junweikejiwei* directly ties CAS to the Ministry of Defense to afford governmental control and guidance of defense R&D and enhances the potential development of emerging S/T for dual- and direct use in WINS agenda (Palchik et al., 2017; Chen et al., 2018; see Table 2.)

**Table 2. Selected Chinese institutions with neuroscience research departments (Adapted from Chen et al., 2018); with permission)**

Research Institution	Research Portfolio and Themes
Beijing Normal University	<ul style="list-style-type: none"> <li>▪ Stem cells and tumor cell biology, virology, and gene therapy.</li> <li>▪ The chemical and neurobiological mechanisms of mammals’ olfactory communications.</li> <li>▪ Neural degenerative diseases.</li> <li>▪ Source: <a href="http://lifescience.english.bnu.edu.cn/facultyresearch/fulltimefaculty/index.htm">http://lifescience.english.bnu.edu.cn/facultyresearch/fulltimefaculty/index.htm</a></li> </ul>
Peking University	<ul style="list-style-type: none"> <li>▪ The first IVF baby born following MALBAC-based whole genome screening.</li> <li>▪ Source: <a href="http://english.pku.edu.cn/news_events/news/research/2031.htm">http://english.pku.edu.cn/news_events/news/research/2031.htm</a></li> <li>▪ Patterns, mechanisms, and management of neurological diseases.</li> <li>▪ Source: <a href="http://english.bjmu.edu.cn/research/key_laboratories/44260.htm">http://english.bjmu.edu.cn/research/key_laboratories/44260.htm</a></li> <li>▪ Relationships between sleep disorder and depression/anxiety, including the relationships of the neuroendocrine stress response and cytokine induction of sleep in animal models.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Source: <a href="http://english.bjmu.edu.cn/research/phd_supervisors/basicmedicalscienc e/46234.htm">http://english.bjmu.edu.cn/research/phd_supervisors/basicmedicalscienc e/46234.htm</a></li> <li>▪ Behavioral sensitization, depression, anxiety, and aggressive behavior in addictive animals and drug abusers.</li> <li>▪ Source: <a href="http://english.bjmu.edu.cn/research/phd_supervisors/basicmedicalscienc e/46235.htm">http://english.bjmu.edu.cn/research/phd_supervisors/basicmedicalscienc e/46235.htm</a></li> </ul>
Institute of Neuroscience	<ul style="list-style-type: none"> <li>▪ Embryonic origin and functional analysis of neural circuit development.</li> <li>▪ Source: <a href="http://www.ion.ac.cn/laboratories/int.asp?id=91">http://www.ion.ac.cn/laboratories/int.asp?id=91</a></li> <li>▪ Cortex development and evolution, axon growth and guidance, and synapse differentiation and pruning.</li> <li>▪ Source: <a href="http://www.ion.ac.cn/laboratories/int.asp?id=41">http://www.ion.ac.cn/laboratories/int.asp?id=41</a></li> <li>▪ Plasticity of neural circuits, synaptic structural mechanism for storing long-term memory, and neural circuit basis.</li> <li>▪ Source: <a href="http://www.ion.ac.cn/laboratories/int.asp?id=42">http://www.ion.ac.cn/laboratories/int.asp?id=42</a></li> </ul>
CAS Center for Excellence in Animal Evolution and Genetics	<ul style="list-style-type: none"> <li>▪ <b>Transgenic rhesus monkeys carrying the human MCPH1 gene copies show human-like brain development.</b></li> <li>▪ Source: <a href="https://academic.oup.com/nsr/advance-article/doi/10.1093/nsr/nwz043/5420749">https://academic.oup.com/nsr/advance-article/doi/10.1093/nsr/nwz043/5420749</a></li> <li>▪ A new way of studying biological networks provides key insights into the ecology and etiology of human microbiome-associated diseases.</li> <li>▪ Source: <a href="http://english.kiz.cas.cn/cceaeg/cceaeg2/index.html">http://english.kiz.cas.cn/cceaeg/cceaeg2/index.html</a></li> </ul>
CAS Center for Excellence in Brain Science and Intelligence Technology	<ul style="list-style-type: none"> <li>▪ Cloning of non-human primates by somatic cell nuclear transfer.</li> <li>▪ Source: <a href="https://www.ncbi.nlm.nih.gov/pubmed/29395327">https://www.ncbi.nlm.nih.gov/pubmed/29395327</a></li> <li>▪ The use of nanomaterials to enhance mammalian neural function.</li> <li>▪ Source: <a href="https://www.ncbi.nlm.nih.gov/pubmed/30827682">https://www.ncbi.nlm.nih.gov/pubmed/30827682</a></li> <li>▪ Use of various stimuli to affect molecular neural mechanisms of learning and memory.</li> <li>▪ Source: <a href="https://www.ncbi.nlm.nih.gov/pubmed/29779945">https://www.ncbi.nlm.nih.gov/pubmed/29779945</a></li> </ul>
National Institute of Biological Sciences	<ul style="list-style-type: none"> <li>▪ Encoding of fear generalization, implication for PTSD, cellular, and behavioral correlates of antidepressant action.</li> <li>▪ Source: <a href="https://www.ncbs.res.in/faculty/shona-research">https://www.ncbs.res.in/faculty/shona-research</a></li> </ul>
Fourth Military Medical University	<ul style="list-style-type: none"> <li>▪ Central nervous system repair, brain mechanisms, and function in military stress.</li> <li>▪ Neural coding of pain.</li> <li>▪ Neuroimmunological modulation.</li> <li>▪ Development of novel approaches to therapeutics for neurodegenerative diseases.</li> <li>▪ Source: <a href="http://en.fmmu.edu.cn/info/2488/23832.htm">http://en.fmmu.edu.cn/info/2488/23832.htm</a></li> </ul>
<i>Junweikejiwei</i>	<ul style="list-style-type: none"> <li>▪ China's Scientific Research Steering Committee with aims to develop advanced technology for WINS applications and operations.</li> </ul>

China has also leveraged IP policy and law to advance (and veil) neuroS/T and other biotechnologies through (1) exploiting their own patent process; (2) enabling compulsory licensing under their IP and patent laws; and (3) internationally enforcing their patent and IP rights. The PRC system creates a “patent thicket” which, unlike the United States, emphasizes the end-utility of a concept rather than innovation in ideas. This in turn produces an abundance of patents, which are based on parts of other concepts or previous, completed patents. These IP laws allow China’s commercial entities to copy, or in some cases, usurp foreign patent information, applications, and products. Furthermore, Chinese patent laws allow for complete seizure of international R&D under certain conditions, which often remain vague (e.g., “for the benefit of public health”, “a major technological advancement”, etc.). This lack of clarity allows the government to easily acquire S/T for any political, economic, or WINS application. The recent global expansion of China’s commercial, academic, and economic institutions has established significant stakes in myriad international enterprises that are capable of realizing rapid and broad advances in China’s S/T R&D. Such use of law (i.e., what is referred to as “lawfare”) empowers Chinese academic and corporate endeavors via economic and legal support provided by the PRC to align S/T R&D with national directives and agendas to exercise international dominance (Chen et al., 2018; McFate, 2019).

### Chinese Strategies: Historical Basis and Trajectories

Recognition and acknowledgement that different cultures’ capacity to develop and apply diverse ethico-legal systems is important to understanding the ways that S/T can be engaged in non-kinetic and kinetic WINS enterprises (Giordano, 2018). The PRC was established in 1949 with specific intent to become an economic, political, and military world superpower by the year 2049 (Pillsbury, 2016). Over the past 70 years, China has engaged global hegemony by utilizing (eastern) philosophies, ethics, and strategies that often are under-observed, if not disregarded, by western scholars, politicians, and WINS personnel.

Of particular note are the ideals of *wu wei* and *shi* as related to the advancement of Chinese S/T. Although not inherent to China’s Grand Strategy, these ideals are tactically apparent in their ambitions and actions to gain an advantage in current and future international relations. *Wu wei*—“without exertion”—is the concept of having other actors do the majority of work and using these gains to foster one’s own growth. In 1978, Deng Xiaoping (the PRC leader) declared that for China to be the world power, it must surpass the United States in S/T development. Acknowledging the United States’ regnant advantage, Deng declared it necessary to make existing international S/T the starting point and to utilize findings and products for China’s developing programs of R&D (Xiaoping, 1978). This remains apparent in China’s relative disregard for United States’ (and other western nations’) IP in the expansion of key areas of China’s S/T (Chen et al., 2018).

*Shi* (i.e., analyzing the strategic landscape and identifying weaknesses to exploit an opponent’s deficiencies), opportunizes surveillance, intelligence, and insight in preparation and planning for competitive, if not adversarial, engagements (Kissinger, 2011; McFate, 2019). In 1999, Qiao Liang and Wang Xiangsui (then colonels in the People’s Liberation Army) published *Unrestricted Warfare*, a volume that detailed how to defeat a scientifically and technologically superior opponent (e.g., the United States). Rather than utilizing conventional kinetic methods, atypical means (e.g., the use of biological, chemical, psychological, cyber, and media tools and practices) are described that can be non-kinetically employed to weaken and destabilize specific elements of a superior opponent’s infrastructures and critical functions (Liang & Xiangsui, 1999).

While many Chinese strategists view the actual use of weapons of mass destruction (WMDs) unlikely (and undesirable), they regard the stockpiling and—in some cases—brandishing (i.e., overt communication of possession and capabilities) of such weapons to be a necessary WINS tactic (Nacht, Laderman, & Beeston, 2018). The PRC perceives the United States' WMD proliferation as a strategy to bully and intimidate other nations that possess inferior technologies. To counterbalance such postures and gain advantage over international R&D and WINS operations, the PRC is developing (1) increasing diplomatic alliances; (2) greater economic openness (e.g., the Belt and Road Initiative); and (3) far-reaching military strength (i.e., external to sovereign territories). These directed efforts are evoking international security concerns, as China's capability to both directly and indirectly (e.g., via national proxies) leverage novel S/T could disrupt global balances of order and power.

## A Path Ahead

The evolving “global shift” (i.e., from western hegemony) enables China (and other competing economic, cultural, and political world powers) to dictate future international (socio-political) ecologies and ethical discourses addressing S/T R&D and use (Benedikter et al., 2010). Given these realities, it is important, if not essential, to recognize and appreciate other countries' capabilities and influences in evaluations and dialogues of S/T policy, security, and ethics. To do so, it is first vital to accurately and realistically assess current and near-term capabilities and directions of nations' S/T R&D. Second, it is imperative to quantify the extent and impact that such S/T can and could leverage as risks and threats to global order, stability, and balances of power. Third, such assessments should be used to inform discourses and postures to mitigate and prevent such threats (DeFranco et al., 2019).

In any such deliberations and decisions, it will be critical to acknowledge that nations can have different needs, values, and ethics, which sometimes yield diverse means of (internal) functioning and operating on the global stage. The United States and its allies must seek to cultivate a practical approach that enables realistic appraisal, and apt and rapid response to clear and present threats posed by current and emerging S/T (Shook & Giordano, 2017). To do this, we propose development and utilization of a cosmopolitan palette of ethical ideals and principles that allows for recognition and appreciation of local and multi-national communities, and affords combinatory constructs that anticipate and enable particularities of specific collective efforts and enterprises.

Moreover, any ethico-legal and socio-politically relevant approach must account for both the “civilian” and “military/national security” aspects of non-kinetic engagements, and should be mutually operative in these domains as circumstances define and dictate to be necessary (Giordano, 2015; Tractenberg, FitzGerald & Giordano, 2015; Tennison, Giordano & Moreno, 2017). Although beyond the scope of this writing, the possibilities and problems generated by such ethico-legal constructs are described in detail elsewhere (see: Lanzilao et al., 2013; Shook & Giordano, 2014). In this prior work, we have claimed, and unapologetically re-iterate here, that such effort(s) are and will be a work-in-progress, which will be demanding and challenging. However, we believe, as an oft-cited adage counsels, that “the juice will be worth the squeeze.”

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## Chapter 10. China and Global Blockchains

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### Abstract

There are clear signs that China wants to dominate the financial technology (fintech) sector. Chinese companies that operate digital payment systems already have major competitive advantages in the form of scale and proprietary technologies. These companies, which are influenced by the Chinese government, can easily consolidate the global fintech market in the future when consumers move towards alternative financial systems. If blockchain-based financial systems become the norm, these companies can easily become dominant market leaders. Moreover, blockchain technology can be used by China as a tool in multiple ways. In all, it is important to consider status quo and potential future scenarios given Chinese interest in this critical sector.

### The Future of Money

The future of money is digital. Countries across the world are striving to cut down on their use of cash in order to have a more efficient monetary system. India went from having zero to 800 million monthly digital payment transactions in less than three years (Mukherjee, 2019), using its highly simplified Unified Payment system (UPI). However, China is the leading player in digital payments in terms of transactions. In 2017, \$15.4 trillion worth of mobile payments were handled by third-party platforms in China, more than forty times the amount processed in the US (Winick, 2018). Two Chinese companies—Alipay and WeChat Pay—dominate this market. Alipay is owned by Alibaba, the ‘Amazon of China.’ WeChat Pay, owned by Tencent, is a multi-purpose app used for messaging, social media, and mobile payment. As the world becomes increasingly cashless, these companies will scale globally. They already have the capability to build and dominate a network of digital payment systems in Asia and other parts of the world (Derixhe, 2019). The latest player in this arena is Facebook. Unlike Alipay and WeChat Pay, which use existing fiat currencies, Facebook is planning to use its own currency, which will be linked to a basket of currencies (Palmer, 2019).

Such ‘cashless societies’ of the future, powered by companies such as Facebook, Alipay, and WeChat, will involve such new digital currencies, some of which will not be issued by nation states or be controlled the way central banks and governments control monetary systems today. These decentralized, denationalized systems that create trust are enabled by the blockchain technology, the revolutionary tool used by Bitcoin and other cryptocurrencies. A cryptocurrency is a digital or virtual currency that uses electronic cryptography for security, which makes it difficult to counterfeit. One of the defining features of a cryptocurrency is its decentralized nature. This is made possible through the ‘blockchain’ technology—a distributed system of secure, immutable, online ledgers. Since cryptocurrencies are not issued by any central authority, they are theoretically shielded from government interference or manipulation. Several decentralized cryptocurrencies have been released since the first one—Bitcoin (BTC)—which was released in 2009.

This decentralized system will be disruptive because the international monetary system has been dominated by national currencies, primarily the US dollar, for many decades. However, a deeper look at the history of the international monetary system and the evolution of national and territorial currencies would suggest that there is nothing natural about a governmental monopoly on money,

and that centralized control of money came about mainly due to politics, not because it is good economic practice. In today's world, where private companies are sometimes more powerful than governments, private currencies owned and operated by non-governmental entities may gain traction. History also suggests that technology has been the most important factor in shaping national currencies (Helleiner, 2003). Blockchain technology might enable private currencies the same way the printing press and the mint enabled currencies back in the day. All of these factors suggest that modern denationalized, decentralized, digital currencies have the potential to be a part of the international monetary system in the future. This chapter discusses how China's competitive advantage in blockchain—the underlying technology used in cryptocurrencies, smart contracts, and several other applications—might become a major economic and political advantage.

### Cryptonization vs. dollarization

Failing economies sometimes adopt the US dollar as the national currency—a phenomenon referred to as 'dollarization.' Recently, there have been cases of 'cryptonization'—the adoption or creation of cryptocurrencies instead of or along with the US dollar (Liao, 2018). This is another sign that this new phenomenon has been gaining traction. If this trend continues, the US dollar's position as the world's de facto reserve currency and the most sought-after currency will be in jeopardy (Shin, 2017). Revisionist powers such as Russia, Iran, and North Korea, who have been trying to de-dollarize the world economy, will be inclined to promote cryptocurrencies. In a scenario where China is no longer dependent on the US for economic growth, China will also be inclined to promote cryptocurrencies. China will be in a much better position than Russia, North Korea, or Iran to do this because Chinese companies are among the most innovative companies in the blockchain sector (Palmer, 2019).

It would be easier for China to promote and enable private cryptocurrencies that compete with the US dollar than to directly compete using its national currency. Alipay's parent company, Ant Financial, is a world leader in FinTech (Detrixhe, 2019) and owns more than 10% of all blockchain patents (MIT Tech Review, 2019). This is reportedly the highest number of patents owned by any company, with IBM placing second. The US invoked National Security concerns to prevent Alipay from expanding within the US (Roumeliotis, 2018), but other countries, including the UK, have been lenient in controlling their infiltration (Russel et al., 2017). Alipay has a stake or partnership with mobile payment companies across the world and can easily consolidate the global market in the future when consumers move towards alternative financial systems due to distrust in governments and banks. The first cryptocurrency, Bitcoin, gained traction in 2009 mainly because consumers were disillusioned with heavily centralized systems after the 2008 financial crisis. If blockchain-based financial systems become ubiquitous, companies such as Ant Financial and WeChat will have both the technical capability (Engen, 2017) and the scale to become undisputed world leaders. Although they are private entities, they are heavily influenced by the Chinese government.

The biggest problem with decentralized cryptocurrencies is that financial transactions might not be easily detected by US authorities. Although not all cryptocurrencies are anonymous or pseudonymous, almost all cryptocurrencies make it difficult to trace transactions when necessary. This will affect America's ability to counter terrorism, transnational crimes, and other illegal activities. Another major issue will be the inability to impose sanctions. After Russia's invasion of Ukraine, there were efforts to prohibit Russia's access to SWIFT (Reuters, 2014), the world's biggest electronic payments system. This system could have helped enforce Western sanctions that targeted Russia's financial sector. Such moves will not have much effect if Russia learns to use cryptocurrencies as an alternative for interbank transfer. In 2012, SWIFT severed ties with Iranian banks that were the subject of European Union sanctions over Iran's nuclear program. This was a

crucial step in shutting down one of Iran's major lines of commerce and was instrumental in bringing Iran to the negotiating table. Cryptocurrencies can disrupt sanctions by providing alternatives. The use of Bitcoin already gives North Korea opportunities to circumvent Western sanctions. Therefore, proactive measures are required to counter cryptocurrencies, especially those that might have more advanced technologies than US does and has the backing of a competing great power.

### A Eurasian euro?

In a scenario where China is no longer dependent on the US for economic growth, China might consider creating a supranational cryptocurrency in the Eurasian region, similar to the Euro in Europe. Such a system would be immune to US sanctions and would also consolidate economic activity within countries involved in the Belt and Road Initiative (BRI).

The People's Bank of China's Deputy Governor Fan Yifei penned an article exploring the possibility of a digital currency (Reuters, 2018). Such a currency would be better off being similar to the euro, spanning a larger region and integrating multiple national economies. China will get to influence, if not control, this currency the way Germany dominated the Euro for a long time. Such a scenario would pose a threat to the US dollar. Furthermore, Russia's growing proximity to China makes this more likely (Macaes, 2019). Russia has been considering the idea of creating a digital version of the ruble. However, Russia lacks the economic strength and technological advantages China has.

There have been attempts to create such a supranational currency in the past. The chief of the Russian Direct Investment Fund (RDIF) has claimed that the BRICS finance committee was discussing the idea of having a joint virtual currency for the five-nation bloc of developing economies—Brazil, Russia, India, China, and South Africa (BRICS). He added that within BRICS, cryptocurrencies could replace the US dollar and other currencies used in settlements among the member states. Such a supranational cryptocurrency would include countries with 40% of the world's population. Another initiative by the Central Bank of Russia reportedly aimed at creating a joint digital currency for BRICS countries and the Eurasian Economic Union (EEU) (Russia Today, 2017). Though it is less likely that these projects will succeed, they are within the realm of possibility, with China being the most likely state to lead such efforts.

### Smart Contracts and Other Applications

Smart contracts are self-executing contracts which carry the terms of the agreement between buyer and seller as lines of code on the blockchain network. A smart contract is to a contract what a vending machine is to a retail store. Smart contracts have the advantage of being a part of the same network and system that executes payments through cryptocurrencies. In a scenario where blockchain-based financial systems are ubiquitous, smart contracts will be a force multiplier. Smart contracts will be able to provide insurance and other legal services, making these networks, and therefore the entity controlling the blockchain, more powerful than governments. Blockchain systems will not be as decentralized as advertised, especially if authoritarian governments are involved. China has reportedly tested the application of artificial intelligence (AI) (Alexandre, 2019) and blockchain (Zmudzinski, 2018) in their internet courts. This, in combination with their social credit system, is a recipe that will further strengthen China's authoritarian model. Other authoritarian countries that are buying hardware and software from China will also buy blockchain-based financial and legal services. This will give China unparalleled access to economic data from these countries. Decentralized power transmission at the peer-to-peer level, which will be ubiquitous in the future when solar energy is widely used, is another way in which blockchain technology will be used. Smart contracts and cryptocurrencies will be used in this application for contracts and payments

respectively. Blockchain-based systems can also be used to maintain land records, medical records, and logistics.

## Weaponized Interdependence

The best use of blockchain technology is in underdeveloped countries that do not have advanced systems for banking, land records, medical records, and rule of law. Such countries can leapfrog ahead by implementing more advanced systems than the rest of the world. However, the costs will be enormous. China may see value in investing in such digital infrastructure because of the leverage it would provide in terms of data, access, and control. Another alternative would be for China to use its 'debt trap' method to make such underdeveloped countries borrow from China. This will create a win-win situation for China. If the economies prosper, so will China. If they fail, China will benefit by seizing assets such as strategically located ports, like it did in Srilanka (Abi-Habb, 2018).

## Hegemony and Monetary Systems

The 'hegemonic stability theory' has been observed to be true in international monetary relations (Eichengreen, 2002). The history and evolution of the international monetary system suggests that a well-functioning monetary system at the international level needs strong leadership by a nation or a group of nations that has vested interest in maintaining the system. This leader must provide a 'lender of last resort' privilege, carry out economic transactions, and provide liquidity. It has always been the dominant power of the day, the one with the mightiest economy and military, that has played this role. First, it was Great Britain, then the United States. Given the rise of China and other fast-growing economies, it remains to be seen how an increasingly multipolar world will affect the international monetary system. Due to globalization and increased interconnectivity, the stage may be set for efficient, private cryptocurrencies that operate globally. In such a scenario, China may be better poised to be the most dominant state through its influence on companies like Alipay and WeChat.

## Conclusion

Money has been used as a political tool more than it has been used as an economic tool. Centralized control of the monetary system has been instrumental in creating and maintaining hegemony. During the Renaissance, the Medici family controlled the banking industry and the government for almost 400 years (The Economist, 1999). This was because the Medicis effectively applied newly developed techniques, such as double-entry bookkeeping, to their advantage. They found innovative ways to work around the rules of the Catholic Church, the most powerful entity at that time. It might be difficult to imagine a world that uses private cryptocurrencies on a regular basis. But, it was previously difficult to imagine a world where we would get into strangers' cars and live in strangers' houses in a new city. Uber and Airbnb, respectively, made normalized these practices through the right use of technology. Just as Bitcoin rose to fame after the 2009 financial crisis, a market correction may shake public trust in institutions and result in an increased interest in alternatives to traditional currencies. Even an illusion of decentralization might be enough to gain traction. Moreover, China will have an advantage in this scenario, as such a transition to alternative currencies would hurt the US dollar.

Unconventional alternatives to banking are on the rise. For instance, in the US, the Walmart MoneyCard app is being used by many people as an alternative to a bank account (Walker, 2017). Such systems are precursors to blockchain-based cryptocurrencies in the future. However, American firms are not as proactive as Alipay and WeChat in capturing markets across the world. The US's first

mover advantage seems to have been lost. Global blockchains that support monetary systems and other data services, if run by companies like Alipay, will give China unparalleled access to invaluable data on markets on an everyday basis. Blockchains are systems that create trust. When trust is guaranteed by a neutral protocol instead of centralized institutions that operate under the rule of law, America can no longer leverage economic power as a strategic option. Economic sanctions have been a key component of America's grand strategy since World War II and are indispensable. In a world where cryptocurrencies are ubiquitous and are backed by companies such as Alipay, the US will be weakened. China is no stranger to the use of currencies as a strategic tool (Wolverson, 2010). Confrontations between major powers in the future will happen below the level of armed conflict, and under such conditions, China will choose to play its biggest strength: economic warfare.

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## Chapter 11. China and Artificial Intelligence

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### Abstract

China's senior leadership, including President Xi Jinping, believe that leadership in artificial intelligence (AI) technology will play a critical role in the future of economic and military power. Chinese leaders and scholars tend to see AI competition as a "race of two giants" between China and the United States, each of which possesses different strengths and weaknesses. The Chinese government's principle use of AI is currently for domestic surveillance and population control, but China's national security leadership also believe that AI has the potential to usher in a new military technology revolution through which China can close the military technology gap between the itself and the United States.

**Notes:** Portions of this text are adapted from Allen, 2019. Opinions expressed in this essay are those of the author alone and do not necessarily reflect the views of the author's employer or the United States government.

### Chinese Leadership Beliefs About AI

In mid-2017, China's State Council published the Chinese government's national strategy for artificial intelligence. The document, which received significant and sustained attention from the highest levels of Chinese leadership, describes AI as a "strategic technology" and "a new focus of international competition" in both economic and military dimensions (China State Council, 2017). A year later, in October 2018, Chinese President Xi Jinping led a Politburo study session on AI, which offered experts and leaders from commercial and academic AI sectors the opportunity to present before China's most senior leadership. In his speech during the session, Xi was reported to have said that China must "ensure that our country marches in the front ranks where it comes to theoretical research in this important area of AI, and occupies the high ground in critical and AI core technologies" (Xi, 2018). Xi's speech demonstrates that China's leadership continues to subscribe to the main arguments of both the AI national strategy document and Made in China 2025: that China should simultaneously pursue global leadership and self-reliance in AI technology.

China's desire for AI preeminence extends to the military sphere, where Chinese military leaders and scholars predict that continued progress in AI technology will, in aggregate, lead to an "intelligentized" (智能化) military technology revolution that will be as significant as the information technology revolution of the past several decades. China's AI strategy document states that China will "promote all kinds of AI technology to become quickly embedded in the field of national defense innovation." In October 2018, Major General Ding Xiangrong, Deputy Director of the General Office of China's Central Military Commission, said in a speech that China's main goal for AI is to "narrow the gap between the Chinese military and global advanced powers" (Allen, 2019). Other Chinese leaders, including senior executives at state-owned weapons manufacturers, have said that they believe that lethal autonomous weapons using advanced AI technology will be the primary basis of military power in the future.



## China's Strengths in AI

China's strength in artificial intelligence technology is a fact of the present, rather than a potential future scenario. One measure of strength in AI is the rate of publication of science and technology research papers. A recent study by the Allen Institute of Artificial Intelligence found that "China has already surpassed the US in [the number of] published AI papers. If current trends continue, China is poised to overtake the US in the most-cited 50% of papers this year, in the most-cited 10% of papers next year, and in the 1% of most-cited papers by 2025" (Schoenick, 2019). Citations are an indication of the quality and impact of research papers, though a lagging one.

Beyond research, China's AI ecosystem also excels at using AI to generate commercial market applications and business opportunities. A report by Tsinghua University (China Institute for Science and Technology Policy, 2018) found that China is:

- #1 in AI patents
- #1 in AI venture capital investment
- #2 in the number of AI companies
- #2 in the largest AI talent pool.

Many Chinese companies are undisputed leaders in AI technologies and AI-adjacent markets. China's SenseTime corporation, for example, is one of the world leaders in computer vision AI in terms of both research publications and sales. SenseTime claims to have achieved annual revenue growth of 400% for three consecutive years. Another Chinese firm, DJI, is the clear global leader in consumer drone technology with 74% market share. DJI has incorporated machine learning technology into its most recent products, including gesture recognition for directing autonomous flight behavior (Allen, 2019).

China's overall Internet ecosystem provides a highly favorable market environment for the rise of AI. The greatest practical advances in AI over the past decade have occurred through the use of data-intensive machine learning algorithms. China possesses far more data of a kind that represents low-hanging fruit for developing viable AI business models. Most notably, China has more than 800 million active Internet users, and 98% of these users are accessing the Internet primarily through mobile phones. An extraordinarily high share of consumer economic activity is occurring through Internet-connected mobile phone payments. In 2016, the US saw only \$112 billion in mobile phone payments, growing at 40% over 2015. By contrast, China had over \$9 trillion in 2016 mobile phone payments, increasing by 300% over 2015 (Abkowitz, 2018). These payments represent user account data connected to real world economic activity that can be analyzed by machine learning algorithms alongside all of the other data tracked by the user's mobile phone, including social media and geolocation data. To a greater extent than in the US, Chinese businesses have relevant and valuable data on real-world consumer economic activity to develop machine learning algorithms. Kai-Fu Lee, former head of Google China and one of the most active venture capitalists in China's AI sector, went so far as to say that this data advantage means that China's market opportunity for AI "is larger and more important and more valuable than the rest of the world combined" (Lee, 2018a).

From an AI development standpoint, data tends to be application-specific. Having a large quantity of electronic health records is not useful for developing autonomous vehicle driving algorithms, which generally require sensor or driving data. Similarly, one cannot use consumer mobile payments data to develop military AI applications. However, the fact that China does possess such an extraordinary quantity of consumer Internet, financial (and government surveillance) data does affect the growth prospects of China's overall AI ecosystem. These attractive datasets upon which to build businesses

affect the overall number of AI businesses that are likely to be started, the number of students that are likely to be educated with AI-relevant skillsets, and the number of organizations that will gain early-adopter operational experience with AI technology. Thus, the strength of China's data ecosystem directly translates into the strength of its overall AI ecosystem, which in turn bolsters China's potential to leverage this ecosystem for military applications of AI in cases where required data for such applications is available.

In general, China's national security apparatus appears to have a greater ability to access its domestic commercial technology industry than does the United States military. "Military-Civil Fusion," in which the best commercial AI technology and expertise is made available to the military, is one of the key pillars of China's AI strategy. Additionally, Article 7 of China's National Intelligence Law gives the government legal authority to compel such assistance, though the government also has powerful non-coercive tools to incentivize cooperation.

### China's Weaknesses in AI

Though China is already strong in AI research and commercial applications, China's leadership perceives significant weaknesses relative to the United States in areas such as top talent and semiconductors.

In terms of top talent, the Tsinghua University study on China's AI development found that China ranked second worldwide in terms of the largest AI talent pool (behind the United States). However, the study found that China ranks 8th worldwide in terms of elite AI talent, while the United States remained first. Though acknowledging the disparity, Kai-Fu Lee argues that this is not a major barrier because "the current age of implementation [AI application commercialization] appears well-suited to China's strengths in research: large quantities of highly skilled, though not necessarily best-of-best, AI researchers and practitioners" (Lee, 2018b).

All AI applications must ultimately run on semiconductor computer chips, which means that the semiconductor industry plays a critical role in enabling the AI sector. As a recent report stated:

*"Whether it is the realization of algorithms, the acquisition and a massive database, or the computing capability, the secret behind the rapid development of the AI industry lies in the one and only physical basis, that is, the chips. Therefore, it is no exaggeration to say, "No chip, no AI" given the irreplaceable role of AI chips as the cornerstone for AI development and its strategic significance."*

- Beijing Innovation Center for Future Chips, 2018

China's semiconductor industry lags significantly behind that of the United States, Europe, Japan, South Korea, and Taiwan. However, China has made notable progress in improving the quality of its semiconductor design sector, with some companies, such as Huawei, near or at the global state of the art. However, much of the global semiconductor design intellectual property is held by non-Chinese companies. Compared with design, China is much further behind in semiconductor manufacturing, but access to Taiwan's world-leading capabilities lessens the consequences of this. China's semiconductor weakness is most pronounced in the semiconductor manufacturing equipment market. Not a single Chinese company is among the top global firms in semiconductor manufacturing equipment.

China's leadership recognizes that its lagging position in semiconductors leaves it dependent upon international sources of technology, and therefore, potentially vulnerable. Chinese electronics

manufacturer ZTE faced a quick turn from profitability to imminent bankruptcy in the wake of US export restrictions on critical input semiconductors. This experience had a dramatic impact on the views of Chinese leaders in both government and business, and the implications of this shift extend to AI. In November 2018, Dr. Tan Tieniu, Deputy Secretary-General of the Chinese Academy of Sciences, gave a speech before the 13th National People's Congress Standing Committee in which he argued:

*"The U.S. [semiconductor export] ban on ZTE fully demonstrates the importance of independent, controllable core, high, and foundational technologies. In order to avoid repeating this disaster, China should learn its lesson about importing core electronic components, high-end general-purpose chips, and foundational software."*

- Tan Tieniu, 2018

China's near-term objective is, therefore, to preserve access to the critical international technologies needed as China's AI industry continues to advance. Foremost among these needs are semiconductors. China's long-term objective, however, is to develop controllable domestic alternatives to international technology dependencies. China's government is investing hundreds of billions of dollars to accelerate the development of its domestic semiconductor industry. Though success is not assured, China's developing an internationally competitive domestic semiconductor industry would remove one of the US's key points of leverage over the development of China's AI sector.

## Security Implications of China's AI Strategy

Most of the Chinese government's near-term operational spending on AI relates to its use in domestic security. China's domestic security priorities have pushed China's government to be an early adopter of AI for surveillance, censorship, and public opinion manipulation. AI-enabled video, audio, and Internet surveillance is a multi-billion USD market in China, with government customers as the largest spenders by far. The current Chinese regime views America's cultural influence and promotion of democratic values as a threat to state stability and the regime's control over the Chinese population. Especially in the western Xinjiang province, Chinese AI tools are being developed and utilized to enable an extraordinary system of authoritarian repression. China is increasingly willing to both export these technologies to other authoritarian regimes and also to utilize its public opinion manipulation technologies in operations against democracies. China's extensive use of AI technology for surveillance, censorship, and propaganda offers security agencies the opportunity to be technology early adopters and to gain valuable operational use and program management experience related to AI technology. Ultimately, however, China's AI ambitions extend beyond domestic security to more overt military use cases.

Chinese military leaders publicly state their belief in the importance of military AI technology for the future of Chinese national security and military power—describing it as a technology revolution. However, they are more circumspect in describing the specific applications that China will pursue initially and over a longer timeframe. It is clear, however, that aerial and underwater autonomous robotic platforms with strike capability are currently of interest, as are AI cyber applications. At least one Chinese drone manufacturer currently advertises its products as being capable of "autonomously performing more combat missions... including targeted strikes" (Allen, 2019).

## Conclusion

China's leadership recognizes that AI technology is an important new locus of strategic competition across economic, military, and intelligence dimensions. Though China has historically competed from a position of technological backwardness, its domestic AI industry is highly advanced with important competitive advantages. In the coming years, China's military will seek to make ever greater use of its AI strength, as its domestic security services already are.

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## Chapter 12. Chinese Military Innovations

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### Abstract

Since the mid-1990s, China has made impressive progress in its efforts to become a world leader in technological and military innovation. Although China has not yet become self-reliant in terms of developing the most advanced technologies, the Communist Party has placed extremely high priority on achieving ambitious innovation objectives across the science and technology spectrum. Adroit students of the US-led revolution in military affairs, the People's Liberation Army (PLA) is keenly aware of the importance of leading the next wave of military innovation. By capitalizing on President Xi Jinping's personal support, the party's centralized planning system, and military-civilian fusion development strategies, the PLA is poised to challenge the world's most advanced militaries in the production of the next generation of high technology weapon systems. In this chapter, I argue that in terms of national intent, funding, and talent development, China will continue to improve its innovativeness across all science and technology (S/T) and military domains. The United States must respond with its own national-level push or risk ceding ground in this critical area of national competition over the medium- to long-term.

### Introduction

The Chinese Communist Party (CCP) has emphasized the importance of innovation in all aspects of the People's Republic of China's (PRC) development since the early years of the "reform and opening" path set by Deng Xiaoping in the early 1980's. Once dismissed by Western observers as a "copycat" economy and society, somehow culturally incapable of innovation, China's progress thus far and its determination to foster true innovation can no longer be ignored (Atkinson & Foote, 2019). In the past decade, the CCP has doubled down on long-held ambitions to place China in the top tier of the world's most innovative countries before the middle of this century. Nowhere is this ambition more apparent than among planners in the People's Liberation Army (PLA) (State Council, 2006; Levesque, 2019).

A review of the early decades of China's post-Mao Zedong modernization drive is beyond the scope of this short paper. Other authors in this volume have articulated CCP approaches to strategic competition and described the challenges faced by the party as it seeks to maintain a positive growth trajectory and achieve the "great rejuvenation of the Chinese nation." But innovation holds a key place in CCP thinking about how China can overcome these challenges and achieve its long-term goals.

China under CCP General Secretary and President Xi Jinping views military and science and technology (S/T) innovation as both causes and effects of great power status, as well as precursors to becoming a great country and a leader of the future world order. Capitalizing on its strengths, such as Strategic Planning, top-down leadership, and organizational changes, the PRC pursues 'Military-Civilian Fusion' development and an ambitious 'Innovation-Driven Development Strategy' (IDDS) as part of China's comprehensive national, power-based, long-term competitive strategy. The stated objective of the three-step IDDS is to advance indigenous innovation and make China a global leader in high technology innovation by 2050 (SCIO, 2016; Levesque, 2019; Kania & Costello, 2018).

## Strategic Planning with Chinese Characteristics

Under the CCP, China's Strategic Planning (战略规划) focuses on strengthening the country's comprehensive national power (CNP) and harnessing all of the resources of the economy and society in service to the national interest, as defined by the CCP (Liang, 2011; Chen et al., 2017). Broadly, use of a CNP-based approach to medium- and long-term planning allows the Party to organize the state, the economy, society at large, and the military by providing measurable objectives within the iterative and incremental Five Year Plan (FYP/五年计划) centralized planning system. Each FYP sets progress targets across all sectors of the economy and society, designed to qualitatively enhance and increase China's CNP across all components of power, thereby moving the country toward the Party's medium- and long-term strategic goals (Chen et al., 2017).

Although the path of modernization and the building of China's position in the world has had its challenges, this incremental approach has produced an astonishing degree of success since the 6th FYP (1981-1985), presided over by CCP Supreme Leader Deng Xiaoping. China has vastly improved the living standards of its population and advanced its position significantly in every category of national power, elevating it into the ranks of the world's most powerful countries by any assessment (US News, 2019). As China has moved into positions of leadership within the economic, political, and military power domains, it has become more confident and more assertive in exercising that power. As CCP strategic planners eye the future, they recognize clearly that military and science and technology (S/T) innovation are critical to the continued growth of China's CNP, and they are implementing plans to advance "indigenous innovation" (State Council, 2006; SCIO, 2016).

## Military Innovation

### General trajectory

The PLA thoroughly understands the relationship between a country's economic and military power on one hand, and science and technology innovation on the other. As longtime students of the US-led revolution in military affairs (RMA), PLA force planners and strategists have written since the 1980s on the value of building China's indigenous innovation in all aspects of military modernization. The concept of indigenous innovation as an objective of government policy was codified in the National Medium- and Long-Term Program (MLP) for Science and Technology Development (2006-2020), promulgated at the beginning of the 11th FYP, which has guided the country's S/T efforts for nearly 15 years (State Council, 2006; Liang, 2011).

The PLA's shift from a bloated, backward military to one of the world's most modern and well-equipped has not followed a smooth continuum, particularly in its early years. Still, even as the PLA struggled in the 1980s and into the 1990s with corruption, inefficiency, and poor outcomes from its defense industries and armaments systems, its planning and strategy documents spoke in aspirational terms about improving military and S/T innovation (Medeiros et al., 2005; Cheung, 2005). Defense industry reforms beginning in the late 1990s and intensifying throughout the 10th, 11th, and 12th FYPs placed increased focus on technology and knowledge transfer, "re-innovation" of borrowed and stolen technology, and leapfrogging in key sectors. Over the past 20 or so years, China has developed world-class weapons and equipment as part of its overall approach to military system modernization (Engstrom, 2018, pp. 9-10; Chase et al., 2015, pp. 13-19). It is on the cutting edge in capability to produce precision-guided munitions, weapons seekers, advanced radars and

sensing equipment, hardened and redundant communications infrastructure, and electronic warfare systems, to name a few (DIA, 2019; Kania, 2018; Liu et al., 2017).

Now in its 13th FYP, the PLA is pursuing advances in the world's cutting edge military technology and in many respects is at the forefront of performance in several key areas such as hypersonics and counterspace. Artificial intelligence and machine learning (AI/ML), biotechnology, quantum communications, undersea sensing, and autonomous platforms are all dual-use technology areas with largely untested but highly compelling military applications. China already shows enormous potential in each of these areas, and the Chinese state and the PLA have heavily committed to achieving breakthroughs through increased funding and policy support (Kania & Costello, 2018; Kania, 2019).

### Xi Jinping weighs in

On May 16, 2019, one of the CCP's leading thought journals, *Qiushi* (Seeking Truth) republished a speech given in January 2016 by Chairman Xi Jinping entitled "In-Depth Understanding of the New Development Concept." By reprinting the three-year-old speech, the journal reaffirms the position of the chairman and solidifies his logic in the minds of the CCP's roughly 88 million members, who are the main audience of the periodical. The important speech laid out what Xi called "the five development concepts" driving the party's Strategic Planning. In order, they are: innovative, coordinated, green, open, and shared development. As Xinhua News Agency stated in its commentary on the speech's republication, "...innovation [is] in the first place because innovation is the first driving force for development."

The most emphasized concept in the speech is that innovation is the key missing ingredient in China's development and competitive capacity—the words *innovation* and *innovative* (创新) appear 35 times. As Xi declared, "the new advantages of international competition are increasingly reflected in the ability to innovate. Whoever takes the leading steps in innovation will have the initiative to lead development." He candidly assessed China's economy as "big but not strong," and he blamed the weakness of the economy on continued deficiency in innovation, which he referred to as the "Achilles Heel" (阿喀琉斯之踵) of China's development.

Consistent with Chinese state media practice, military matters are lightly referenced in the openly published version of the speech, but Xi warns that China's industries still operate on the low end of the value chain, even as many of the military applications of high technology are coming to fruition. He calls upon the state to "deepen the reform of the science and technology system, promote the talent development system," and claim "first mover advantage" in the realm of national security. When describing how China must do this, he references one of China's national development strategies, Military-Civilian Fusion (MCF) (军民融合), asserting that "...it is necessary to coordinate economic construction and national defense construction" and "establish a comprehensive pattern of deep all-factory, multi-field, high efficiency military-civilian fusion" (Xi, 2019).

### Military-Civilian Fusion development (军民融合发展)

As one of the architects of MCF, Major General Jiang Luming of the National Defense University, explained in a 2016 article, "Implementing Military-Civilian Fusion development is a national strategy for Chinese Communist Party members to coordinate the promotion of national defense and economic and social development, and is *essential for realizing the great rejuvenation of the Chinese*

*nation*” (Jiang, 2016). MCF is at the very heart of the CCP’s Innovation-Driven Development Strategy as well as its CNP-based approach to long-term competition with the United States (CGTN, 2017; Jiang, 2016).

MCF was formally initiated in 2006, concurrent with the issuance of the PRC’s MLP for Science and Technology (2006-2020), as the successor to Military-Civilian Integration (军民结合) (Zhang, 2007). After ten years of development, it was elevated to the level of national strategy by the Central Committee’s Politburo in March 2016. A prominent component of CCP Strategic Planning, MCF is the CCP’s extremely broad effort to bring together the civilian and military components of four “grand systems” within the Chinese economy and society. The effort is designed to optimize investments in civilian and military development and to harness all of the resources of the nation, in service to the national interest, as defined by the CCP. The four grand systems targeted under MCF are: 1) the S/T and informatization innovation system; 2) the infrastructure and logistics system; 3) the talent cultivation system; and 4) the defense mobilization and emergency response system (Jiang, 2016; Liang, 2011; CGTN, 2017).

Because of the high degree of interrelationship between these systems, a few key organizations oversee top level planning, such as the National Development and Reform Commission, the CMC’s Strategic Planning Office, and the national commission described below. At lower levels, dozens of government, military, educational, and industrial entities carry out detailed plans within the larger design. Relevant here, one organization established at the outset of the 13<sup>th</sup> FYP – the Central Military Commission (CMC) Scientific Research Steering Committee – is touted as the directorate of military innovation (Kania, 2018; Martina, 2016). It is important to understand that MCF is less about warfare and more about reforming legal, market, and organizational structures to enable the optimization of strategic resources across the Chinese economy, society, and national defense realm. The goal is simple: to enhance China’s overall strategic effectiveness across all spectrums of national competition (Jiang, 2016; Liang, 2011; Martina, 2016; Levesque, 2019).

Xi Jinping has aggressively backed and spoken at length about MCF in dozens of national level speeches since becoming Party General Secretary, President, and Chairman of the CMC in 2012. Since it was elevated to the level of a national strategy in March 2015, the CCP has doubled down on the program in terms of funding, legal and structural support, and organizational reforms (Jiang, 2016; CGTN, 2017; Xinhua, 2018). Although MCF precedes him as a key element of Strategic Planning, Xi Jinping has signaled his strong personal support for the massive program, declaring it a central element in the Innovation Driven Development Strategy (IDDS; 创新驱动发展战略) as early as 2013 (Levesque, 2019; Jiang, 2016). But it is by establishing the Central Commission for Military-Civilian Fusion Development (中央军民融合发展委员会), first announced in mid-2017, with himself as the chairman, that Xi has sent the loudest message. Showing the complexity and scale of the effort, the list of notable attendees at the inaugural meeting of the commission in June 2017 included the Premier, six members of the Politburo Standing Committee, two state councilors, three members of the Central Military Commission, leaders from 11 national level organizations, and others (Zhou et al., 2018; Kania, 2018; CGTN, 2017). The diversity of powerful entities represented underscores both the potential for bureaucratic infighting and the necessity of such a high powered organization to smash through stovepipes and direct compliance with the reforms (Xinhua, 2018).

MCF and the CCP’s full-court press to advance innovation are inextricably linked, as new initiatives promoting MCF and the Innovation-Driven Development Strategy are announced on a regular basis. MCF-focused research facilities, technology parks, innovation funds, and a recently observed collection of MCF “industry alliances” are publicly touted as part of the country’s effort to build a “rich



country with a strong military (富国强军)” (Levesque, 2019; Kania & Costello, 2018; CGTN, 2017; Xinhua, 2018; Jiang, 2016).

### Military innovation as a domain of competitive strategy

China is already a formidable competitor in military innovation. Although it is untested in combat, the PLA has deployed world class weapon and support systems in every domain of warfare, and it has demonstrated capabilities that no other country has developed, such as long range anti-ship ballistic missiles. Xi Jinping and the PLA recognize that there are still impediments to building the kind of military innovation system that they aspire to (Xi, 2019; Kania, 2018; Chase et al., 2015, pp. 69-73; Han & Appelbaum, 2018). But the progress the PLA has made as part of China’s overall national innovation strategy approach cannot be ignored. Even those few remaining skeptics who question China’s prospects of becoming an innovation powerhouse admit the impressive success the Chinese system has enjoyed thus far, while still asserting that the CCP’s heavy hand in the S/T sector limits the free thinking necessary for innovation (Abrami et al., 2014; Trigkas, 2017).

A recent study by the nonpartisan Information Technology & Innovation Foundation (ITIF) compared the US and China, using 36 indicators of innovation and base years between 2004 and 2007, as compared to ten years later. The study was focused on industrial and enterprise innovation, but the indicators reflect most of the general trends that matter most for military innovation as well (e.g., Chinese per capita STEM degrees as a percentage of the United States, S/T R&D spending, numbers of patents issued). The report concludes that although China still lags behind the US in most of the indicators, it has many natural advantages and “...China is making more rapid progress in innovation and advanced technology industries than the United States.” It exhorts America to “...put in place its own robust national innovation and competitiveness strategy” or risk being eclipsed by China’s rapidly growing innovation drive (Atkinson & Foote, 2019).

Concerning military innovation, it is fair to ask whether China’s system is more well-suited to pull innovations from the commercial sector into the national defense sector, which is the stated objective of Military-Civilian Fusion (Martina, 2016). The CCP is not hesitant to compel its companies, state owned or quasi-private, to share their latest technology with the PLA. Civilian researchers, scientists, computer programmers, and engineers are available to the PLA in large numbers, and those who do not willingly provide their services to the military can be directed to do so. As an example, China’s internal security forces employ the world’s most advanced social surveillance and monitoring system; no other country is even close. The living laboratory of nearly 1.4 billion Chinese citizens allows their government to explore the intricacies of deploying machine learning against a range of social science problems. This social surveillance system has not been used in the chaotic environment of modern combat, but China has working hardware and software employed across the country, tracking an intensely complex population’s comings and goings in the virtual and real worlds (Feldstein, 2019; Mitchell & Diamond, 2018; Kania, 2018).

To gauge China’s prospects for becoming a leader in military innovation, we should briefly assess the other factors that contribute to that outcome historically. If it is intent, China demonstrates that with a robust commitment to policy and organizational changes from the top down. The PLA has support from the highest levels of power in the CCP and many powerful entities building detailed plans to enhance innovative capacity (Han & Appelbaum, 2018; Jiang, 2016).

If it is funding, witness the staggering amounts of money being poured into R&D, much of which is in AI/ML, quantum science, undersea sensing, and other dual-use technologies targeted under national

level “mega-projects” and the Made in China 2025 initiative (e.g., batteries, aviation, robotics, genomics, space, security). Double digit rises in spending since the beginning of the 12<sup>th</sup> FYP have narrowed the gap between the US and China, the latter of which aims to grow its investment to 2.5% of GDP by 2020, compared to the US’s 2.7% (Atkinson & Foote, 2019; Normile, 2018; Wenderoth, 2018; Kania & Costello, 2018; Wolfe, 2018).

If it is talent, here again China shows enormous commitment to cultivating indigenous capacity. With the 2010 promulgation of the National Talent Development Plan (2010-2020), the CCP formally established talent as “the top priority resource for China’s social and economic development” and set ambitious goals for nurturing and attracting high-end expertise (Wang, 2010, p. 7). A range of statistics, from the numbers of students enrolled in STEM degree programs to the numbers of post-graduate and doctoral researchers added to government-affiliated institutions, shows the impact of these policies. China already has eight times as many STEM graduates as the US, with a 300% increase in the national total expected by 2030 (Wang, 2017; McCarthy, 2017; Han & Appelbaum, 2018). In terms of outputs, such as numbers of patents and trademarks issued, or numbers of new universities being built, China’s statistics improve, year after year (World Intellectual Property Organization, 2018; Trigkas, 2017; McCarthy, 2017).

### **Conclusion: No Holds Barred**

Military innovation is distinct from commercial and purely civilian innovation, which happens in the open and is judged in the international marketplace. In the competition to develop the cutting-edge technologies that the 2018 US National Defense Strategy (NDS) identified as critical to building the force of the future (e.g., advanced computing, “big data” analytics, AI/ML, autonomy, robotics, directed energy, biotechnology), many speak of “winning the tech race.” But characterizing tech competitions as a race is a false analogy. In a race, there is only one direction to run, all competitors start from the same line, and everyone knows where the finish line is. When the race is over, competitors stop running and race officials recognize a winner. Technology innovation—and particularly military innovation—is not a race; it is more like a free-for-all fight between national systems, with all their strengths and weaknesses laid bare, and the winner is only judged after conflict ensues.

It is important for the US to realize that China is more advanced in some of the military applications of these technologies already—as discussed in other chapters of this white paper—and there is great uncertainty about how these technologies will develop in the military domain. There are enormous ethical, moral, and policy implications of the technologies, and the US will undoubtedly place greater limits on many military uses than China is likely to. For this reason, the US must pursue industrial policy as aggressively as our institutions allow and redouble intelligence focus on identifying the divergent technology trends within China.

The danger is that among its military innovations, China will advance military uses of some of these cutting edge technologies that we are unable or unwilling to explore, leaving us without sufficient countermeasures or parallel technology. This reality suggests another respect in which military innovation is distinct from advances in the commercial or industrial domains; any development that compels a potential adversary to react by building countermeasures could be described as innovative. Viewed from this perspective, the US is already engaged in an intense innovation competition with the PRC, and China is a highly motivated, well-funded adversary.

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<sup>8</sup> The article is a summary of a discussion between the PLA Daily reporter and three senior members of the Military Construction Research Department at the PLA's Academy of Military Science concerning the deliberate shift in terminology as a true shift in the form and function of civilian to military combined development. "From military-civilian integration (军民结合) to military-civilian fusion (军民融合), even though only one character is different, is truly a great theoretical leap resulting from a difficult process of trial and error."

## PART III: DURABILITY OF THE CHINESE REGIME

### Chapter 13. How Durable May a Digital Authoritarian Regime Be Within China?

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#### Abstract

China is currently building a digital authoritarian regime. This development represents the latest variant of authoritarian regime in the People’s Republic of China (PRC), which has adapted to survive over its 69 year existence. How will it affect the regime’s durability?

“Digitization” is only one factor affecting the Chinese domestic political regime’s durability, and the PRC faces tough economic, social, and political challenges. Digitization buttresses the regime’s durability in the short- to medium-term by providing a plausible route for the regime to maintain control whilst making its citizens rich; it helps give the regime a tangible, plausible story. Whether this approach actually works—or whether China instead languishes in a regime-threatening “middle income trap” of relative economic failure—will only be revealed in the longer-run.

#### Introduction

The PRC faces a future of big social, economic, and political challenges. The Chinese regime is adopting digital technologies that affect its ability to meet those challenges, and so maintain its legitimacy and control over the population. In this chapter, I first describe what a “digital authoritarian” regime is. Next, I outline a baseline for considering regime durability and suggest that regimes must adapt to survive—as the PRC has done over its 69 year history. I conclude by describing the key challenges facing the PRC regime now, and how China’s digitization of its authoritarian state helps it adapt to meet those challenges.<sup>9</sup>

#### What Is a Digital Authoritarian Regime—and What Is Digitization?

Digital authoritarianism is just a new form of authoritarianism, one in which digitization plays a key role in the regime’s functioning. Indeed, other types of regimes such as liberal democracies (e.g., the United States) or hybrid regimes combining features of liberal democracy and authoritarianism (e.g., Russia) are also digitizing. Here I focus on digital authoritarianism.

A digital authoritarian regime is an authoritarian system of social organization, in which digital technologies provide possibilities for action that critically enable key aspects of the regime’s functioning. To unpack that definition:

- What is a domestic political regime? A domestic political regime is a system of social organization that includes not only government and the institutions of the state, but also the

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<sup>9</sup> For more extensive discussion of some of these issues, see (Wright, 2018), on which parts of this chapter also draw.

structures and processes by which these entities interact with broader society. It is a “system”—or perhaps more so a system of systems—in that there are interrelationships within a complex whole, and “political” in that these interrelationships relate to the distribution of power, wealth, and resources in society.<sup>10</sup>

- What is an authoritarian regime? Authoritarianism is a belief in or practice of government “from above,” in which authority is exercised regardless of popular consent. Authority rests on legitimacy. Authoritarian regimes emphasize the claims of authority over individual liberty. Authoritarianism and totalitarianism may be distinguished as authoritarianism lacks the more radical goal of obliterating the distinction between the state and civil society. Authoritarian regimes may thus tolerate a significant range of economic, religious, and other freedoms.

### What is digitization?

- What do I mean by “digital?” I mean that the regime’s modes of functioning are critically enabled by the affordances (i.e., possibilities for action) that the digital technologies provide. The digital technologies include computers, communications (e.g., the internet), big data, and AI-related processing. Within the past decade, computers, the internet, and social media have begun to truly change the sinews of political regimes. For instance, even without big data the communication enabled through social media has changed the ways traditional media and political actors interact. US President Trump’s election and social media use illustrate such trends.
- Critically, these digital technologies are “dual use.” Smartphones, for instance, may be used to communicate via audio or video, make payments, take photographs, or access the internet—all whilst moving around. Digital assistants such as Amazon Alexa listen for activation and tell us the weather or help us with shopping. But these technologies also provide extremely sophisticated surveillance equipment carried by an individual (the smartphone) or within the home or office (digital assistants). Crucially, building digital infrastructure for our everyday lives also builds key components of a surveillance state.

### The PRC Regime’s Durability: What’s the Baseline?

The PRC has lasted 69 years since its foundation in 1949. Forecasting any regime’s durability requires some idea of the baseline: How long do domestic political regimes typically last? In this case we can look at China in particular and at regimes more broadly. The PRC has been moderately durable so far, both compared with recent Chinese history and with regimes more broadly.

- Chinese domestic political regimes: The Ming dynasty lasted some two and a half centuries before its collapse and replacement in the 1640s by the Qing dynasty founded by invading Manchus. The Qing dynasty began unravelling in the mid-19<sup>th</sup> Century with severe stresses, both internal (e.g., the Taiping rebellion in which tens of millions died) and external (e.g., Opium wars). The Qing finally collapsed and was replaced in 1911/12 by the Republic that lasted until 1949. Power was severely contested during the Republican period, particularly following Sun Yat-sen’s death in 1925, which led to the preeminence of Chiang Kai-shek, who broke with the Communists and confirmed the governing Kuomintang as a nationalist party. Internal problems were compounded by the 1931-45 Japanese invasion. By 1949, the Communists emerged victorious from civil war and Mao Zedong proclaimed the PRC.

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<sup>10</sup> This definition of a domestic political regime, as well as those of liberal democratic and authoritarian regimes, is chosen as a typical textbook definition, in this case from (Heywood, 2013).

- How durable are other major countries' domestic political regimes? To put the PRC's 69 years into perspective, the USSR lasted 74 years. The US has lasted over two centuries but faced a significant civil war within its first nine decades. What about Europe? Many current European Union (EU) members underwent regime change within the past 50 years: Spain and Portugal from fascism; Greece from military junta; countries such as Poland and Hungary from Communism; and countries such as Czechoslovakia and Yugoslavia not only changed regime but fragmented. The British regime was flexible and changed gradually since the last regime change in 1688, whilst in comparison there have been at least five Germanies since its foundation in 1871 and France since 1848 has seen a French monarchy, four Republics, and a French Empire.

The PRC's 69 years is thus not a bad innings, which has been facilitated by the regime's capacity to adapt.

### Regimes Must Adapt to Changing Times

Regimes much adapt to changing economic, social, technological, and external pressures. A European example is Britain, which has adapted over the past two centuries and avoided (of course in part also through luck) the multiple regime changes in all other sizeable European countries such as France, Germany, or Russia.

The PRC has survived partly because it undertook significant adaptation. One may identify three broad epochs within the PRC:

- Mao's period from 1949 until his death in 1976;
- Deng Xiaoping's subsequent emergence brought in "reform and opening," which largely continued under his two successors. Economic reforms ushered in a form of capitalism and massive economic growth, along with some social and political liberalization;
- Now we see a third epoch with a turn to harder authoritarianism. This may have begun around 2009 under Hu Jintao's later leadership and has certainly hardened under Xi Jinping's leadership (Economy, 2018).

We also see flexibility and adaptability in the Chinese regime due to local experimentation. This is seen economically (Heilmann, 2018), and also with digitization (Wright, 2018).

### What Challenges Must the Chinese Regime Adapt to Now?

The Chinese Communist Party (CCP) faces colossal economic, social, and political challenges domestically<sup>11</sup> moving forwards. This first subsection provides a description of each challenge, and the next subsection describes how these challenges are affected by digitization.

- **Economic challenges:** China's economy has grown massively since "reform and opening" in the 1980s and China is now a middle-income country with GDP per capita around \$18,110 PPP (just above Brazil and just below Argentina or the Dominican Republic) (IMF, 2019). The question now is how it becomes a country in which its citizens are rich—and it is not a

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<sup>11</sup> In contrast to domestic challenges, direct external threats to the regime are easier to consider. Military defeat by external powers removed the regimes in, for example, Fascist Italy or Nazi Germany. But China's survivable nuclear deterrent makes an external attempt at regime change unlikely to succeed, at least in any direct way. Unless some radical change occurs to this nuclear reality, direct external threats of regime change are very unlikely to succeed.



foregone conclusion that it can achieve this next step, as many countries (e.g., in Latin America) become caught in a “Middle Income Trap.” As the Chinese State Council’s Development Research Center observed in a recent comprehensive study of development possibilities: “Around the world 101 economies joined the ranks of middle-income countries after 1960. As of early 2008, only thirteen of them moved up to the higher-income club and achieved the transition successfully.”<sup>12</sup>

- **Social challenges:** China faces massive ongoing social challenges, including vast population movements. It is crucial to realize, for instance, that China’s population only became more urban than rural around 2011. Population ageing will soon begin affecting China significantly. Services such as healthcare must be built and provided on a colossal scale.
- **Political challenges:** The CCP’s political challenges relate directly to these economic and social factors: **How can the CCP provide a plausible path forwards that makes its citizens rich whilst maintaining social control?** Countries such as South Korea or Taiwan became rich but became democracies. Even Singapore has become a hybrid regime that has some features of liberal democracy. Moreover, no communist country such as the Soviet Union ever managed to make its citizens rich, whilst fascist states either collapsed in war (Germany, Italy) or democratized before becoming rich (e.g., Spain). The political challenge is also acute as the CCP’s legitimacy largely rests on its performance in providing material well-being and order. China will inevitably face recessions or even depressions moving forwards, as that is the cyclical nature of economies; how will these economic downturns affect the CCP’s legitimacy?

The CCP must adapt to these challenges—most importantly, to provide a plausible path forwards that makes its citizens rich whilst maintaining social control—and digitization plays a crucial role in this adaptation, both practically and in the realm of ideas.

### How Does Digitization Help or Hinder the Regime’s Adaptation?

A plausible path forward for economic change:

- Economic innovation will be crucial and the “dead-hand” of authoritarianism was a huge problem in the USSR. However, AI and big data promise free flow of information for economically creative and productive activities, while simultaneously curbing anti-regime discussions and activities. This is more *selective* censorship of specific topics, and *selective* targeting of specific behaviors. China’s “Great Firewall” is an early demonstration of selective censorship (King, Pan, & Roberts, 2013).
- Moreover, digitization enables *predictive* control of *potential* dissenters purely by extrapolating from an individual’s data signature, making control more targeted and so cost-effectively reducing the economic burden of an authoritarian apparatus. Thus, AI promises to minimize the costs and enhance the effectiveness of censorship and behavioral control, so—unlike in the USSR—their costs may not prevent selectively, predictively controlled citizens from becoming rich.
- But failing central economic direction also hobbled the Soviet economy. Could AI and big data help there, too? Indeed, a further promise of AI is better central planning. As Jack Ma, the founder of Chinese tech titan Alibaba, argues, with enough information central planners can be better at economic central direction—planning and *predicting* market forces (Hornby, 2018). All Western countries marry some degree of central control, for instance in an industrial strategy, with market mechanisms. AI-enabled central planning could shift the

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<sup>12</sup> Quoted in (Shambaugh, 2016) pages 29-30.

balance and would augment the market signals from the selectively censored information flowing up from the market.

Crucially, in the longer-run, this economic path forwards may or may not work—and only time will tell us whether it succeeds or if China will languish in a middle-income trap. The answer to this question will crucially determine the durability of the new variant of the PRC regime, and we cannot know it ahead of time. Probably in my opinion, on balance it won't work, but only time will tell.

In addition, such a system of authoritarian control also provides insurance for the regime. If a country like China eventually ends up stuck in a “middle income trap” anyway, they will by that point possess perhaps the most formidable system of social control ever created to control dissent.

The new model also crucially helps regime durability in the short- and medium-term because of its effect on *ideas*, regardless of whether it actually works in the longer run. We in the liberal democracies may disagree that a new model of “selective predictive authoritarianism” will work in the long run, but it is a *plausible* model for the PRC and others to aim for. Domestically, a regime such as China's needn't aim for an eventual internal accommodation with liberalization, as many recently thought. Communism and Fascism were only defeated when they palpably failed in the real world after having been pretty thoroughly implemented.

In the short- to medium-term, this helps provide a path for the technical development of the regime's surveillance and censorship systems. The AI-related technologies are significant now not so much for what they are already actually doing at scale in the real world, but because they clearly will bring about revolutionary capabilities at scale. For instance, these technologies provide a clear rationale for building huge, structured databases, because unless the data they store can be analyzed, those data are not very useful. Moreover, AI's ability to filter images and text for sophisticated censorship is rapidly increasing. The reasonable expectation that this will continue helps to justify building relatively inefficient systems now that rely on large human inputs, in the expectation that later gradually reducing or redeploying that human element will make them cost-effective.

Most significantly, the awesome promise of the AI-enhanced digital technologies provide a political story—a concrete, tangible narrative—for why this time things will be different for authoritarianism. Previous versions of authoritarianism palpably kept losing to the liberal democracies in the competition to make the citizens of big, industrially sophisticated societies rich.<sup>13</sup> AI is a value multiplier of the already powerful digital technologies, which provides a crucial element in a story of the future. The importance of a plausible vision of the future cannot be understated: To mass organize a society or lead the core elements of a regime, one needs a story.

Lawrence Freedman's magisterial work on strategy across the military, sociopolitical, and business realms illustrates the centrality of such a narrative element (Freedman, 2013). He defines strategy as the art of creating power, and describes how:

*“As a practical matter strategy is best understood modestly, as moving to the next stage rather than to a definitive or permanent conclusion. The next stage is one that can be realistically*

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<sup>13</sup> Rich here refers to per capita income. For many decades, no other system in any sizeable, industrially sophisticated society has provided a model capable of having rich citizens without an accommodation with liberal democracy. For instance, Singapore is a tiny city state with an extraordinary first leader in Lee Kuan Yew; and while China's rise has been remarkable, a potential path forward beyond middle-income status hasn't been clear without further opening and liberalization.

*reached from the current stage. . . . This does not mean it is easy to manage without a view of a desired end state. Without some sense of where the journey should be leading.”*

- Sir Lawrence Freedman, 2013

The AI-related technologies driving forward digital systems help provide not only practical next steps—such as the building of colossal new labeled datasets for social governance—but also a vision of where the journey can lead.

Of course, many of the digital technologies are “dual use,” so that key parts of digital infrastructure, like ubiquitous smartphones with AI, are being rolled out in authoritarian, hybrid, and liberal democratic regimes alike. This dual use nature also helps the regime, as many key components of a surveillance state can be constructed without provoking a backlash, which might be expected if more classic methods of total surveillance were implemented.

## Conclusions

The AI-related technologies promise to be a massive force multiplier of the existing digital technologies—and this will shape the domestic political regimes of key countries across the globe, not least the PRC. This provides a crucial part of a new authoritarian story about why this time it will be different; why this time authoritarianism can successfully make the citizens of big, industrially sophisticated countries rich. Observers in the liberal democracies may disagree on how likely that is to work out, but unfortunately, it is at least plausible. Thus, in the short- to medium-term the digital authoritarian regime in China will likely be durable, but its longer-term durability will be determined by the fact of whether the potential benefits for the authoritarian actually work out.

AI’s effects on China’s domestic political regime will not only be felt in China, however, because stories—and technological realities—reach multiple audiences. While stories about domestic political regimes are typically mainly for domestic purposes, those regimes also compete in a global system. A country’s domestic political regime, particularly when the country is as large as China, may serve as a model for others—and exert influence over the development of the others’ domestic political regimes, much as the Soviet Union did. Thus, in the next chapter I consider the durability of China’s digital authoritarianism as a model for others.

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## Chapter 14. The Durability of a Digital Authoritarian Model's Influence Outside China

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### Abstract

China's development of a digital authoritarian regime will influence other states in a competition for global influence.

- One way is through ideas: providing a plausible model for authoritarian regimes to maintain control while also making their citizens rich. Digital liberal democratic and authoritarian models will compete for influence over swing states—as occurred in the twentieth century between liberal democratic, fascist, and communist regime types.
- A second way is through export of the digital systems that can be used for control, which will often be dual use.

How durable will this influence be?

- In the competition for ideas, in the mid-twentieth century, the Soviet model was genuinely popular among parts of the population (e.g., European intellectuals) in many swing states. This popularity only really began to wane after revelations of Soviet repression abroad (e.g., Hungary, 1956) and domestically (e.g., the gulag), and its eventually clear relative economic failure. The digital authoritarian model's short- to medium-term attractiveness can rely on the model providing a plausible route to make its citizens rich, but in the longer-term whether or not China actually *does* escape the middle-income trap will increasingly matter. Revelations of the concrete realities of omnipresent digital surveillance may also tarnish the model's appeal.
- The export of digital authoritarian systems could “lock-in” Chinese influence over the regimes in some swing states in the longer-term.
- Key unknowns in this competition include future changes in AI technology—and not least how liberal democracies such as the US adapt to being digital political regimes.

### Introduction

Twentieth century history shows how models such as the US or Soviet systems of social organization can exert influence abroad. Now the global competition for influence occurs through the attractive power of the models; active promotion; export of control and surveillance systems; competition between Chinese and US tech titans; as well as battles over global norms and institutions. Swing states across Europe, Africa, Asia, and so on are highly heterogeneous, and even within states, the elites and populations may disagree over the models' relative merits. Of course, the attractiveness or otherwise of the competing models is just one factor in the broader strategic context, as was the case between competing regime types in the twentieth century.

Here I focus first on competing ideas, secondly on exports of digital control systems, then on global norms and the broader long-term context, and conclude with policy considerations.<sup>14</sup>

## Competing Ideas: Domestic Political Regimes, Models, and Ideologies

The *domestic political regime* in a state such as the United States or China can provide a *model* that may influence the domestic political regimes in other states. There may be competition between such models.

Consider the example of China. As scholar Thomas Christensen noted, the Chinese Communist Party (CCP) “has, by way of market reforms, all but obliterated the second of the two adjectives in its name . . . [so] nationalism is the sole ideological glue that holds the People’s Republic together and keeps the CCP government in power” (Christensen, 1996). Instead, for example a “China model” did start to gain international attention, particularly following the 2008 international financial crisis, and was much more a model of statist development (Breslin, 2011). As China develops its digital authoritarian state as a domestic political regime, this may act as a model for others.

Global competition between alternative domestic political regime types means that their proponents compete for influence. Liberal democracy has been actively exported by the United States and others for decades—albeit patchily (Lagon, 2011)—and its soft power drove emulation from South Korea to South America. The liberal democracies have also promoted their views on individuals’ digital freedoms. Now we will likely also see competition from export and emulation of the digital authoritarian and hybrid regimes.

Such competition may not be best described as a competition between *ideologies*, because as described above the Chinese case is not so much a coherent set of ideas but more so an accretion of Chinese practices. This is illustrated by considering a *definition of ideology for comparison*: “A more or less coherent set of ideas that provides a basis for organized political action, whether that is intended to preserve, modify or overthrow the existing system of power relationships. All ideologies therefore (1) offer an account of the existing order, usually in the form of a “world-view,” (2) provide a model of a desired future, a vision of the Good Society, and (3) outline how political change can and should be brought about” (Heywood, 2013).

In one deliberately simplified conception, the United States, China, and Russia can be thought of as great powers competing for influence in the world system. The domestic political regime in each is different, and each provides a distinct model for other powers to look toward. Those other states can be described in many overlapping ways, for instance: as middle powers or small powers; they may be allies of the great powers; and they may be “balancers” or “bandwagoners.” Particularly important are potential “swing states,” which comprise much of the developing world, and which might plausibly tend toward or lend support to the different models.

## Supply and Demand of Digital Control Systems

We already see export of new surveillance and control systems. There is *supply*, for instance from China and Russia (Weber, 2017). China’s Great Firewall approach has diffused to Vietnam and Thailand. Chinese experts have reportedly provided relevant support in Sri Lanka and equipment in Iran (Stecklow, 2012), Zambia, Zimbabwe and Ethiopia—and even Russia. This year, Chinese AI firm Yitu reportedly supplied “wearable cameras with artificial intelligence powered facial-recognition

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<sup>14</sup> Parts of this chapter draw on Chapter 4 in Wright (2018).

technology” to Malaysian law enforcement; the firm also prepared to bid for a Singapore government surveillance project that includes facial recognition in public spaces.

Crucially for the shape of this future competition in supply, only the United States and China truly have tech giants. The United States has the “FAANGs” (Facebook, Apple, Amazon, Netflix, and Alphabet’s Google); China has the tech titans, Alibaba and Tencent, each worth many hundreds of billions of dollars; and both have many other key companies. Russia has no such tech giants. A country such as the UK may be home to Deepmind that built AlphaGo or ARM Holdings that leads the world in chip design—but neither is now UK-owned. The US and Chinese tech giants are now vying for influence across emerging markets and are increasingly going head-to-head in swing states (The Economist, 2018).

And there is **demand** from regimes that may want their countries to develop while maintaining control or may just want effective mechanisms of control. Of course, within states, the elites and populations may disagree over the relative merits of the competing models of domestic political regimes. But here the technologies’ “dual use” may be crucial (see Box 1).

### **Box 1. Dual use**

Even population groups who dislike importing aspects of digital authoritarian systems may not object to importing much of the “dual use” apparatus—such as smartphone or digital assistants—on which such systems will rely.

This “dual use” may also affect demand compared to past authoritarian systems, because it will be cheaper to adopt the new AI-related authoritarian control systems. Now, the vast majority of the world’s states are already witnessing huge uptake of digital technologies such as smartphones, which will also form crucial components of digital authoritarian monitoring (Poushter, 2016). This situation markedly differs from many previous versions of surveillance states. The twentieth century’s Stasi or KGB systems required very large, sophisticated, and expensive technical machinery (Soldatov & Borogan, 2015). North Korea’s surveillance state during the Cold War employed a vast and hugely expensive network of human eyes and ears (Lankov, 2013). Now, key systems—although to be sure not all—will already be in place.

Another factor that will shape demand for different models is the considerable heterogeneity between the swing states across Europe, Africa, Asia, and so on. Such heterogeneity may include factors that favor some models. Because of path dependence, many countries won’t have the institutions of control or capabilities that China has—but, for instance, former Soviet republics may have a successor to the KGB that could relatively easily adapt the Russian digital hybrid model.

## **Global Institutions and Norms**

Global institutions and norms also form a significant arena for competition. More broadly, China and Russia have pushed back against a, perhaps idealistic, conception of a free, borderless global internet. China uses its market power to influence technical standards, ‘normalize’ domestic control, and shape norms of behavior through international organizations. Such states may conceive of these as strategically defensive measures necessary to ensure domestic control, but to observers they may seem offensive.

## Broader Long-term Strategic and Technological Context

The US, Chinese, and Russian models' potential attractiveness will only be one factor in these states' global competition for influence—albeit potentially an important one if the twentieth century competition between regimes offering plausible, competing versions of the future is a guide. Other critical factors will include relative power, economic self-interest, and historical grievances (e.g., Sino-Japanese antagonism)—as well as a good dose of luck. If China makes its citizens rich, China will exert influence regardless of its specific digital mechanisms of social control.

The broader context of increasing gray zone competition with China and Russia does, however, also render digital authoritarianism's rise as a plausible alternative to liberal democracy more significant in another important way—it helps plug a hole in Chinese influence. Scholars of Chinese global influence such as David Shambaugh have long noted a gap in its social system's appeal as a competitor to liberal democracy (Shambaugh, 2013), which these new technologies may help fill, at least in the short- to medium-term.

Finally, a further source of unknowns in this competition includes future changes in AI technology. Whilst recent advances in AI have enhanced perception (e.g., speech or facial recognition) that helps with surveillance, as yet undiscovered advances could reverse this advantage. Not long ago, the digital technologies favoured dissidents or rebellious populations over authoritarians—"liberation technologies"—and this may easily happen again with new advances.

## Conclusions and Policy Considerations

In this competition, the most important strategic actions that liberal democracies like the US can take are to strengthen their own democracy as they digitalize. A strong digital liberal democratic model will compete more effectively against digital authoritarianism.

With respect to swing states, the dual use nature of digital technologies raises a critical design issue for the new digital systems that swing states build—how to make them as robust as possible against use in a digital authoritarian or hybrid state. Countries such as Poland or Hungary whose recent trajectories tend away from liberal democracy must digitize to gain the benefits of new technology, but this must be done carefully. Keeping data segregated within government and within the private sector, as well as between public and private sectors, may currently appear unfashionable, but may bring great longer-term protections. Potentially authoritarian capabilities may help produce authoritarian intentions.

In both liberal democracies and swing states, we must digitalize in ways that ensure that these inherently dual use technologies do not encourage a turn to authoritarianism.

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## PART IV: WHAT OUTREACH ACTIVITIES IS CHINA UNDERTAKING GLOBALLY?

### Chapter 15. A Silk Road or a Silk Noose? Chinese Outreach Activities in Europe

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*“When we try to pick out anything by itself, we find it hitched to everything else in the universe.”*

– John Muir, 1911

#### Abstract

The current revival of active great power competition among the United States, Russia, and China signals a superficial return to international behaviors reminiscent of the period before the World Wars of the 20<sup>th</sup> century.

Nevertheless, a fundamental difference remains. Unlike either the European alliances before the First World War (the Triple Alliance and the Triple Entente; 1879–1914) or the Soviet-led Warsaw Pact and COMECON (Совет Экономической Взаимопомощи, СЭВ) during the Cold War (1949–1991), the alliances of which the United States has membership are truly voluntary and based upon heretofore shared political and socio-economic principles. Since 1947, these alliances have provided the United States an historically unprecedented degree of prosperity and security, including direct military security.

Today, these alliances are subject to increasing, immediate pressure from actors both internal and external. One of those external actors is the People’s Republic of China (PRC), and one of the regions where the PRC aspires to challenge the United States is Europe. Chinese success here, particularly when combined with ongoing threats posed by a revanchist Russia, has the long-term potential to reduce European independence and undermine transatlantic relations.

#### Introduction

As of the publication of this white paper, it is commonplace to say that the People’s Republic of China (PRC) constitutes an aspiring global and strategic competitor to the United States. In the instance of Europe, this assertion enjoys the virtue of being true.

Publicly available data indicate that China cannot yet pose a direct, kinetic, existential military threat to Europe or to the United States that is comparable to that of Russia. Rapidly shifting technological and economic factors do show, however, that Chinese influence poses a direct and growing competitive challenge to the United States. Therefore, this challenge necessarily affects transatlantic relations.

## Chinese Influence Activities in Europe

Europe is a region in which US-PRC competition is ongoing, and a loss of influence in this region could have potentially vast consequences for the United States. In Europe, the PRC currently expects to play a role commensurate with its evident ambition to prove its global power status. This role shows itself most immediately through the PRC's economic activity. Historically, however, geo-strategic influence accompanies such economic activity. In other words, the flag seems to follow the commerce in this instance rather than the commerce following the flag. Whether direct Chinese power projection comes in train remains to be seen but cannot, and should not, be ruled out.

On the economic front, Europe benefits significantly (just as does the US) from access to Chinese markets for exports. Further, imports from China provide Europe (just as they provide the US) with cost savings not only on labor-intensive goods but also, increasingly, in high-tech services. In fact, "China is now the EU's second-biggest trading partner behind the United States, and the EU is China's biggest trading partner" ("Trade by country and region: China," 2019).

Nevertheless, both the European Union (EU) and individual European states pointedly object (again, just as does the US) to enforced technology-transfer by domestic European companies desiring to operate in China, as well as outright theft of intellectual property ("Trade by country and region: China," 2019). In addition to these grievances, there is an open European concern about human-rights abuses both in China itself and by Chinese companies (whether state-owned or not) operating outside of China (e.g., in Africa).

Geostrategically, China also evidently desires to make use of massive Eurasian infrastructural investments to, in effect, cement a Chinese presence in a part of the world that has served essentially as a bulwark of US influence since the 1950s, and, more particularly, since the collapse of the Soviet Union and the Warsaw Pact, at least until about 2014. These investments fall under several rubrics and include, but are not limited to, the Belt and Road Initiative (also called One Belt, One Road or, more historically evocative for Europeans, the New Silk Road), the "16 + 1" Cooperation, and the efforts by the giant telecommunications corporation Huawei to provide European 5G networks, a course of action opposed by the United States ("Featured topic: One Belt, One Road," 2019; Stanzel, Kratz, Szczudlik, & Pavličević, 2016; Finley, 2019).

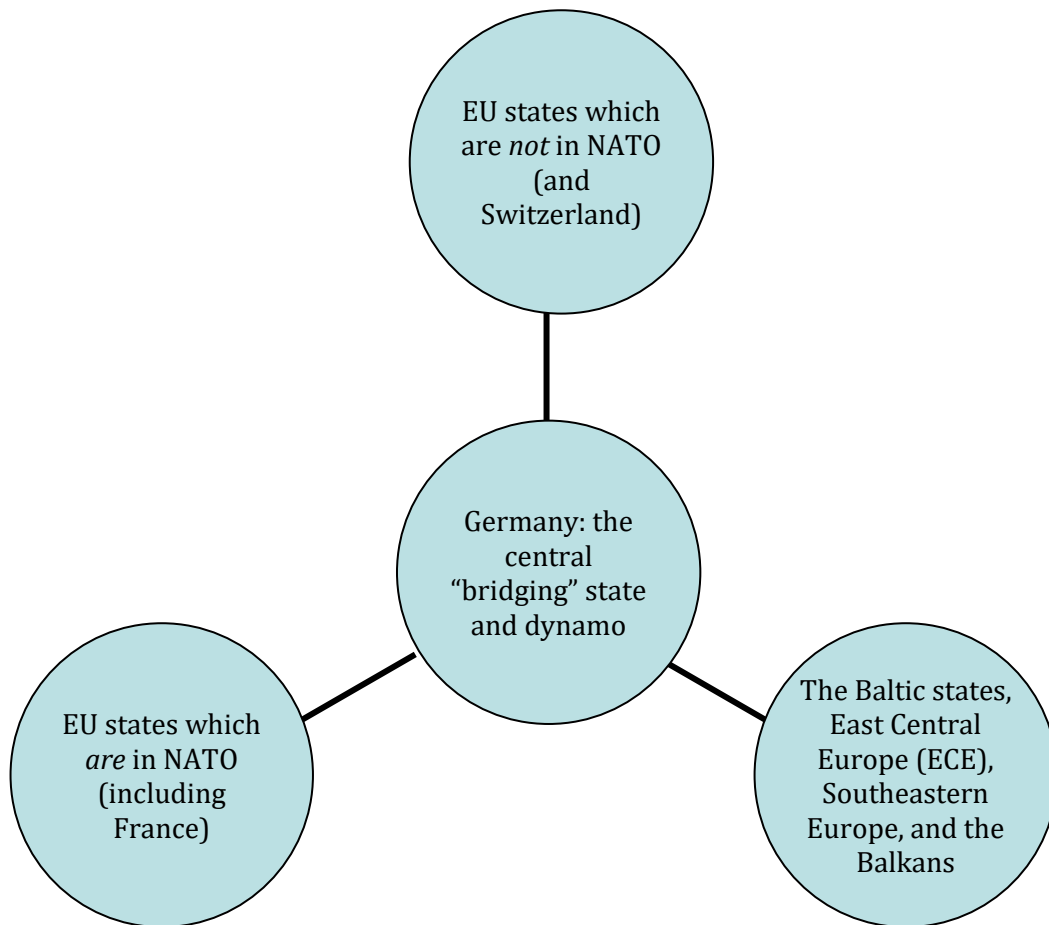
This presumed Chinese goal sometimes operates in tandem with overt and covert actions by Russia (and Russian "Trojan Horses") in Europe to weaken not only an already badly troubled European Union but also NATO, as well as overall US pre-eminence (Soric, 2019). With regards to the last-named element, China's spotlighting of occasionally disorganized US leadership of the trans-Atlantic world only serves to make matters more challenging.

## Germany's Centrality and Bridging Function

The Federal Republic of Germany (FRG) remains key to whatever coordinated European reaction there might be to Chinese action in non-Russian Europe. The German government oversees the fourth-largest economy on Earth, as calculated by GDP, at more than \$4.2 trillion ("The world's top 10 largest economies," 2019). This figure accounts for more than 20% of the GDP of the entire EU ("Which member states have the largest share of EU's GDP?," 2019). Germany is also the PRC's principal bi-lateral European trading partner in both imports and exports ("China remains Germany's biggest trading partner in 2017," 2018).

As of May 2018, German Chancellor, Angela Merkel, had visited Beijing eleven times during her tenure in office, which began in 2005. (It should, however, be noted that Merkel now serves as a “lame duck” Chancellor.) Though her chancellorship formally expires only in 2021, it is possible that her current coalition government with the Social Democratic Party in Berlin could collapse after that party’s very poor showing in recent EU elections. Should early national elections then follow, Merkel could be forced out before her scheduled departure. Any new Chancellor, regardless of party, would likely review the FRG’s policies not only with China but in other respects, as well.

Further, in an impending post-Brexit Europe, the FRG lies at the intersection of several important groups of states that will lack countervailing British influence. Thus, in addition to serving as the economic dynamo of both NATO- and non-NATO Europe, Germany now also exercises by virtue of sheer “mass” a certain centripetal attraction—sometimes willingly, sometimes not—among many other European countries—who sometimes welcome such attraction and sometimes do not (see Figure 2).



**Figure 2.** The United States, Russia, and China interact with, but operate outside of, this radial arrangement. Influencing any one node can affect all the others. Influencing Germany tends to affect all of the others most effectively. This schematic does not take into account individual European states’ efforts to affect this relationship of power for their own particular needs at any given moment.

Most importantly, Germany and France constitute a long-standing continental tandem of power dating to the Franco-German *rapprochement* under French President Charles de Gaulle and (West) German Chancellor Konrad Adenauer in 1962, a tandem subsumed in and reinforced by the formation of both NATO and, over time, what eventually became the EU. Germany's economic might complements France's nuclear capability and Paris's willingness to employ its armed forces in a more active way than can yet be countenanced either by German public opinion or by German legal restrictions (though both public opinion and legal restraints appear to be changing since the first deployments of German armed forces outside of the NATO operational area in the early 1990s). Along with France, Germany also plays a central role in the so-called Minsk Process, the effort since 2016 to end Russian aggression against Ukraine and the separatist rebellion in that country.

Then, there is the crucially important place occupied by the FRG in the economic and political life of German-speaking Austria and Switzerland; the Baltic states (Estonia, Latvia, and Lithuania); East Central Europe (ECE) (Hungary, the Czech Republic/Czechia, Slovakia, and Poland); Southeastern Europe (Romania, Bulgaria, and Moldova); and the Balkan states (Slovenia, Croatia, Bosnia-Herzegovina, Kosovo, Montenegro, Serbia, North Macedonia, and Greece).

As China's biggest bi-lateral European trading partner, Germany has an immediate, vested interest in Chinese efforts to undertake economic and geo-strategic initiatives such as the much ballyhooed but, to date, halting "16 + 1" Cooperation between Beijing and the Baltic states; East Central Europe; Southeastern Europe; and the Balkan states. Not all of these states are in the EU, and not all are in NATO. The same vested interest applies to Belt and Road Initiative undertakings in Europe, as it does to Huawei's proposed 5G telecommunications network, not to mention Germany's place in EU trade and security agreements with both the Republic of Korea (ROK) and Japan.

Perhaps significantly, many of the states engaged with China in the "16 + 1" Cooperation are simultaneously members of yet another working group of states under the rubric of the "Three Seas Initiative." This initiative attempts to coordinate economic, energy, and security policies among countries lying between the Baltic Sea, the Black Sea, and the Aegean Sea in a way that is in favor of both Chinese and Russian influence. The principal exceptions are the states of the western Balkans. They participate in the "16 + 1" Cooperation but not in the "Three Seas Initiative." The significance of this development lies in the fact that, though not a participant in the "Three Seas Initiative," Berlin took steps in May 2019 to formalize its relationship with the group by becoming an official observer of the initiative's activities (Hasselbach & Romaniec, 2019).

## Response to China in the Larger Eurasian Geo-strategic Context

Reactions in Germany and the rest of Europe to Chinese outreach activities should also be viewed through the lens of the United States' withdrawal from the Joint Comprehensive Plan of Action (JCPOA) with Iran. The US's action remains deeply unpopular in Germany, the EU, and non-EU European states. The FRG, France, and the United Kingdom all desire that the JCPOA remain in effect. None of these states welcomes the prospect of a revived Iranian nuclear program. Even more, however, none desires war between the United States and the Islamic Republic. Washington's action affects vital European security and economic interests in the Middle East, Southeastern Europe, the Balkan Peninsula, and the Mediterranean Basin. All European concerns over the JCPOA are intensely aggravated by the popular, street-level reaction (though not always European governments' reactions) to the further US decision to terminate American adherence to the Intermediate Range Nuclear Forces Treaty (INF Treaty) as of August 2019. Most importantly, as of June 2019, Washington's renunciation of the JCPOA places Germany and essentially the whole of Europe on the

same side of a critical strategic issue as the US's avowed or potential adversaries, namely Russia and China.

A question that is currently unanswered is whether any European commonality of interest with Russia and China on the JCPOA, in opposition to the United States, will sustain itself over time in the face of threatened US secondary sanctions against European companies continuing to trade with Iran. If this commonality of interest does persist, it could potentially lighten European opposition to Chinese influence activities, since China's support for JCPOA is important to that agreement's sustainment. Beijing could leverage European concerns over JCPOA to attain greater German and European willingness to allow for Chinese economic investment, especially since economic relations with the PRC are already so important to both NATO- and non-NATO European states in general and to the FRG in particular.

If the serious, existing strains in transatlantic relations dating back to 2016 persist to 2020 and beyond, then doubts in Germany and elsewhere in Europe about both the quality and the continued value of the United States' international leadership—especially if combined with the machinations of anti-NATO and/or anti-US authoritarian political actors (i.e., “Trojan Horses”)—would work to the near-term geo-strategic and economic advantage of Russia in Europe and the medium- and long-term advantage of China.

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## Chapter 16. Chinese Relations in Eurasia: The Case of Kazakhstan

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### Abstract

Chinese goals regarding the Republic of Kazakhstan include counterterrorism cooperation, accessing energy and economic resources, using Kazakhstani territory as a conduit to other countries, cultivating Beijing's image as a benign international actor, and securing diplomatic support regarding Chinese foreign-policy priorities, such as countering the United States. China regards Kazakhstan as the gateway into Europe, and thus a crucial component to its Belt and Road Initiative. In Kazakhstan and the other states of Eurasia, Chinese leaders seem comfortable with their traditional division of labor with Russia—with Moscow having the lead security role and Beijing enjoying opportunities to expand its economic presence. Beijing has been slowly enlarging its security profile in Eurasia due to its growing economic interests, concerns about regional terrorist movements, and generally more assertive foreign policy orientation. Unlike Moscow, Beijing is not keen to highlight its geopolitical influence or lay claim to the region. China continues to see Moscow as a helpful as well as pliable great power partner.

### Harmonious Goals

The Chinese government has pursued a variety of goals regarding the Republic of Kazakhstan during the past two decades. These objectives have included securing Nur-Sultan's support in suppressing anti-Beijing Uighur nationalists and countering terrorist threats to the PRC, as well as giving Chinese firms access to Kazakhstan's energy resources and opportunities to trade with and invest in Kazakhstan. The PRC leadership has been especially eager to help Kazakhstan develop its transportation and other economic infrastructure, which enhances the country's capacity to serve as a strategic hub for Chinese economic activities in other Central Asian states and perhaps beyond. Other considerations affecting Beijing's policies toward Kazakhstan are the PRC leadership's desire to cultivate the PRC's image as a benign international actor seeking "win-win" outcomes in foreign engagements, as well as securing Nur-Sultan's diplomatic support regarding the status of Taiwan, Tibet, and other foreign policy concerns of Chinese leaders. Finally, PRC strategists would like Kazakhstan to help Beijing balance the presence of the other great powers active in Central Asia, including India and the United States. The Chinese leadership has taken advantage of the opportunity presented by Kazakhstan's striving for greater strategic autonomy and economic development. However, China has done so cautiously, not wishing to antagonize Moscow by giving the impression that Beijing was seeking to displace Russia in a region that had been under Moscow's control for more than a century. Nonetheless, Chinese officials have cultivated strategic, economic, and especially energy ties with Kazakhstan, valuing their partnership with Nur-Sultan as an important element in the PRC's expanding presence in Central Asia.

Nur-Sultan's objectives regarding China include obtaining assistance in promoting Kazakhstan's national independence, territorial integrity, and economic development. Since these objectives align well with the PRC's own goals, Sino-Kazakhstani relations have been generally good. Under Nursultan Nazarbayev, who until he retired in March 2019 had been the country's president since Kazakhstan gained independence in 1991, Kazakhstan has remained committed to a "multi-vector" foreign policy of maintaining good relations with all countries, particularly those having important economic,



political, or other roles in Eurasia. China has assumed an increasingly significant role in this framework as a balancer to Russia and the West. Kazakhstan's leaders consider the PRC less an alternative great power patron to Russia than a supplementary partner that could assist Nur-Sultan in shaping Moscow's regional policies as well as promoting Kazakhstan's economic development.

For centuries, Kazakhstan's leaders have perceived China as their main security threat, inducing them to ally with Russia as a great power balancer. During the Cold War, Kazakhstan served as a forward base for potential Soviet military operations against China. After the USSR's collapse, the initial focus of both countries, after establishing diplomatic relations in 1992, was to delineate the new 1,600km (1,000 miles) border between Kazakhstan and the People's Republic of China, progressively resolving their frontier through a series of diplomatic agreements.

The PRC government has employed primarily diplomatic initiatives and security assistance to bolster and direct Central Asian states like Kazakhstan against nontraditional threats, such as terrorism, drug trafficking, humanitarian crises, and border insecurity. For instance, Beijing signed bilateral counterterrorism agreements with Central Asian governments that included provisions for joint law enforcement operations, police training, and enhanced intelligence sharing. The most prominent of these activities occur both within and sometimes outside the framework of the Shanghai Cooperation Organization (SCO), as well as through the United Nations and the Conference on Interaction and Confidence Building Measures in Asia (CICA), a Kazakhstan initiative that China joined as a founding member. Since 2002, the military and other security forces of Kazakhstan and China, such as the National Security Committee of Kazakhstan and the Public Security Ministry of China, have regularly conducted joint anti-terrorist exercises and collaborated against narcotics and weapons trafficking. Additionally, China's defense academies now regularly enroll Kazakhstan's personnel in their classes. China also provides non-lethal defense equipment to Kazakhstan and the other Central Asian countries—such as uniforms, jeeps and other vehicles, communications systems, and information technologies—though Russia remains the main supplier of advanced weapons systems.

The governments of Kazakhstan and China have taken care to express their respective support for the other country's security, internal stability, and territorial integrity. For example, Sino-Kazakhstani joint declarations normally include a clause backing the mainland's position regarding Taiwan—that Beijing is the only legitimate government of China and that Taiwan is an inseparable part of Chinese territory. In line with Chinese preferences, Kazakhstani authorities regularly profess solidarity with Beijing's counterterrorist concerns, which center on the Uighur-based East Turkestan Islamic Movement. A major Chinese concern in relations with Kazakhstan is securing Nur-Sultan's support for Beijing's efforts to curb "separatism" among China's Uighur population. One unique factor differentiating China's relations with Kazakhstan from those with the other Central Asian countries is their large overlapping ethnic groups. Some 200,000 ethnic Uighurs reside in eastern Kazakhstan. In addition, as many as one million ethnic Kazakhs live in China, especially in Xinjiang. Kazakhstani authorities prevent Uighurs from engaging in illegal activities in China and have deported Uighurs accused of terrorism by the Chinese.

### Deepening Economic Ties

Like many other Asian countries, Kazakhstan is aligning its national economic policies to harmonize with, and therefore most benefit from, those of China. Commercial ties between Kazakhstan and China were minimal during the first decade of Kazakhstan's independence due to the economic chaos in Central Asia following the breakup of the integrated Soviet economy, as well as the legacy effect of the security barriers erected along the sealed Sino-Soviet frontier during the Cold War. The long border and overlapping ethnic groups between the two countries helped launch the initial

commercial ties between Kazakhstan and China. Kazakhstan's subsequent rapid economic growth, due largely to the soaring value of the country's oil exports, then raised the country's per capita gross national income and helped position Kazakhstan as China's main economic partner in Central Asia.

Russia continues to be Kazakhstan's dominant foreign trading partner, but Chinese economic activity in Kazakhstan has risen steadily over the last several years. Since China and Kazakhstan have enjoyed some of the highest growth rates in the world, their expanding economic ties have been almost inevitable. Thanks to its energy riches, Kazakhstan has become China's most important economic partner in Central Asia, while China has become Kazakhstan's second-largest trade partner and biggest export destination. Prominent joint Sino-Kazakhstani projects include energy pipelines, uranium production, grain trade, and telecommunications. For instance, Huawei began operating in Kazakhstan in 1999 and has partnered with Kazakhstan's Altel to build Kazakhstan's 4G wireless network.

Kazakhstani leaders have been enthusiastic backers of Beijing's flagship Belt and Road Initiative (BRI) due to their country's pivotal location between China and Europe and subsequent expectations of attracting considerable PRC investment for infrastructure projects critical for Kazakhstan's economic development. The BRI, which President Xi Jinping announced during a 2013 visit to Kazakhstan, is a Chinese initiative to build transportation infrastructure and make other regional economic improvements to halve travel time between China and Europe by land, increasingly integrate other countries into China's economic order, and enhance Beijing's influence in participating states. The BRI helps promote the development of China's Xinjiang region, political and social stability in Central Asian countries, external markets for Chinese companies active in construction and infrastructure development, and China's trade with Eurasia and Europe.

Sino-Kazakhstani energy connections now run deep. After several decades, the two countries have largely overcome the major initial impediment to the development of these ties: that Central Asia's Soviet-era energy pipelines either flowed westwards towards Europe or north to Russia. At first, China has had to import oil from Kazakhstan by railways passing through Russian territory. For this reason, PRC officials have been encouraging Chinese energy companies to purchase Central Asian energy assets and invest in the transportation and other regional infrastructure required to move these resources to China. As a result, energy cooperation has accelerated in recent years after the Kazakhstani government fully committed to directing energy exports eastward to China. Sinopec, Chinese National Petroleum Corporation (CNPC), and other Chinese energy firms have invested billions of dollars in oil projects in Kazakhstan and have helped develop oil fields in the Caspian region. The Kazakhstani government has striven to reduce Kazakhstan's dependence on oil exports to lessen the disruptive impact of fluctuating oil prices, rising foreign competition, domestic productivity problems, and the specific characteristics of the country's oil. But Sino-Kazakhstani energy ties will remain strong for years to come due to China's growing demand for Kazakhstan's rising oil and gas exports.

Sino-Kazakhstani economic exchanges beyond energy have also increased substantially since Beijing opened China's western border in 1985. During the past two decades, China and Kazakhstan have been developing the transportation infrastructure needed to expand economic ties—creating border posts, energy pipelines, and roads and railways that have converted the informal shuttle trade that arose in the 1980s to a large-scale, professional economic relationship. The PRC government has been helping finance the development of roads, ports, and energy pipelines linking South and Central Asia to China as increasing Chinese economic intercourse with these regions will require major improvements in the capacity and security of east-west transportation links. Although China's trade with Central Asia represents a small proportion of China's overall foreign commerce, PRC officials

have been especially eager to enhance commerce between Central Asia and their country's relatively impoverished northwestern regions of Xinjiang, Tibet, and other regions that have lagged behind China's vibrant eastern cities. This consideration applies particularly to restless Xinjiang since more than half the province's income derives from trade with Central Asian countries, principally Kazakhstan.

Given their expanding trade ties, it is unsurprising that China's Eurasian transportation efforts have primarily focused on expanding transit capacity with Kazakhstan. The China-Kazakhstan Horgos International Border Cooperation Center has become a "free port" for tariff-free trans-border trade, daily duty-free purchases for visitors, and services to promote mutual investment, trade, financial services, tourism, and entertainment. This Special Economic Zone supports trade negotiation, financial services, commodity display and sales, warehousing of goods, transportation, hotels, restaurants, shopping, entertainment, and tourism.

### Future Prospects

Nonetheless, while China is making progress improving its transportation links with Greater Central Asia, the existing and proposed near-term connections between the PRC and its western neighbors will still service only a small share of China's foreign commerce, which will likely remain dominated by containerized cargo shipping by sea. Much more work is needed to achieve the higher levels of bilateral commerce sought in both Nur-Sultan and Beijing. In addition to the underdeveloped economic infrastructure connecting the two sides, other impediments to expanded commercial exchanges include unsupportive visa policies, special regulations on Chinese consumer products, corrupt commercial practices in both countries, Kazakhstani concerns about becoming overly dependent on Chinese money, and instability in Afghanistan, Xinjiang, and several Central Asian countries. Some Kazakhstani experts say that growing popular aversion among Kazakhs toward China due to fears of Chinese immigration, Chinese overbearingness, and anger at the Chinese government's treatment of ethnic Muslims and Kazakhs in Xinjiang represents another barrier to deeper ties.

China's growing security presence in Central Asia may elevate the partnership to a higher level in coming years, especially if the Western economic and security presence in Central Asia further declines and Russia continues to tolerate China's growing presence in Central Asia. One previous barrier to a much more significant Chinese military presence in Central Asia—the PLA's limited power projection and logistical capabilities on its western front—appears to be waning as China has developed more powerful military forces and better support and enabling capabilities. Principal drivers for increasing Sino-Kazakhstani security ties may include a deterioration of the Afghanistan situation or escalation of regional terrorism and transnational threats.

Yet, PRC leaders have been restrained in expanding their Eurasian security presence for fear of antagonizing Russia by appearing to threaten Moscow's interests in Eurasia. Russia has strived to retain influence in Kazakhstan through various bilateral and multilateral initiatives. Situated physically between China and Russia, Kazakhstanis want to maintain independence from both states, striking a balance between welcoming Chinese investment and retaining security ties with Moscow. President Kassym-Jomart Tokayev made Moscow the destination of his first official foreign visit in April 2019, not Beijing. In many cases, Russian policies coincide, or at least do not conflict, with China's core regional interests. Yet, this harmony also results from Kazakhstan and the rest of Eurasia being of lower strategic priority to Beijing than they are to Moscow. The PRC's expanding interest in securing energy and economic opportunities could lead Beijing to reconsider its policy of regional deference. One factor that might accelerate this trend would be if Russia and its Eurasian partners

prove unable to prevent a major increase in Islamist terrorism, possible unwanted regime changes, or other threats to China's economic and security interests in Central Asia.

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<sup>15</sup> GNI per capita rose from \$1,290 in 1999 to \$11,840 in 2013.

## Chapter 17. China's Mixed Reception in Central Asia

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### Abstract

China has replaced Russia as Central Asia's single largest source of trade and investment. Despite Beijing's economic ascendance, however, China's reception among Central Asians is decidedly cool and for good reason. Central Asians believe that Chinese investment projects benefit a narrow political elite and not the population broadly. Central Asians recoil at Beijing's repression of Turkic and Muslim coethnics in northwest China. In addition to these real stories of repression and corruption, Central Asians regularly see alarmist stories of Chinese encroachment on Central Asian lands and Chinese men taking Central Asian brides in their local and social media. Unless Beijing finds a way to shift these narratives of threat and corruption to ones of shared prosperity, China's reception in Central Asia will remain ambivalent.

### Introduction

China is Central Asia's most important economic partner. China is the largest export destination for Kazakhstan and Turkmenistan, consuming 13% of Kazakh exports and nearly all—83%—of Turkmen exports.<sup>16</sup> China, moreover, is the leading source of imports for Tajikistan, Kyrgyzstan, and Uzbekistan. Just over 40% of Tajik and Kyrgyz imports and nearly one quarter of Uzbek imports are from China.<sup>17</sup> The infrastructure demands of China's Belt and Road Initiative hold the promise of establishing Beijing as the region's leading source of foreign direct investment for decades to come. And, in at least two Central Asian countries, this promise is already being realized. In 2017, China was the largest FDI provider to Tajikistan and Kyrgyzstan, accounting for 66 and 27% of all FDI, respectively (U.S. Department of State, 2018a; U.S. Department of State, 2018b). Once inextricably linked to Russia, Central Asia today has reoriented its economies toward China.

Despite Beijing's growing economic presence in Central Asia, China's reception among the Central Asian public has been decidedly mixed. While Chinese consumer goods are embraced, Central Asians are wary of Beijing's broader geopolitical designs. Curiously, Russia, despite its fading economic importance, remains widely admired in the region. As the graphs summarizing Gallup's annual World Poll data at the conclusion of this paper illustrate, the overwhelming majority of Central Asians approve of the Russian leadership while they remain dismissive of both China and the United States. Central Asians' lack of enthusiasm for US leaders is understandable. Washington, since the September 11 terror attacks, has pursued a diminished and largely transactional foreign policy in the region. China, in contrast, offers the promise of much needed infrastructure development and regional economic growth. Nevertheless, Central Asians are skeptical of Beijing, and as this paper details, they are skeptical for multiple reasons. First, many Central Asians perceive Chinese investment projects as benefiting a narrow political elite and not the population broadly. Second, Turkic and Muslim populations in northwest China have long-endured state repression. Beijing's ill treatment of Turkic

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<sup>16</sup> 2017 data. Data are from the Observatory of Economic Complexity, <https://atlas.media.mit.edu/en/>. For more information, see Simoes & Hildago, 2011.

<sup>17</sup> Ibid.

and Muslim coethnics rankles Central Asians. Lastly, Central Asian media draws heavily on the Russian press, and the Russian press does not always portray China in the most positive light.

## Chinese Investment and Central Asian Corruption

Chinese investment has resulted in real gains for Central Asian economies and in Central Asians' daily lives. These gains are perhaps most visible in Central Asia's transport infrastructure. A core objective of China's Belt and Road Initiative is to improve connectivity between Chinese producers and markets to the west. Beijing is also keen to facilitate the flows of natural resources from Central Asia to China. Thus, for example, China has built mountain tunnels in Tajikistan and is building mountain tunnels in Kyrgyzstan. These tunnels not only facilitate trade, but they also drastically reduce travel time between major population centers. In Kazakhstan, Beijing has promised \$1.9 billion in funding to build a light-rail system in the capital, Nur-Sultan (formerly named Astana). China similarly has extended offers to Uzbekistan and Turkmenistan to build new rail links that not only would facilitate transportation in these countries, but would also afford Beijing an overland route to the west that bypasses Russia.

Problematically though, corruption has derailed high profile Chinese infrastructure projects. The Nur-Sultan light rail initiative is now on hold because \$258 million in loans transferred from the China Development Bank to the Bank of Astana disappeared (Gizitdinov, 2019). Executives with the China Road and Bridge Corporation are alleged to have conspired with former Kyrgyz transportation ministers in artificially inflating costs for the construction of a new road link between the country's largest city in the south, Osh, to the capital in the north, Bishkek (Aidar, 2018). Inflated construction costs have also marred Chinese investments in Kyrgyzstan's municipal infrastructures. Six former ministers, including two former prime ministers, are currently on trial for siphoning off \$111 million in funds from a \$386 million Chinese loan to modernize Bishkek's thermal power station (RadioFreeEurope/RadioLiberty, 2019). The power plant scandal in particular has drawn the Kyrgyz population's ire. The plant failed in January 2018, despite the work the Chinese Tebian Electric Apparatus Stock Company (TBEA) carried out to modernize the facility. Millions of Bishkek residents were forced to endure several days of frigid temperatures in their homes as engineers struggled to bring the plant back online.

These examples are illustrative of why Central Asians are tepid toward China and Chinese investment: Chinese contractors rather than Central Asians often carry out these infrastructure projects; Central Asian political elites conspire, often with the cooperation of Chinese contractors, to embezzle millions of dollars by inflating the costs of these projects; and these projects, frequently stalled in their implementation, are often marred with serious shortcomings upon completion.

One additional concern to add to this already troubling mix is the fear of diminished state sovereignty that potentially comes with accepting Chinese investment loans. China is the largest loan provider to Central Asia and, primarily through its Export-Import Bank, is the largest creditor to Kyrgyzstan, Tajikistan, and Turkmenistan. Beijing holds over 40% of Kyrgyz and more than 52% of Tajik external debt (Hurley, Morris, & Portlance, 2018; Chorshanbiyev, 2018). Beijing's loans come with strings attached. Turkmenistan, for example, sells natural gas to China at \$185 per 1,000 cubic meters, a price well below the average price of \$228 per 1,000 cubic meters that Beijing pays ("China figures," 2016). In Tajikistan, TBEA—the same company the Kyrgyz government contracted, using Chinese loans, to modernize the Bishkek heating plant—received indefinite control over the Upper Kumarg gold mine in the north of the country as compensation for \$332 million TBEA spent powerplant in the Tajik capital, Dushanbe ("Tajikistan," 2018).

Tajikistan and Kyrgyzstan are among eight countries that the Center for Global Development have identified as being “of particular concern” due to indebtedness to Beijing. Notably, in two other countries “of particular concern”—Djibouti and Pakistan—China has used loans to win land. In return for \$1 billion in loans, Djibouti agreed to host Beijing’s first military base outside of China (Headley, 2018). And in Pakistan, where China has extended over \$10 billion in loans, Beijing now controls the Gwadar Arabian seaport (Pauley & Shad, 2018). The probability that China might secure similar concessions in Central Asia in return for loans that enrich the region’s political elite is high.

## Repression of Turkic and Muslim Populations in Northwest China

Northwest China is home to significant Turkic and Muslim populations. An estimated one million ethnic Kazakhs and one half million ethnic Kyrgyz live in Xinjiang (Cummings, 2018). Ten million ethnic Uighurs also live in Xinjiang (Leigh, 2019). Beijing has long repressed Uighurs in northwest China, causing considerable frustration for the sizeable Uighur population in post-Soviet Central Asia. It is the more recent “reeducation” of China’s Kyrgyz and Kazakh minorities, however, that has led to a spike in anti-Chinese sentiment in Central Asia. According to United Nations estimates, over one million Turkic minorities are currently being held in Chinese reeducation camps (Standish & Toleukhanova, 2019). Although the vast majority in the camps are Uighur, proportionately sizeable numbers of ethnic Kyrgyz and Kazakhs are being detained as well.

Beijing’s heavy-handed attempt to transform its Turkic Muslim minorities into communist party loyalists has led to protests in neighboring Kyrgyzstan and Kazakhstan. In December 2018, protesters gathered outside the Chinese embassy in Bishkek to demand an end to “Chinese fascism” and an explanation for why ethnic Kyrgyz were being held in the Chinese camps (“Kyrk Choro,” 2018). In Kazakhstan the grassroots organization, Atajurt Eriktileri, has publicized the detention of upwards of 10,000 ethnic Kazakhs in northwest China, and in late 2018, the Kazakh foreign minister acknowledged that his office had received over 1,000 letters asking for help in securing the release of family members in Xinjiang (Standish and Toleukhanova, 2019).

Beijing’s Turkic and Muslim minority “re-education” campaign, begun in 2017, appears to have had real effects on Central Asian perceptions of the Chinese leadership. A souring on China is perhaps most notable in Kazakhstan, where Beijing’s approval dropped from 44.4% in Gallup’s 2017 World Poll to just 30.9% in 2018. Central Asian state officials, perhaps fearful of losing lucrative economic ties to Beijing, have sought to tamp down anti-Chinese sentiment. The Kyrgyz and Kazakh governments have fined demonstrators and civil society organizations protesting the Chinese internment camps. Relative to the harsh sentences these governments routinely dole out for other purported offenses, though, these fines are minor in comparison. Punishing domestic defenders of co-ethnics abroad is a dangerous gambit and one the Kyrgyz and Kazakh states are unwilling to take.

## Russian Media and Anti-Chinese Narratives

Disciplining China detractors is made all the more difficult by the reality that Central Asian media frequently echoes anti-Chinese narratives that are widespread in the Russian press. A common refrain in Russian reporting on China, for example, is that China has designs on both the land and the women of its northern neighbors. Thus, for example, the Russian newspaper, *Argumenti i fakti*, asks rhetorically in a 2018 article, “Does China want to buy Russia?”, and Russia’s NTV explained in a 2016 broadcast that Chinese men seek to “improve their status” by marrying Russian women (Makurin, 2018; “Kitaitsi ischut,” 2016). *Argumenti i fakti* and NTV, it should be noted, enjoy strong audiences throughout Central Asia. *Argumenti i fakti* and NTV are accessed not only through the Internet but at Central Asian newsstands and on cable TV.

Russian anti-Chinese narratives are systematically repackaged for Central Asian audiences. The Russian government-funded *Sputnik Tajikistan* website asks, for example, why Tajik farmers are struggling. The answer, *Sputnik* concludes, is that “arable land of Tajikistan is rapidly becoming unsuitable for agriculture, while foreign farmers work for the rest” (“Agrarnyj vopros,” 2019). In Tajikistan’s Khatlon province alone, the article explains, Chinese farmers have secured 49-year leases on over 12,700 hectares. As for the taking of Central Asian women, an article on the website, *vesti.kg*, notes 30,000 Chinese men have married Kyrgyz brides. The author assures the reader “I have nothing against the Chinese, but these numbers should make you think” (Stamov, 2018).

## China—Great Trade but Struggling as a Great Power in Central Asia

Analysts have devoted considerable attention to China’s growing clout in Central Asia. Central Asian states have been “Shanghaied into cooperation” with Beijing (Kavalski, 2010). *The Economist* concludes the region’s international relations are defined by a “rising China, sinking Russia” dynamic (“Rising China,” 2013), and the *New York Times* ventures that Beijing may transforming the Central Asian steppe, “the middle of nowhere, into the center of the world economy” (Mauk, 2019).

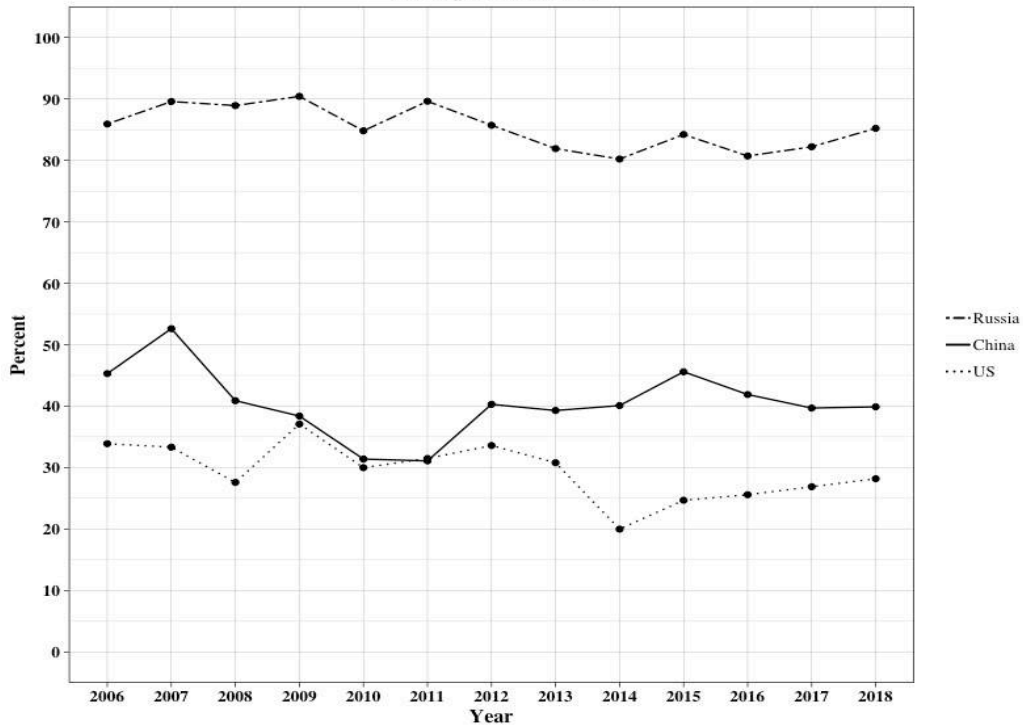
These assessments of growing influence are correct in so far as they relate to economic relations. China has struggled, however, to leverage this economic influence into an improved overall image within the region. Central Asians, as the illustrative examples I discuss here and as the Gallup World Polls summarized below confirm, are skeptical of Beijing’s designs for the region. Chinese investment, while it has helped Central Asian economies, has disproportionately enriched corrupt state elites. Beijing’s investment, moreover, is framed in the Central Asian media as akin to a Faustian bargain; Central Asians may grow wealthier, but they’ll also lose land and daughters to China. Much of the Sinophobia present in the Central Asian press has its roots in exaggerations and unsubstantiated conspiracy theories. Nevertheless, China’s internment of its minority Turkic and Muslim—ethnic Kazakh, Kyrgyz, and Uighur—populations in Xinjiang have only fueled perceptions that Beijing’s priorities in Central Asia are not benign.

Herein lies Beijing’s core challenge in Central Asia and for the Belt and Road Initiative broadly. China is not offering an attractive ideology like democracy or communism, but rather, a plan to “break the bottleneck in Asian connectivity” (Xi, 2014). Increasing connectivity is clearly good for Beijing, but this vision of China-led connectivity does not always resonate and, indeed, even is seen as a threat in the countries Beijing seeks to transit. Unless Beijing finds a way to shift this narrative of threat to one of shared prosperity, China’s reception in Central Asia will remain ambivalent.



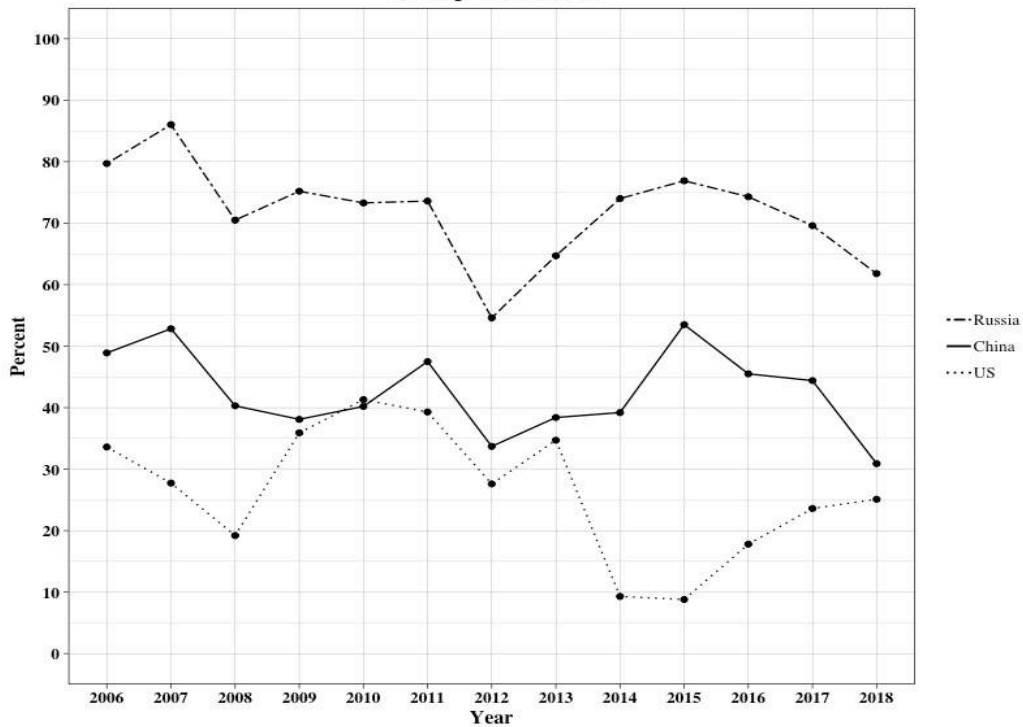
The views expressed in this article are those of the author and do not reflect the official policy or position of the Department of Defense or the US Government.

**Kyrgyzstan Respondent Approval of Chinese, Russian, and US Leaderships  
Gallup World Poll**



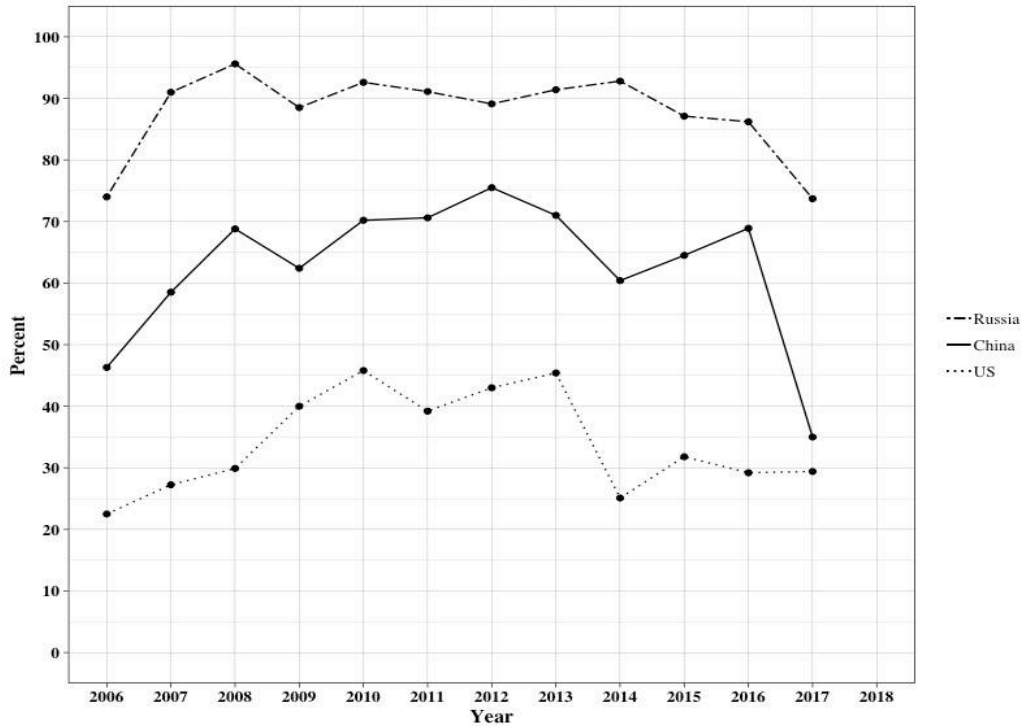
**Figure 3.** Kyrgyzstan Respondent Approval of Chinese, Russian, and US Leaderships

**Kazakhstan Respondent Approval of Chinese, Russian, and US Leaderships  
Gallup World Poll**



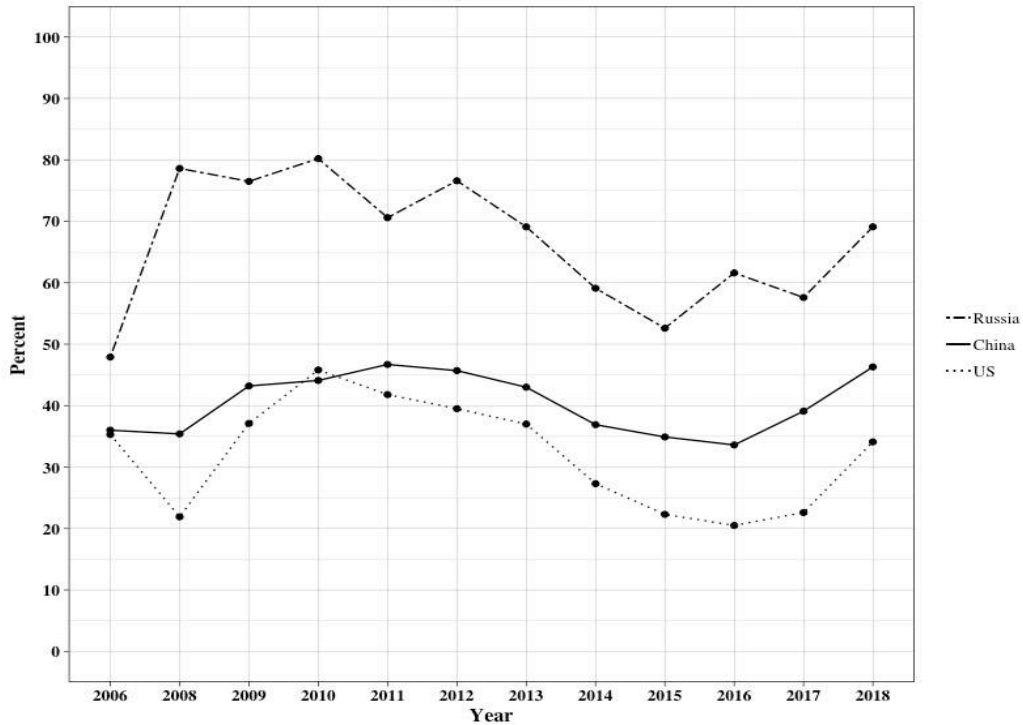
**Figure 4.** Kazakhstan Respondent Approval of Chinese, Russian, and US Leaderships

**Tajikistan Respondent Approval of Chinese, Russian, and US Leaderships  
Gallup World Poll**



**Figure 5.** Tajikistan Respondent Approval of Chinese, Russian, and US Leaderships

**Uzbekistan Respondent Approval of Chinese, Russian, and US Leaderships  
Gallup World Poll**



**Figure 6.** Uzbekistan Respondent Approval of Chinese, Russian, and US Leaderships

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## Chapter 18. THAAD’s All Folks: How China Turned Deployment of the US System into a Win

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### Abstract

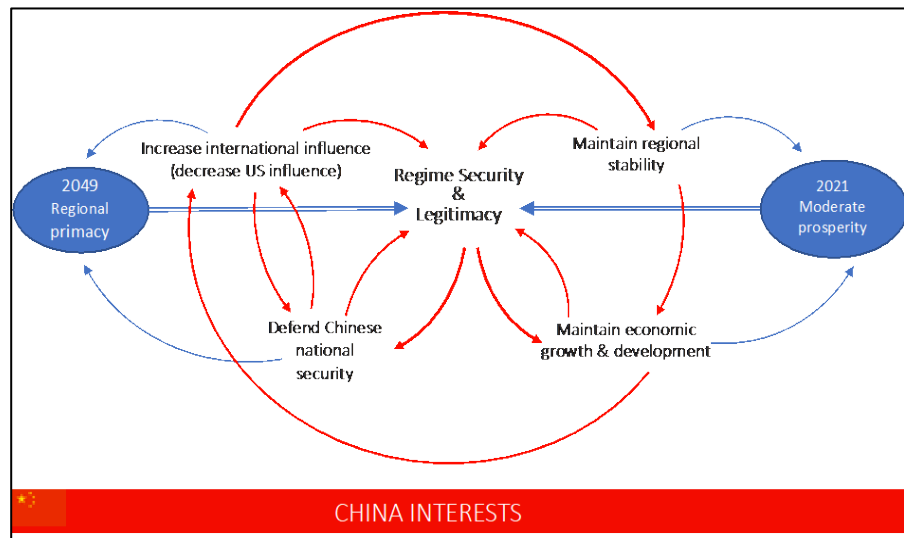
This paper examines China’s key sensitivities on the Korean Peninsula. Deployment of a US Terminal High Altitude Area Defense (THAAD) system in the Republic of Korea (ROK) provides an interesting case of China’s response to an event that it saw as a significant threat to key national security interests. China used bilateral diplomacy to try to block deployment of THAAD. Once the system was installed, however, China exerted economic pressure on South Korea in order to gain its agreement on restrictions on use and further deployment of THAAD systems. Thus, by tolerating continued deployment of a single THAAD system, China was able to gain significant assurances about the future scope of South Korea’s alliance with the US and directly serve its interest of increasing its own regional influence at the expense of the US.

### Introduction

One way to understand the choices of states in the international environment is to consider what they identify as the opportunities for growth, or the sources of threat to their key national interests. In this paper, we employ NSI’s Interests Analysis methodology and leverage and importance metrics to examine China’s key sensitivities on the Korean Peninsula. Deployment of a US Terminal High Altitude Area Defense (THAAD) system in the Republic of Korea (ROK) provides an interesting starting point for exploring how China may respond to challenges in the future.

### China’s Key National Interests

China has five high-level national interests, as shown. Interestingly, and unlike the case with many other states, when drawn from the Chinese (subjective) perspective, there is a clear central and critical interest—the strength and security of the Chinese Communist Party (CCP) regime—that is fed by each of the others. The CCP has tethered its legitimacy to achieving the goals of the



China Dream concept proposed by Xi Jinping; these include achieving a “moderately prosperous” society by 2021, and regaining regional primacy by 2049. Achievement of these goals is directly linked to, and facilitated by, efforts to satisfy the other key interests: maintaining regional stability

and Chinese economic growth for the nearer-term 2021 goal, and increasing Chinese influence and defending national territories for the 2049 goal.

While key national interests are relatively static over time, the ways in which a government conceives of, or defines, these interests can shift over time as conditions and internal and external contexts change. While both the US and China share key interests in regional order, they define what this order entails quite differently. China's current perspective on regional security is that these conditions are best maintained by multi-lateral security cooperation among Asia-Pacific regional actors. This goal is underpinned by significantly diminished U.S. military influence and presence in the region, and acceptance by other regional players of China as the dominant regional power (Bennett, 2018; Sun, 2018). On the Korean Peninsula, this plays out as an obvious preference for removal of US troops and weapons from South Korea. China currently perceives its economic growth and development to rest on two factors: 1) external engagement requiring access to the economies of other states, i.e., regional trade, secure access to energy and natural resources, and (many argue) building China's technological capabilities; and 2) internal progress that China can more directly control, such as expanding human capital and reducing its vulnerability to external pressure and influence by diversifying its economic activities and investments.

It is important to note that China's key interests are not necessarily in complete alignment with each other. For example, the activities in which China might engage to satisfy its security interest by removing the US and convincing regional players of its dominance (e.g., military aggression) can be at odds with its key interest in maintaining economic growth, which requires sufficient stability to allow the regional trade on which it currently depends. To satisfy one interest without sacrificing the other, China must find a balance between the actions it takes that are relevant to each interest.

### THAAD in South Korea

THAAD is designed to defend US troops, allied forces, population centers, and critical infrastructure from short- and medium-range missiles. The system is highly mobile and interoperable with other ballistic missile defense systems (Lockheed Martin, n.d.). The US government had suggested deployment of a THAAD system to South Korea to counter the North Korean threat as early as 2014. It was North Korea's fourth nuclear test in January 2016 that finally set the deployment in motion. A week later, South Korea's President Park announced that deployment of a US THAAD system would be reviewed. In July, South Korea announced that the ROK and US were in talks to deploy a THAAD battery as soon as possible. A joint US-ROK statement at the time characterized the deployment as defensive and intended to protect the ROK population and allied military forces in Korea from missile strikes and WMD from the North. The Chinese, however, saw these developments differently. A statement by the Minister of Foreign Affairs the day after the South Korean announcement made the Chinese position quite clear: THAAD was irrelevant to a goal of achieving denuclearization on the Korean Peninsula, and its presence in South Korea ran counter to multi-lateral efforts to resolve the issue through regional cooperation and negotiation. More critically, the planned deployment would destabilize the situation on the Korean Peninsula, and "gravely sabotage" and undermine the strategic security interests of China and other regional states (PRC MOFA, 2016). Specifically, Chinese opposition to the deployment hinged on concerns about the potential for the US to use the system's radar to detect and target Chinese anti-ballistic missiles and ICBMs heading for the US, and to spy on its territory (ISDP, 2017)—and as such would be destabilizing to regional and nuclear deterrence.

The initial installation of two THAAD missile launchers and associated radar began at the end of April 2017, and the system was operational by May 2 (NPR, 2017). By that time, THAAD deployment had become a central political issue in South Korea, picking up speed during the lead up to the May 2017

elections. President Park, who had signed the initial agreement for deployment, was challenged by Moon Jae-in, her ultimate successor, who pledged to halt deployment of the THAAD system, and to improve North-South relations through engagement. Moon warned that the deployment would become “inevitable” if North Korea conducted a sixth nuclear test. The first two launchers were announced operational in May just prior to the election. Moon initially halted installation of the four remaining launchers but changed this decision in July following a second long-range missile test by North Korea. Moon called for “temporarily” installing the full complement of six THAAD launchers in September 2017.

### China’s response

Despite Beijing’s historic alliance with North Korea and Seoul’s close ties with Washington, relations between China and South Korea had been friendly prior to the THAAD dispute. Economic ties had also grown over the previous decade, and China became South Korea’s biggest trading partner (Kim & Blanchard, 2017), accounting for 25% of its total trade in 2017 (US Comtrade). South Korea’s refusal to concede to China’s demands over THAAD, however, provoked Chinese response in two forms: diplomatic opposition and economic pressure.

**Initial diplomatic opposition.** China’s opposition to THAAD deployment in South Korea should not have been a surprise to either the US or South Korea. China had long held the position that deployment of US missile defenses in South Korea was problematic. In 2013, Xi Jinping had issued a joint statement with Russian leader, Vladimir Putin, calling for caution in the deployment of, and cooperation over, ballistic missile defenses (BMD) in the region (Xinhua, 2013). China again raised the issue with South Korean leaders as soon as the topic of THAAD deployment first arose. China and Russia also came together to issue a joint warning in June 2016 in the wake of the US-ROK talks regarding placing the system in South Korea (US-China Economic and Security Review Commission, 2017b). At this time, China also halted “official interactions” between the two countries’ militaries, including high-level military strategy talks that had been held annually since 2011 (Yonhap, 2016). In January 2017, just prior to initial installation, a second joint statement using more forceful language announced that the two states had “agreed to take further countermeasures...aimed at safeguarding interests of China and Russia and the strategic balance in the region”(Xinhua, 2017). In fact, until today, the Chinese Foreign Affairs and Defense Ministries regularly voice opposition to THAAD, and emphasize the People’s Liberation Army’s (PLA’s) commitment to guaranteeing “regional peace and stability by action” (PRC MND, 2018a).

**Diplomatic retaliation and economic pressure.** Immediately following the THAAD deployment (system became operational May 2, 2017), China added more punitive efforts to its statement of opposition and warning, and several planned joint military events with South Korea were cancelled (Jeong Yong-Soo & Lee Seung-Ho, 2017) At this point, China also supplemented diplomatic measures with use of economic pressure in an aggressive and targeted public campaign of economic retaliation to compel a change of South Korean policy. It targeted the South Korean tourist trade with an informal ban on organized tours (Huang, 2017; Panda, 2017), reducing the number of Chinese tourists to South Korea by nearly 50% in 2017 (Zhou, 2018). Import of South Korean television dramas and music was also frozen, and not a single South Korean video game has received permission to enter the massive Chinese video game market, which has accounted for about 40% of global export sales for gaming companies since 2017 (JoongAng Daily, 2018). South Korean companies in China also reported cyber-attacks (Daewoung Kim & Hyunjoo Jin, 2017; US-China Economic and Security Review Commission, 2017a), and poetically, China targeted South Korea’s Lotte Group, which had owned the land where the THAAD system was installed, forcing closure of 75 Lotte stores throughout China in March 2017 on account of “inspections failures” (ISDP, 2017). In 2019, the conglomerate

sold all of its stores in China to Chinese rivals, and halted a project to build a theme park in northeastern China, despite a \$2.5 billion investment. The financial toll on Lotte alone from the THAAD retaliation is estimated at around \$1.7 billion (Lee Sang-ryeol, 2019). According to the Bank of Korea, China's actions reduced South Korea's expected economic growth for 2017 by 0.4 percent.

### THAAD and Chinese interests

Prior to deployment of the US THAADs Chinese media and experts argued that the presence of the system in South Korea would escalate tensions and military build-up on the Korean Peninsula. Looking again at the relationships among Chinese core interests, it becomes clear that that single deployment threatened more than just Chinese security interests, however. Deployment of the US THAAD system to South Korea simultaneously poses direct challenges to Chinese national security as well as its interest in decreasing US regional presence and influence. These interests are also mutually reinforcing; satisfaction of one impact satisfaction of the other, and conversely, a threat to one is magnified by its transitive effect on the others. As mentioned, one of the interesting things about China's interests is that each is directly related to the core security and legitimacy of the CCP regime. All roads lead to Beijing as it were. Consequently, a challenge or hindrance to any interest will be perceived as a threat to the regime. A magnified threat can have magnified impact on regime security. This is a mutually reinforcing loop that can lead states to aggressive actions. However, China's interest in maintaining its economic growth and development, which it sees as demanding regional stability, mitigate against aggressive actions that could destabilize the region.

Official statements (as discussed above) indicate that, despite US and South Korean claims that THAAD is a response to North Korean aggression, China interprets its deployment as confirmation of a larger US regional strategy to contain China. Swaine's (2017) extensive examination of Chinese official statements and commentary on THAAD, also finds that the Chinese leadership and vast majority of expert Chinese observers and commentators believe that the deployment of THAAD is primarily intended to serve the larger purpose of undermining China's security by extracting sensitive military information, weakening its nuclear deterrent, and moving Seoul "away from Beijing and toward an acceptance of US and Japanese containment efforts" (Swaine, 2017).

### National Security

Direct Challenge: US-led BMD threaten China's deterrence capability, and therefore its national security;  
Indirect Challenge: Can decrease CCP regime security

The 2013 edition of China's military text, *The Science of Military Strategy*, described US-led BMD construction in the Asia-Pacific region as "creating increasingly serious effects on the reliability and effectiveness of a Chinese retaliatory nuclear attack" (as cited in Kulacki, 2015). In the case of the South Korean THAAD, more than the interceptors, China fears that the radar that accompanies the system could be linked to other theaters and homeland missile defense systems and degrade the PLA Rocket Force's ability to carry out a nuclear second strike in a war against the United States (ISDP, 2017; US-China Economic and Security Review Commission, 2017a; Panda, 2017; Rinehart, Hildreth, & Lawrence, 2015). With Japan already operating THAAD systems, the South Korea deployments opened up the possibility of both being integrated into a single, US-led regional missile defense system (Huang, 2017).

As shown, potentially weakening China's ability to guarantee national security and control over its territory can decrease the security of the regime, which in this way, and from the Chinese perspective is an indirect effect of the threat posed by the THAAD placement in South Korea.



## Regional Influence

Direct Challenge: THAAD strengthens US regional presence;

Indirect Challenges: Can threaten regional stability, thus reducing economic growth and regime security

China is also concerned that the deployment of THAAD will tie South Korea even more strongly to the US in the long-term, strengthening its presence in the region (ISDP, 2017; Taylor, 2017). Additionally, coordination with Japan over BMD could lead to a more general improvement in South Korean–Japanese relations. Prior to THAAD, shared historical grievances and mistrust toward Japan had formed a point of agreement for China and South Korea as they worked to improve both their economic and security ties. When President Park ignored China’s demand not to deploy THAAD, it signaled to China the failure of Xi Jinping’s high-profile diplomacy with South Korea, and the continued strength of US influence (Swaine, 2017; Taylor, 2017). Swaine suggests that later remarks from the Foreign Ministry indicate that, for Beijing “the THAAD decision signified a South Korean shift to full support of the alleged U.S.-led effort to counterbalance China strategically” (Swaine, 2017).

Not only would the THAAD strengthen the US regional presence and influence and thus reduce China’s, the system can pose an indirect threat to the stability of the region and ultimately to the regime’s ability to achieve the economic goals upon which it has staked its popularity and legitimacy.

## Outcome

In response to China’s actions, South Korea attempted to set up direct discussions between the two countries’ finance ministers, which were declined by the Chinese (The Standard, 2017). However, by late October 2017, South Korean Foreign Minister, Kang Kyung-wha, confirmed that South Korea was not considering any additional THAAD deployments, would not participate in the United States’ BMD network, and would not consider joining an alliance with the US and Japan (Min-Kyung, 2017). These assurances to China, “the three nos,” were ultimately the product of punitive measures—economic pressure that inflicted real costs on the South Korean economy, as well as behind-the-scenes South Korea-China diplomacy that apparently excluded the US (Panda, 2017). A few months later, in December 2017, Presidents Moon and Xi agreed on “four principles” to maintain stability on the Korean Peninsula:

1. “war on the Korean Peninsula can never be tolerated”;
2. “the principle of denuclearizing the Korean Peninsula will be firmly maintained”;
3. “all issues, including the denuclearization of North Korea, will be peacefully resolved through dialogue and negotiations”; and
4. “improvement in inter-Korean relations will be ultimately helpful in resolving issues involving the Korean Peninsula” (Office of the President, 2017).

The leaders also agreed to expand bilateral cooperation in politics and security and to “revitalize” or reinstitute, senior level strategic dialogues that had been cancelled (Office of the President, 2017).

By tolerating the continued deployment of a single THAAD system, China has been able to gain significant assurances about the future scope of South Korea’s alliance with the US. This directly serves its interest in decreasing US influence and defending its national sovereignty. It is unlikely, given historical animosity and contemporary distrust, that Seoul would agree to a tripartite alliance with the US and Japan, even without pressure from Beijing. However, the mere fact that they rejected this future action and ruled out further BMD cooperation with the US in response to pressure from

Beijing sends a strong signal of China's growing regional clout. Furthermore, the Four Principles effectively commit Seoul to showing greater deference to China in dealing with the North Korea nuclear issue more broadly. Moving forward, this could complicate US efforts at denuclearization and, US policy notwithstanding, may conflict with South Korea's commitment to the maximum pressure strategy so disliked by Beijing. In effect, South Korea is attempting to maintain a very fine balance between the bellicosity of the US's North Korea policy and the risk-aversion of Beijing. How well and how long they can continue to do so may be more a function of Chinese, US, and North Korean actions than their own.

The THAAD deployment also presented China with an opportunity to further its key interests more broadly. Deployment provided another salient and shared issue for diplomatic and military cooperation with Russia, against the US. It enabled China, by accepting a discrete potential cost (the continued deployment of a single THAAD system) to constrain South Korea's alliance behavior with the US, and the US's future regional BMD plans. And, it demonstrated to other regional actors—and the US—that China is willing and able to use its economic leverage to further its political and security interests. In this sense, the THAAD dispute highlights many of the underlying weaknesses of the US position in the Asia Pacific; as even close and long-term allies (such as South Korea and Australia) become increasingly dependent on China economically, the potential costs of remaining firmly in the US camp on security issues increases. China has sent a clear signal that it can use its economic leverage to drive a wedge between the US and its regional allies, something Washington might want to keep in mind as it engages in its current trade dispute with China.

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## Chapter 19. China in Central, West, and South Asia

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### Abstract

China's 'look west' strategy has emerged where the rest of the world has been developing a set of 'look east' policies designed to capitalize on China's continuing rise, the prosperity of East and Southeast Asian regions more broadly, and China's insatiable thirst for raw and industrial materials and mineral resources to propel its economy forward toward a 'developed' state stage. The blueprint for China's 'look west' strategy is its comprehensive Belt and Road Initiative, through which Beijing is financing and building a web of infrastructure and transportation networks across Asia, and leading into East Africa and Europe. The delivery of this massive project, designed to make China the center of the Eurasian sphere, is contingent on its successful integration of as many Central, West, and South Asian economies as possible into a web of economic relationships. But in each regional theater, China faces structural and geopolitical challenges, which it must manage if its 'look west' strategy, underpinning its arrival as a global power, is to be successful.

### Introduction

While great, major, and regional powers alike have adopted a growing 'look east' strategy since the early 2000s, the fastest-growing 'eastern' country of all, namely China, has been developing its own unique but comprehensive 'look west' strategy. While the rest of the world has been focusing on East Asia as a growing zone of economic influence and an arena of geostrategic importance, if not tensions, China has been casting its sights on the economic opportunities arising in its near and far-western borders—in Central, West, and South Asia, and into Europe. China's pursuit of economic opportunities has been tempered over the last decade by a growing reliance on the hydrocarbon resources of West (Persian Gulf subregion) and Central Asia, and the importance of unhindered access to the crude oil, oil products, and natural gas exports of the Persian Gulf has emerged as a national priority for China.

At the same time, following the relative consolidation of its position in the South China Sea as the dominant local maritime power, China has been eyeing the Indian Ocean as an arena of strategic priority. Consequently, China has been pursuing a series of partnerships in South Asia and around the Indian Ocean in tandem with its 'string of pearls' strategy of acquiring a maritime presence in this important ocean. The Belt and Road Initiative, launched under a different name in 2013, now embodies China's 'look west' strategy, and it is for the centrality of the BRI in Beijing's grand strategy of Eurasian dominance that the regions under discussion here acquire major significance.

In the South China Sea, the Indian Ocean, and the Persian Gulf, however, China has not had everything work out in its favor and has encountered resistance in all three theaters to its plans. In the South China Sea, riparian states, Japan, and the Republic of Korea look nervously at China as it strengthens its physical presence and consolidates its grip over what it now regards as its territorial waters. The United States sits on the other side of the equation trying to keep the peace, bolstering regional security, and building relations with the diverse countries of Southeast Asia.

India looks nervously at China's presence in the Maldives, Sri Lanka, and Myanmar, keeps a clear distance from the BRI, and calls for the 'Middle Power Asian Coalition' (India, Japan, and the Republic of Korea) to group together and counterbalance 'Pax Sinica.' And in the Persian Gulf, as it will be shown, while China has emerged as the main economic actor, it nevertheless has to be mindful of the overwhelming US military presence in that subregion. Furthermore, China must consider the corrosive impact that inter-state rivalries, terrorism, and Iran-US tensions can have on its national security, energy supplies, prices, and ultimately, access to the vital hydrocarbon resources of the Persian Gulf.

Pertinent to this paper, therefore, is an analysis of China's role and presence in these theaters, as well as an examination of its presence in landlocked Central Asia as Beijing's strategic gateway for the delivery of multi-billion dollar Chinese-financed BRI.

## Central Asia

Central Asia sits at the heart of Eurasia, and its resources offer a rich picking ground for the five countries' powerful neighbors. Central Asia is of strategic importance to the United States, but it is more impacted by the policies of its two giant neighbors, Russia and China. While it is often said that China and Russia are allies on the world stage, in Central Asia, their policies and interests tend to run counter to each other. First, both China and Russia have developed multilateral frameworks for networking Central Asia. For Moscow, the relatively small Eurasian Economic Union (EEU) of Belarus, Russia, Armenia, Kazakhstan, and Kyrgyzstan is the vehicle for the promotion of regional integration, through which customs-free trade is common and capital, and people and services move freely. Russia is the linchpin of the EEU, and it uses this European Union-like organization to pull some of its key neighbors closer. The reinforcement of its dominant position in its 'near abroad' is of paramount importance to Russia here. But Russia also uses the EEU vehicle to secure its (often uncompetitive) products markets.

On the other side of Central Asia is China's BRI, which promises billions of dollars in infrastructure investment, employment opportunity, connectivity, and access to the insatiable Chinese market. For Central Asian states, BRI connectivity offers the get out of jail free card and access to both the global economy and the markets of Europe, the Middle East, East Asia, and Southeast Asia—things that the Russia-led EEU cannot offer. For Beijing, on the other hand, the prize is easy access to the mineral riches of Central Asia and use of its landmass to build its continental road and rail links across Eurasia.

Whether EEU and BRI can combine their efforts of economic integration is debatable given the differences in aspirations, strategy, and scale of the two initiatives. The BRI encompasses over 60 countries and has at its disposal \$1 trillion or more for investment, plus a dedicated bank and massive bureaucratic support base. The EEU, on the other hand, has a limited membership, Russia as its largest economy (which is under strong sanctions), and a total GDP of \$1.9 trillion—the size of the Brazilian economy. So, for the BRI projects to succeed, China will have to loosen Kazakhstan's and Kyrgyzstan's ties to Russia. Indeed, as BRI projects increasingly tie the fortunes of Central Asia to that of China, so it will be that Russia will come to see China's overwhelming economic and security presence as a challenge to its own sphere of influence in Central Asia and the maintenance of the Russian Federation as an aspiring great power. However, in the short- to medium-term Moscow would not object to China offering a helping hand in developing the Central Asian economies and containing the region's radicalizing currents.

There is much at stake in Central Asia. Central Asia today accounts for 2% of world oil deposits and 12.5% of world natural gas deposits, has large coal deposits, enjoys rich gold reserves, and boasts of substantial deposits of key industrial minerals and metallic ores, such as copper, manganese, zinc, chromite, lead, uranium, and tungsten. All of these raw materials are of value and importance to China, and easy access to them will hugely benefit China's next industrialization leap. Thus, today, Turkmenistan provides around 21% of China's natural gas imports and Kazakhstan meets nearly 1% of its oil demand.

For China, the stability of Central Asia is essential for the containment of jihadism, separatism, and terrorism. China fears that these contagions will spill over its own borders. Territorial integrity of the People's Republic is of overriding importance, and China's pursuit of the BRI into Central Asia is arguably in part a strategic response to the uncertainties and fragilities of the Muslim-dominated countries and communities of these former Soviet states. Their prosperity is good for Chinese businesses and as good for China's security, but China's encroachment also carries considerable risks for Beijing.

### West Asia (Persian Gulf)

China's relations with West Asia took shape during the Maoist era and became an object of Beijing's anti-imperialist (anti-Western) outlook and its emerging anti-hegemonic (anti-Soviet) policies. Thus, China pushed links with the People's Democratic Republic of Yemen and supported the Dhofar rebellion in Oman. It only had relations with four Gulf states until the end of the 1970s, and of these only Iran was a keen observer of China's changing fortunes.

From the 1990s, the situation changed dramatically, and both sides began to 'rediscover' their imagined or real 'old Asian ties.' A process of what I have called the 'Asianization of Asia' had begun, encouraged by China's promotion of its ancient Silk Road associations with West Asia and turbocharged with the launch of the BRI as a twenty-first century successor to the ancient Silk Road.

To be sure, the change in relations has been a result of China's ever-rising demand for, and reliance on, Gulf oil exports, as well as the Gulf states' growing interest in China, and East Asia more generally, as partners of choice for their hydrocarbons exports and for construction and infrastructure projects, joint investments, and the general provision of goods and services. Looking at China's energy mix more closely, it emerges that its demand for crude oil has outpaced its production since 1993, by when China had become a net importer of crude. In 2017, China surpassed the United States as the world's largest importer of oil, and in 2018, China spent the highest amount in the world on its oil imports, spending \$240 billion, which made up 20% of its total imports bill. This is in comparison with the US oil import bill of \$163 billion (14% of its total imports bill). China's crude oil supply in 2018 will come from imports. 70% of its oil supply was sourced externally in 2018, making the country highly dependent on oil imports and vulnerable to oil price fluctuations. Further, today, half of China's oil imports come from West Asia, and it is estimated that by 2035 China will have doubled its imports from this part of Asia. Despite the efforts to diversify its oil suppliers—for example by sourcing more from Africa—the reality remains that Africa only has 9% of global reserves, compared to Persian Gulf crude oil and natural gas reserves (two-thirds of oil reserves and 35% of world gas deposits).

It is also worth noting that Chinese investments and contracts in the Gulf Cooperation Council (GCC) in 2018 amounted to a total of \$15 billion—in construction, transport networks, energy, telecommunications, security, and much more. Indeed, China is the main trading partner of 10 MENA countries today. For its economic stability, China is now heavily invested in West Asia and the Persian

Gulf's hydrocarbons exports, and as it deepens its links with the Gulf states, it is being exposed to the deep fissures dividing the Gulf states themselves (Iran-Saudi rivalries, Qatar's forced isolation by three of its GCC neighbors, securitized inter-state relations, and, of course, the on-going geopolitical tensions between Tehran and Washington). Energy dependence, however, fuels China's drive to create a more permanent maritime presence in the Indian Ocean, the passageway for the transfer of much of its oil and LNG imports from West Asia. Around 230 Chinese firms now operate out of Dubai's Jabel Ali free economic zone (China overtook India as the UAE's top non-oil sector trading partner in 2014). Moreover, over \$30 billion in infrastructure and construction projects have been signed with the GCC countries, including a nuclear manufacturing equipment industrial cluster in Saudi Arabia, in addition to oil exploration and construction contracts with both Iran and Iraq. China has committed itself to partnering with Baghdad in several areas during its economic recovery and rejuvenation efforts, starting with the energy sector but promising to go well beyond that and into the broader Iraqi industrial sector. These burgeoning ties build on its already flourishing security links with Iran<sup>18</sup>, its developing military relationship with Saudi Arabia<sup>19</sup> and the UAE<sup>20</sup>, and its deep engagement with Oman<sup>21</sup> and Kuwait<sup>22</sup>.

Looking at the extent of China's ties with West Asia and their rapid growth and intensification since the early twenty-first century, China's role, presence, and interests in West Asia now match those in Southeast Asia, arguably. It is not surprising then that China regards its relations with the Persian Gulf states as 'strategic.'

## South Asia

China's role in South Asia is shaped by four factors: the security of the Indian Ocean for China's maritime trade; its complicated relations with India; its role as Pakistan's major economic and security partner; and its desire to stabilize Afghanistan and eradicate the prospects of Afghan-based Islamists and militants fuelling jihadism in western China itself.

Taking these in turn, as was noted above, China's maritime presence in the Indian Ocean has grown with its growing reliance on energy, security, and trade and investment relations with West Asia. The Indian Ocean is also central to China's maritime trade with Eurasia, further motivating Beijing to establish itself within this ocean. China's military base in Djibouti (China's first military base in a foreign country), its growing presence in Oman's Duqm port (the critical dry dock hub for the Japanese, American, and British navies), its 99-year long control of Sri Lanka's Hambantota port (in payment in kind for debt), and the development of Pakistan's Gwadar port city are clear symbols of the Chinese desires to acquire a permanent maritime presence in the Indian Ocean, to watch over India at one level, and to ensure the safe passage of commercial and cargo vessels through the Indian Ocean and its critical chokepoints (i.e., Straits of Malacca and Hormuz, Bab el Mandeb). China is suspected of having up to eight naval vessels and a fleet of submarines permanently deployed in the northern parts of the Indian Ocean, and if it were to deploy a carrier force in the ocean, it will have made the great leap into a more permanent presence in India's backyard.

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<sup>18</sup> China is one of Iran's major arms suppliers.

<sup>19</sup> China supplied the kingdom with its first and only strategic ballistic missile force in the 1980s and conducted 15-day long joint special forces exercises in Chengdu in 2019—the first of its kind with any Arab state. Both sides agreed to deepen their military relations and security cooperation.

<sup>20</sup> Chinese naval vessels visit the UAE's ports at times.

<sup>21</sup> China promised \$10 billion of investments in the strategic port of Duqm on the Arabian Sea.

<sup>22</sup> China wants Kuwait to become a hub for its planned 'Silk City' as a part of the BRI.

Therefore, it is no surprise that India takes a sceptical view of China's growing military presence in the Indian Ocean and its naval presence on India's doorstep—in Sri Lanka and Pakistan. China's presence has led to a balancing drive on the part of India and closer political and security relations with its partners, Japan and the Republic of Korea. Of greatest importance, however, is the Sino-Pak pact and the development of the China-Pakistan Economic Corridor (CPEC). China's investment of over \$60 billion in infrastructure (transport in particular) since 2015, its energy and power generation projects, its establishment of special economic zones (largely used by Chinese firms, such as Huawei, which is building a major IT technical support center), and port development on Pakistan's Arabian Sea coast have turned Pakistan into a major partner of China. For Islamabad, China's BRI-driven interest is a God-send, as it has had to endure the withdrawal of American interest in Pakistan's military and economic well-being. What had been a level-two partnership during the US's active presence in the Af-Pak theater has become a first-tier partnership which gives China land access to the Arabian Sea from its own western territories, as well as a strategically-important presence in South Asia and, in particular, in the country India fears most in its near neighborhood (Pakistan). CPEC gives China the upper hand in the India-China balance of power, despite making China vulnerable to tensions between the two nuclear-armed South Asian rivals. But China's exposure also gives it a greater incentive to try to contain Pakistani adventurism toward India and to encourage dialogue between Islamabad and New Delhi. CPEC will also facilitate greater integration of Afghanistan and Central Asia into the BRI networks, benefitting Pakistan economically and providing China with a second access point to Central Asia. The Port of Gwadar is perhaps the jewel in the crown of CPEC, for the port's development (which includes airport construction, an industrial park, educational and technical centers, coastal protection, and preparations for it to become a deep-water port) is a huge boost for Pakistan's economy and a gateway for its maritime development. Gwadar is, of course, of equal strategic value to China too, for the port gives China ease of naval access to the Persian Gulf, a permanent access to South Asia, and a presence beside India.

Relations with Pakistan puts Afghanistan squarely into China's frame. NATO troop reductions, coupled with CPEC, have raised Beijing's interest in efforts to stabilize Afghanistan and encourage dialogue between the domestic warring parties, though with little success. By the same token, China regards Pakistan as its vehicle for driving its Afghan strategy. China encourages the Taliban to the move towards the negotiating table and incentivizes dialogue among Afghan factions with the promise of more investment and economic engagement to follow its already substantial \$3 billion investment in the country's transport infrastructure development and copper mining (making China the biggest investor in Afghanistan). China's diplomatic stall as a peacemaker in South Asia is partly dependent on its success in achieving peace and stability in Afghanistan, for which it is dependent not only on Pakistan, but also on the future role of the United States in Afghanistan, as well as the intrusive policies of Iran and Saudi Arabia.

## Conclusions

China's interests and presence in Asia's regional systems has grown immeasurably since the 1990s, and as its economy has grown, so has its dependence on imported energy supplies. This in turn has raised its vulnerability to instability and disruption of hydrocarbons (and coal) supplies from various regions of Asia. China is now heavily invested in the economic and security dynamics of Asia, and while the BRI provides it with a soft power vehicle for managing its 'look west' strategy, it also exposes China to a myriad of security dilemmas. The management of these dilemmas lie either in countries outside of Asia or in Asian countries with a skeptical view of China's rise in Asia. Given the financial, industrial, diplomatic, and political commitments being made in Eurasia, China's future as a global power is arguably now bound with the pursuit of its interests in Asia. The leap from Asia to



The views expressed in this article are those of the author and do not reflect the official policy or position of the Department of Defense or the US Government.

global dominance will arguably be determined in the largest space and most populated of all continents. In this century, who conquers Asia will rule the world, or was that 2,000 years ago?!

## Chapter 20. China's Creeping Interests in Latin America: Challenging the Monroe Doctrine

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### Abstract

China is now a major partner for Latin America's economies. Additionally, China is making diplomatic inroads against Taiwan's few remaining allies. Washington's moves towards protectionism, doubts about sustained ties with Mexico and Central American governments, and overall questions about the need for enduring links to the Latin America allow China to move into the region and strengthen its relationships.

### China's Interests in Latin America

China increasingly plays a significant role in foreign relations with Latin American nations, substantially reversing the traditional US dominance in this region. China's interests lie primarily in: 1) guaranteeing long-term access to energy, natural resources, and food; 2) increasing diplomatic links to support China's emergent role as a global leader; 3) eradicating the remaining diplomatic recognition of Taiwan; and 4) furthering China's ambition to replace the United States as the dominant external country for long term relations. This embrace of Latin America contrasts starkly with Beijing's traditional relations with states near its periphery. China seeks to shift Latin American perceptions from two centuries of US dominance under the Monroe Doctrine to a focus of genuine great power competition between China and the United States.

China's foreign relations over most of its five thousand year history focused on those states along its periphery. The various emperors from each dynasty were the "Sons of Heaven," advancing the rule over "all under Heaven," or *Tianxia* (Nordholt, 2018). Those states surrounding China paid respect to the Son of Heaven under the tributary system with its ritualized exchange of gifts with the emperor. The decline of the Qing Dynasty (1644-1911), particularly after the First Opium War, led China to surrender some sovereignty under terms of the Treaty of Nanking in 1842.

China's focus historically was on the states close to its borders rather than reflecting any global aspirations. China continued to focus on its near neighbors, in part because it struggled almost constantly to protect its own sovereignty against incursions by others. The Chinese leadership following World War II were absorbed in civil war until 1949, after which the victorious Chinese Communist Party concentrated on political consolidation.

### Taiwan

Chiang Kai-Shek's Taiwan-based Republic of China was the diplomatic partner of virtually all Latin American governments between 1949 and 1970, primarily because these states tracked with Washington's rejection of Maoist communism. Only post-1959 Cuba recognized Beijing as the legitimate regime in China. Beginning in 1970, regimes in Latin America began rejecting anti-communist Taipei for diplomatic links to Beijing. By 2000, only a handful of Central American nations and Paraguay still recognized Taipei, a step that Washington itself had rejected in 1979 in favor of diplomatic recognition for the Chinese Communists. The diplomatic ties between Latin American

states and Beijing were the primary extent of this bilateral relationship, however, before 2004 when China's ties with the region expanded substantially.

### Energy and resources

China's Four Modernizations, announced in 1978, led to a voracious appetite for access to petroleum, natural gas, copper, tin, other minerals, and food as China moved people from inefficient farms to urban centers, requiring more raw materials for factories and more food. China's pursuit of greater global economic and diplomatic relationships with Latin America dates clearly to the beginning of the twenty-first century, when Beijing entered the World Trade Organization. In 2002, bilateral trade between Beijing and the region was \$17 billion (CRS, 2019). Two years later, in November 2004, Fourth Generation leader Hu Jintao toured several Latin American capitals on a high visibility tour. He signed investment and trade agreements, promising Latin America major commitments at the same time Washington increasingly focused on the global war on terrorism and reconstruction/rebuilding efforts in Afghanistan and Iraq, to the frustration of Latin American partners of decades' duration.

### Diminished aspirations

Latin frustration with Washington coincided with China's expanded involvement in the region. Many in Latin America welcomed President George W. Bush's inauguration in 2001 because he both had been to Mexico and had been a governor in the state with the longest border with Latin America. The 9/11 attacks quashed that optimism because the US absorption in the resulting "war on terrorism" meant that Latin America fell on the US global priorities. At the same time, because of its evolving needs, China viewed Latin America as a source for many things and a logical partner for the future post-US dominant world.

Hu announced a regional investment of \$30 billion in 2004 (Rohter, 2004), which was followed four years later with a trip through South America to promote free trade. This occurred concurrent to a ten-fold rise in trade between regional states and China between 2000 and 2008 (Carroll, 2008). A decade later, while the United States is still the primary trading partner for Mexico, China has become the first destination for exports from South American states (Global, 2019). China began accelerating its regional purchases, including food (particularly soybeans and corn) and vital raw materials (such as copper, tin, and gold, and petroleum).

Similarly, Chinese foreign investment under the auspices of the China Export-Import Bank and China Development Bank topped \$140 billion between 2004 and 2018 (CRS, 2019). This treatment indicates a void that Latin America seeks to fill as Washington increasingly turns away and as Beijing moves closer.

China does not currently have the depth of military ties that could trigger the United States to resurrect the Monroe Doctrine, closing the door to outside military involvement in Latin America. Latin militaries that are unable to attend professional military education in the United States, such as Venezuela or Bolivia, often accept the People's Liberation Army's invitation to send their officers to Beijing. Those educational programs, however, remain segregated from those of the Chinese military; thus, the education is provided but in a somewhat artificial environment that is quite different from the US military education system. China is also selling some arms in the region but primarily to what Hugo Chávez Frías called the Bolivarian States (Ecuador, Venezuela, and Bolivia), states with decidedly less enthusiasm for Washington than Beijing.

Venezuela serves as a fascinating example of China's engagement with the region because Beijing offered a significant number of loans to Caracas, roughly worth \$20 billion (Collins, 2019). However, the deteriorating petroleum industry during the disastrous regimes of Chávez Frías and his successor, Nicolás Maduro Moros, struggled to keep oil flowing, undermining Beijing's confidence in its decision to offer these loans. Venezuela's collapsing economy and political system have frustrated Beijing's hopes for repayment through long-term access to petroleum exports, a situation exacerbated by China's marginal capability to refine the heavy crude Venezuela produces. Beijing pins its hopes for repayment on petroleum long term, even if China does not yet refine the type of output that the Venezuelans produce. This seemingly strange relationship fascinates many looking at Latin American-Chinese ties, but Beijing's primary links are with Brazil.

Brazil, with its vast soybean fields and increasing variety of natural resources, is the primary focus of Beijing's interests in the region because of trade complementarities *and* a common belief that the two states can succeed the United States as world leaders. Brazil grows as a strategic trading partner for Beijing while also as a like-minded state on several challenges to the existing rules in the world order. These include claims under the United Nations Convention on the Law of the Sea (UNCLOS). But more importantly is that Beijing and Brasilia both seek the international community's recognition of their large size, population, and tremendous economies.

An increasing number of states in the region have joined Xi Jinping's pride, the Belt and Road Initiative (BRI), even if it is difficult to argue that this part of the world is linked to anything other than North America. China has long offered infrastructure investment to the region, but the BRI focuses on that aspect of deepening relationships. BRI opportunities in Latin America, like those in the remainder of the world where it currently operates (Southeast and South Asia, the Middle East, Europe, and Africa), allow states to buy products from Chinese manufacturers, while also seeing Chinese investment in infrastructure development. The latter is profoundly important to states across the region. The BRI in Latin America, however, is less significant than in any other region of the world.

Taiwan claws to retain the handful of Latin American states recognizing it as the government of China: Paraguay, Nicaragua, Honduras, Guatemala, and El Salvador. Beijing resents each and every instance the Taiwan leader, Ms. Tsai Ing-wen, transits through the United States for visits to these nations because it both highlights their seven decades' ties to the non-Beijing government, while also opening the door to Tsai's diplomatic prerogatives that China wants to eliminate. The number of Taiwan's global supporters continues to dwindle, however, with no prospect that Taipei can ever compete with Beijing for long-term financial and technical support. US concerns on Taiwan's faltering international support ring hollow in the face of Washington's own shift in relations from Taipei to Beijing forty years ago.

## Conclusion

China's expansion into Latin America coincides precisely with Washington's absorption with terrorism around the world. In many ways, Latin America offers the starkest example of the zero-sum nature of Washington losing interest in a region while China moved in to fill the resulting void. The decision not to move forward with Trans Pacific Partnership membership, along with threatened (and implemented) tariffs, means that the Latin American nations are turning to China for long-term trade accords under the assumption that Washington is abandoning seventy years of global arrangements. These Latin countries often longed for a different, deeper, more equitable relationship with Washington, but they are also welcoming Beijing's fundamental availability for the future. Some Latin American voices question the long-term commitment by China to the region's best interests. At

this juncture, the competition between Washington and China is one won clearly by the latter, as Washington seems determined to alienate or ignore the region. Whether the relationship could shift as China makes somewhat more menacing moves—often based on military involvement, which is low-keyed at present in this region—is open.

China is a long way from Latin America, while the United States is in the same hemisphere. The moves away from a global order built on increasing trade, engagement, and raising the standards for all states hits Latin America hard. Washington's decisions to depreciate Mexico and Central American states undermines the confidence by many Latin Americans for a future which will benefit all. China appears to be a logical substitute if the United States marginalizes its involvement with regional governments. China sees this as an obvious opening where the United States is no longer as interested.

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## PART V: HOW SHOULD THE US, ITS ALLIES, AND ITS PARTNER NATIONS MANAGE THESE CHALLENGES GLOBALLY?

### Chapter 21. US/China Competition

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#### Abstract

There is little question that China’s growing power, its military buildup, its regional and eventually global ambitions, and its outsized self-conception pose very real challenges to US interests and the post-war, rule-based order. Yet there remains a question of precisely what sort of challenge that is—and, by extension, the true essence of the emerging competition. This essay argues for one answer to that question: At its core, the United States and China are competing to shape the foundational global paradigm—the essential ideas, habits, and expectations that govern international politics. It is ultimately a competition of norms, narratives, and legitimacy. The essay argues that China is starkly ill-equipped to win such a competition. But the United States could, through self-imposed mistakes, lose it.

**Note:** Michael Mazarr is a senior political scientist at the RAND Corporation. The views expressed here are his own and do not reflect the findings of a specific RAND study.

#### The Essence of the Strategic Competition with China

US national security strategy and defense policy have come to focus on China as the primary emphasis in the “strategic competition” outlined by recent US strategy documents (U.S. Department of Defense, 2019). Outside government, an avalanche of recent reports and essays lays out the China challenge in sometimes stark terms, depicting an ideologically threatening revisionist state with malign intentions. As the *Financial Times* columnist, Martin Wolf, put it recently, “Across-the-board rivalry with China is becoming an organizing principle of U.S. economic, foreign and security policies” (Wolf, 2019).

There is little question that China’s growing power, its military buildup, its bold regional and eventually global ambitions, and its outsized self-conception pose very real challenges to the United States and the post-war, rule-based order. China is neither infinitely powerful nor wholly malicious. But its belligerent coercion of its neighbors, threat to use force to absorb Taiwan, violations of human rights, predatory economic behavior, and many other activities mark its rise as a potential threat to US economic security and any sort of rule-based international system.

Yet there remains a question of precisely what *sort* of challenge China poses—and, by extension, the true essence of the emerging competition. This essay argues for one answer to that question: At its core, the United States and China are competing to shape the foundational global paradigm—the essential ideas, habits, and expectations that govern international politics. It is ultimately a competition of norms, narratives, and legitimacy. China is starkly ill-equipped to win such a competition—but the United States could, through self-imposed mistakes, lose it.

## Secondary Components of the Competition

Several elements of the emerging competition are crucial and require US attention and effort—but are best viewed as secondary or supporting elements of the main contest.

The US-China contest, for example, has an important military component. China poses an obvious danger to Taiwan. It has coerced other claimants to contested areas of the South China Sea, waged a limited war against Vietnam, and tangled with India over disputed land. China is engaged in a potent military buildup. Even short of war, credible military power is a critical supporting instrument to reassure friends and allies and avert a creeping belief that there is no alternative but to knuckle under to China.

Yet the military threat posed by China is muted in comparison to classic militaristic predators, at least for now. Beijing is not set to launch vast armies and fleets to invade and conquer its neighbors. Prospective targets of adventurism are mostly too large and populous to be absorbed in this way; many are too far away; the benefits of owning territory are minimal; the difficulty of power projection is now extreme; the risk of war with the United States and others would be too great. While China's long history is hardly free of adventurism, invade-and-occupy strategies have been mostly alien to China's modus operandi beyond its own territory: It prefers to overawe Asia rather than occupy it. In its "gray zone" tactics and elaborate economic investment programs, China gives every indication of intending to pursue its goals short of the use of force. China's dominant strategies, in short, are not built around conquest, and the competition is not likely to be resolved by military power.

The competition also has critical economic elements. Most broadly, economic performance, and the ability to compete in leading industries, represent the foundation for competitive strength. China is aiming for dominance in a range of key industries. It is using foreign investment—notably through the Belt and Road Initiative—to reorient Eurasia around a Chinese hub. Some of its strategies for doing so are aggressively incompatible with a rule-based economic order.

Yet while economic instruments are leading tools, the competition is not at its core an economic dispute. In its state-led developmentalism, China is merely practicing an approach many rising powers have used, from supporting key industries to investing in frontier industries to buying—or stealing—foreign technology.<sup>23</sup> Such state-led strategies are not wholly incompatible with a shared, nondiscriminatory global economic order; indeed, the coming years are likely to see more energetic versions of industrial policy in many countries, including the United States.

China's engagement with the shared international economic order has been imperfect but hardly a sham, reflecting many real reforms (Lardy, 2002; Roach, 2019).<sup>24</sup> It aims to make itself rich and powerful, not to destroy the economies of others. Economics, at the end of the day, is a positive-sum affair. If China is willing to constrain its economically predatory activities—and that remains a question—the United States and China ought to be able to compete vigorously across many industries, even as they remain at peace and collaborate on issues of mutual concern.

There are also serious geopolitical and territorial aspects to the competition—chief among them, the struggle for the alignment of other states and China's sovereign claims to Taiwan and contested areas of the South China Sea. How these issues are resolved will set important precedents that shape world politics. But in none of these cases do the United States and China have interests that are at once vital

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<sup>23</sup> For a discussion of China's developmental model as a classic example of state-led development, see Breslin (2011).

<sup>24</sup> For a broader assessment of China's approach to the post-war order, see Mazarr, Heath & Cevallos (2018).

and irreconcilable. Nor is either likely to prevail in absolute terms: Too many targets of their influence, from India and Vietnam to Indonesia and South Korea, and even the Micronesian Island states, are vigorously determined to retain their sovereign independence.

## The Faces of Power

The emerging US-China competition, then, has important military, economic, and geopolitical components. Each of those issues demands significant US attention and investment, from a credible military posture in Asia to government-funded research and development in key technologies, to intensive diplomacy with pivotal states. But it is in another area that we find the true fulcrum of the contest—the hub around which these supporting elements will revolve and the contest whose outcome will be most decisive. That is in the competition for influence over the guiding narratives, ideas, and norms of the international system.

Many definitions of “power” long focused on its most straightforward variation: Direct coercive or persuasive power—the ability to make some person or entity do something that they would otherwise not do (Dahl, 1957; Lukes, 2015).<sup>25</sup> Over the course of the last half-century, scholars increasingly came to appreciate other, more indirect, subconscious, and ideational forms of power—other faces or lenses which focus on shaping the agendas, habits, and worldviews that guide behavior.<sup>26</sup> These other interpretations of power speak to the ways in which actors achieve influence over people and groups by “shaping their perceptions, cognitions and preferences” (Tilly, as cited in Lukes (2005)).<sup>27</sup>

Direct power is forcing a state to liberalize its economy. Indirect power is creating a global marketplace (and, more than that, a dominant conventional wisdom) that makes its elites and leaders *believe* that such liberalization is in their interests. It involves influencing how people think—how they conceive their interests and very identities—rather than trying to coerce or bribe them into making a specific choice. It shapes what others’ believe they want, and why.

Indirect power can be more decisive than direct power. Strong-arming other great powers is often impossible; and as Iran and North Korea are reminding the United States, even weaker states can refuse the demands of stronger ones. Conflicting interests, national pride, the political interests of the target government, and a dozen other factors dull the impact of direct forms of power. But when the overall context shapes how those states view their own interests in ways aligned with US objectives, US influence is forcefully magnified. Even the realist Hans Morgenthau recognized this difference, when he argued that:

[C]ultural imperialism is the most subtle and, if it were ever to succeed by itself alone, the most successful of imperialistic policies. It aims not at the conquest of territory or at the control of economic life, but at the conquest and control of the minds of men as an instrument for changing the power relations between two nations. If one could imagine the culture and, more particularly, the political ideology ... of State A conquering the minds of all the citizens determining the policies of State B, State A would have won a more complete victory and would have founded its supremacy on more stable grounds than any military conqueror or economic master (Morgenthau, 1993).

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<sup>25</sup> See Dahl (1959) for the classic statement of the first face of power. For further discussion of Dahl, see Lukes (2015).

<sup>26</sup> One of the most famous of these new interpretations is that of Lukes (2005). A classic argument about agenda setting can be found in Bachrach & Baratz (1962).

<sup>27</sup> Joseph Nye’s conception of “soft power” is one of the most famous versions of more indirect forms (Nye, 2009; 2011).



Some Marxist and postmodern thinkers describe such a process in more dystopian terms—as a form of thought control, more about submission than persuasion.<sup>28</sup> Dystopian or not, this is precisely how the United States won the Cold War—not with military victory. Nuclear weapons made big wars infeasibly costly, and the United States learned in Vietnam (as the Soviet Union did in Afghanistan) that even limited military force was at best a defensive measure. Rather, the United States won because its ideas, norms, structures, and institutions “conquered the minds” of elites and leaders the world over, including many within the Soviet bloc itself. Ideas associated with the United States and its friends and allies established hegemony over a predominant component of the international community—today, a bloc that represents well over three-quarters of world GDP and world military spending (Mazarr, 2017).

Material factors were, of course, also central to this story. America’s dominant economic standing in 1945 and again in 1989, and its predominant military power after the Cold War, underwrote the credibility and appeal of its ideas. It was the Soviet system’s inability to compete in material terms, and not a sudden affection for liberal values, that provided the main fuel for reform. Ideas seldom conquer world politics absent material support systems—military and economic power that legitimizes and backs up those ideas.<sup>29</sup>

The foundation for everything, though, was the fact that the United States came to represent the metropole of the dominant ideas of world politics—ideas that were dominant because they were also associated with specific material outcomes. The critical competitive advantage was this interlocking package: Credible military power and impressive economic achievements *tied to* a larger, coherent set of ideas with inherent legitimacy. Over time, this package had incredible appeal, attracting states hoping to boost their security or economic fortunes. Few made this choice because the United States forced them to do it; most did so because the context and its dominant narratives made them believe it was in their own interests.

This ideational power manifested itself in very real sinews. They ranged from international economic institutions, to global human rights conventions and the advocacy organizations that rose up around them, to the spread of American entertainment and media, to vast flows of students and tourists and military officers, to the gradual thickening of webs of international law and legal precedent.<sup>30</sup> These sinews then produced hundreds of practical outcomes which advanced US interests: Developing nations agreed to rule-of-law reforms which produced a more stable global economy; trading partners assented to concessions and deals when required by the World Trade Organization; and states were more apt to sign on to nonproliferation-oriented policies and sanctions in service of shared norms.

The emergence of ideational hegemony thus left the United States much more likely to get what it wanted across numerous issue areas. The whole point of this emerging ideational system, though, was that it represented—at its strongest and most sustainable—not America getting what *it* wanted at all, but rather a goal-sharing coalition of states getting what they all desired.

Despite these broadly shared values and norms, China sees this dominant paradigm as a by-product of American hegemony and Chinese second-class citizenship—a status that it is furiously determined

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<sup>28</sup> Thinkers like Gramsci use the term “hegemony” to describe the power over thoughts that these underlying forms of power grant. For an argument connecting Gramscian hegemony to modern ideas of soft power, see Zahran & Ramos (2010).

<sup>29</sup> Scholars of power such as Adam Przeworski have argued from a theoretical foundation that ideas cannot conquer populations without some connection to the peoples’ material interests (Przeworski, 2012).

<sup>30</sup> For a comparison of this process with China’s claims to leadership, see Beeson (2013).

to shed. China—like Russia—also views the ideas associated with the reigning order as justifying regime change narratives which ultimately threaten the rule of the Communist Party.

The primary US task in the emerging competition therefore is to preserve the astonishing advantages that accrue from being the hub of a shared and widely-appreciated order of dominant ideas, norms, habits, and perspectives. Competing in military, economic, and geopolitical areas remains important, but these contests do not reflect the *essence* of the competition, which is ultimately a struggle for control of the global paradigm. Win that fight, and the rest is likely to fall into place. Lose it or allow the ideational context to fragment (as is already occurring, partly because of US actions), and US power and interests will confront a vastly more hostile world.

China's task is to establish a competing ideational pole in world politics. It has been vocal about its desire to promote an alternative socioeconomic model—the so-called “Beijing Consensus,” China Model, or China Dream. China's increasingly aggressive attacks on US and Western values and ideas aim to discredit them in the eyes of much of the rest of the world.<sup>31</sup>

This clash between opposing systems of ideas reflects a clear historical pattern—recurring contests over legitimating narratives in great power rivalries (Kupchan, 2014).<sup>32</sup> Burgeoning material power is essential but not enough; great powers, especially rising powers, must demonstrate that their bid for influence is *legitimate*. If they cannot, their power will always be limited by natural push-back from the larger system. Even the most dominant powers cannot bully their way to everything they want; dominating the space of ideas, ideologies, and narratives is the basis of more complete and lasting competitive success. As John Ikenberry and Charles Kupchan have argued, the exercise of power and influence “involves the projection by the hegemon of a set of norms and their embrace by leaders in other nations” (Ikenberry & Kupchan, 1990).

## A Fight for the Paradigm

The emerging strategic competition is therefore, at its core, a struggle over the context, or the field, in which world politics unfolds—the prevailing ideas, narratives, norms, rules, and institutions that shape states' interests. This makes it an “ideological” competition, but of a very specific sort. The revolutionary ideological adventurism central to Soviet and Chinese strategy in the Cold War is not characteristic of current Chinese policies. The competition is instead one between two would-be leaders of a governing ideational order, each offering a basic political model, essential economic principles, and other aspects of a set of norms and values.

China confronts insuperable barriers to success in these terms. Beijing has no universal set of values and norms to offer as the foundation of a new, Sino-centric world paradigm. The cheerful phrases that populate its public diplomacy do not describe any coherent system, and are contradicted daily by China's own autocratic behavior at home and abroad. (Beijing cannot proclaim itself an advocate of democracy while working assiduously to silence critics abroad through Orwellian forms of harassment.<sup>33</sup>) Well-funded state propaganda tools can do little in this regard: Ideational power

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<sup>31</sup> The essentially negative and accusatory tone of China's narrative is discussed in Callahan (2015).

<sup>32</sup> Goddard (2008) has traced the importance of legitimization strategies in explaining the lack of balancing against Prussia in the mid-19<sup>th</sup> century.

<sup>33</sup> Four years ago, David Shambaugh summarized China's vast and costly efforts to promote its reputation and ideas—and noted that they had largely failed. “Soft power cannot be bought,” he concluded. “It must be earned”—and the nature of China's system produces powerful roadblocks to success (Shambaugh, 2015).

emerges from societies in an organic process, largely through example and the work of private actors. It cannot be forced into place in a five-year plan (Nye, 2013).<sup>34</sup>

Economically, despite its impressive record, China has no easily-exportable model of growth beyond classic state-led development—which has failed as often as it has worked (Kennedy, 2010). The shining example of its economic model is also likely to dim, due to slowing growth, an aging society, and blowback against its predatory and corrupt practices abroad.

Meanwhile, the more intriguing concepts that Beijing has put on offer, such as a more fully democratic and pluralistic international order, run counter to China's historically hierarchical instincts. They are also easily co-opted, if the United States is willing to embrace a shared and humble version of leadership. Moreover, world politics is different than it was in 1945—with more diverse and dispersed sources of power, richer flows of information, and less respect for authority—in ways that will make it tougher for Beijing to achieve the deference it reportedly craves (Beeson, 2013).

The greatest risk in this systemic competition, indeed, may not come from China at all. It might originate in the decades-long rise of challenges to the legitimacy of the prevailing neoliberal model. The United States faces two epochal trends, not one: The rise of China, but also the emergence of an ecological, socioeconomic, and ontological crisis of the prevailing paradigm. If that crisis can be resolved and the US-led ideational order placed on a renewed footing, then there is really no way that China can advertise its increasingly repressive, economically slackening, internationally belligerent model as a sensible alternative.

This means that, for the United States, the strategic competition is likely to be won in the same way that the Cold War was won, from the inside out—built on a 21<sup>st</sup> century foundation of social, environmental, and economic reforms, along with investments and initiatives which revalidate the prevailing liberal-democratic approach to politics and economics. As in the Cold War, military capabilities, geoeconomic statecraft, and geopolitical maneuvering remain important as complementary tools. But together they will constitute a large holding action, with wins and losses along the way, which never need be viewed as a zero-sum contest. The United States will prevail, if it does, in more ideational and systemic terms.

The United States need have little fear that China will somehow convince leaders, elites, and populaces around the world that repressive, state-led development under Beijing's tutelage is desirable. There is little chance that the Chinese military will cow the world into submission. The most significant threats to US goals lie in the potential for two self-imposed mistakes. One is a failure to respond to the challenges to the prevailing socioeconomic model—climate change, inequality and stagnating wages, health and human security, and issues of cultural identity in an integrating world. This failure to respond would provide China more ammunition in the ideational war against the US.

The United States could also lose ground through a second mistake—a fresh bout of unilateralism and attempts to impose US solutions on problems. The new competition is getting underway in very different circumstances than the last: World politics is far more multipolar than in 1945, and any new global order will have to be more diverse, embracing distinct and mutually-respectful American, European, Japanese, Brazilian, Indonesian, Korean, Indian and other varieties of social and economic models, as well as approaches to specific security challenges (including China). It will be all too easy for the United States to take a panicked and rigid approach to the competition, demanding that all

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<sup>34</sup> For a review of evidence on China's lack of success with these tools, see Hall & Smith (2013).

see it in the same irreconcilable terms, insisting that they choose sides in ways few want to do, and in the process alienating many potential partners (e.g., Barkin, 2019).

If the real competition is over the ideas that govern world politics, true “Chinese hegemony” is out of the question. What is not impossible is a refusal to adequately reform existing socioeconomic structures combined with a new lunge of US hegemonic aspirations. Together, these failures would undermine America’s legitimacy, shatter the existing ideational paradigm, and produce a dangerously unstable new international order.

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## Chapter 22. A Flexible Framework to Achieve Strategic Objectives in US-China Policy

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### Abstract

The United States must adopt a new overarching strategy to guide US-China relations moving forward. Neither the traditional approach of engagement intended to promote democratic ideals, nor more recent confrontational practices, have worked. There is an urgent need for a new strategic framework that embraces Chinese political and economic realities and uses those realities to US advantage to advance US national and international agendas. What is proposed here is an innovative strategic framework utilizing a soft-power deterrence approach to simultaneously engage, challenge, and integrate China. Successfully implementing this strategy demands a flexible rather than reactive US-China policy encompassing short-term (re-engagement), medium-term (challenging), and long-term (integrating) approaches that will advance US interests across the spectrum of cooperation, competition, and conflict throughout the coming decade.

### Introduction

United States' policy on China is undergoing a radical metamorphosis. To some, these changes are undermining longstanding agreement about how to constructively engage China. To others who view China policy prior to the current administration as having failed to serve the interests of the United States, the transformation in thinking about China is welcome. Although US-China policy during the current administration has sometimes been successful, it may lead to harmful unintended consequences and reduce US power to counteract China's excesses. Instead, what is proposed here is an innovative strategic framework to simultaneously engage, challenge, and integrate China. Successfully implementing this strategy demands a flexible rather than reactive US-China policy encompassing short-term (re-engagement), medium-term (challenging), and long-term (integrating) approaches that will advance US interests across the spectrum of cooperation, competition, and conflict throughout the coming decade.

The United States needs an effective overarching strategy to guide US-China relations moving forward. Relying on the US-China policy of the past poses serious risks—both in terms of failure to attain US strategic objectives with China, and in terms of the international reputation of the US as a global leader. We've seen the failure of both the longstanding, traditional approach of engagement to encourage and promote democratic ideals, as well as more recent confrontational practices (e.g., initiating trade war, and encouraging Taiwan to arm itself for potential conflict with China). There is an urgent need for a new overarching strategic framework that embraces Chinese political and economic realities and uses those realities to US advantage to advance US national and international agendas.

Because of China's unique geopolitical situation as an emerging world power, and its close physical proximity to both North Korea and Russia, the US would be wise to adopt a more nuanced, forward-looking, soft-power deterrence strategy on China. This new comprehensive, long-term strategy should utilize China's own stated principles as a means to achieve the primary objective of the US to maintain a rules-based global order.

To attain that objective, the US must embrace China as a prospective responsible stakeholder and ally, or it risks pushing China more firmly towards Russia, with the potential to form a truly destructive, anti-American alliance. To circumvent that danger, the new, flexible US-China policy proposed here will give China what it considers important (outward expressions of respect by the US and acknowledgement that China is a world power) while shrewdly applying China's own doctrines and engagement style as a means to specifically channel China's geopolitical influence to serve US needs, as well as substantially curtail China's anti-America alliance with Russia.

In practical terms, the US-China policy moving forward must be adjusted so that the US: 1) acknowledges China's socialist system under one-party rule; 2) accommodates China's quest to pursue an "independent foreign policy of peace" (Yang, 2018); and 3) acknowledges China's "increasing contribution to global stability and prosperity" (Wang, 2018). These policy adjustments will help the US avoid the diplomatic pitfall of appearing overly critical of China, and will boost China's self-image, but will nonetheless oblige China to behave in a manner that reinforces achievement of the US's long-term strategic objectives.

### **An Innovative, Long-Term Strategic Framework for US-China Relations**

The following practical US-China policy proposals suggested for the short-, medium-, and long-term, should be implemented with the flexibility necessary to ensure adaptability in the face of change, while always maintaining a coherent and rational approach.

1. Short-Term (1-3 Years) Strategy: re-engaging China
  - A. US re-engages China with multilevel diplomacy to identify and cement the institutional rules that both countries will follow
  - B. US acknowledges China's significant and justifiable place on the global stage
  - C. US accepts China's authoritarian, one-party state under a socialist system
  - D. US acknowledges China as a developing country with a developed economy, and that it is in the US's interest to ensure broader cooperation
  - E. US upholds its national commitment to democracy, global security, and world peace

While China has achieved unprecedented economic advances during the last four decades, it is virtually unchanged in terms of its political and bureaucratic systems. Since the 1990s, Chinese leaders have firmly rejected any fundamental reform of their authoritarian one-party political system, even as a decades-long boom has reshaped China's economy and society. Today, China remains both an authoritarian one-party state led by a single man, and a union between the technocracy and the elites. The bulk of Chinese society continues to live in the shadow of a many-thousands-year-long dynastic order; it is a pyramid shaped society with a single individual at the top. Democratic institutions are strongly desired by China's liberal-minded academic and financial sectors, as well as by law-enforcement agencies. Nonetheless, China's one-party state has not only survived the heyday of democratization, but is also credited with effective leadership that has persevered in order to achieve its economic goals, including lifting millions of its own citizens out of poverty. These successes come at a steep price in terms of the suppression of human rights, limited or controlled religious practices, and the deprivation of individual political freedom.

A plethora of domestic issues undermine China's legitimacy and authenticity as a nation-state; at the same time however, China's international reputation as a developing power has expanded along with its impressive economic accomplishments, practical military buildup, and global infrastructure projects resulting from its Belt and Road Initiative. If we look into the domestic affronts of which China is accused, the list includes its dictatorial nature as a single-party country, its poor human

rights record, and its newly established re-education centers to round up Uyghurs in Xinjiang. Despite internal discontent, however, there is virtually no chance that unrest will lead to a revolution turning “rule by man” to “rule by law.” It is a prevailing fact that “rule by man” in China today is a continuation of a centuries-long absence of popular desire for a democratic society. All internal unrest in modern Chinese history has ended in a bloodbath. The Chinese culture of realism fosters a *realpolitik* based on practical and material outcomes rather than on moral or ethical objectives, and undermines the potential for fundamental political change.

As a result of all of the above, it is questionable that internal demand in China will ever force social change and political reform. The US should have learned its lesson from its years of encouraging greater openness in China and promoting political liberalization; these approaches failed. It is time to recognize that failure and take a new path forward.

## 2. Medium-Term (3-7 Years) Strategy: challenging China while sharing responsibility

- A. US accommodates China’s pursuit of an “independent foreign policy of peace”
- B. US allows China to shoulder regional and global responsibility as a legitimate economic power
- C. US publicly recognizes China’s contribution to global progress and the public good
- D. US avoids overestimating China’s political influence and military might

Beijing has stated its intention to continue to pursue “an independent foreign policy of peace” (Yang, 2018), and has maintained that it “never seeks hegemony” (Li, 2017). An underlying principal of China’s foreign policy is to remain unaligned with any other major power. China’s foreign policy of peace stresses that strong nations should not impose their values on weaker nations, and that one state has no right to interfere in the internal affairs of another. Further, Beijing assures its neighboring states that China’s “economic development and growing military might, will not turn the country into a regional bully” (Nathan, 2009). There is every reason for the US to accommodate China’s proclaimed foreign policy of peace. Holding Beijing accountable to its own, self-proclaimed principles would be a skillful tactic by which to oblige China to adhere to international norms, in a manner that achieves the US’s long-term strategic objectives.

Following the recent rise of US populism, and paired with the US’s withdrawal from the Paris Climate Accord, UNESCO, UN Arms Trade Treaty, UNGRC, INF, and simultaneous passage of a bill to leave the United Nations, China has seized an opportunity to become a policy-defining voice of wisdom on the world stage. This is a positive development on China’s part to engage itself in regional and global affairs. The absence of the United States from these global forums will not necessarily lead to a power transition, however. Rather, China is stepping in to shoulder its responsibility as a world leader. China’s transformative diplomacy won it applause when it “championed the Paris Agreement on climate change, defended the international community’s nuclear deal with Iran and expanded trade liberalization within Asia” (An, 2017).

Within the region, China’s role is in high demand, especially regarding North Korean nuclear issues. Because no multi-national comprehensive package was put together for the Trump-Kim summits, there was no real way to gauge North Korea’s willingness to cut a deal. After more than a year of clumsy head-of-state diplomacy, North Korea is back to publicizing its missile tests. The fallout from the unprecedented US-DPRK Summits affords an unexpected but compelling strategic alternative that the US can turn to its advantage: The US should now propose that China shoulder the responsibility of handling the North Korean issue.



China is in a unique geopolitical situation because of its geographical proximity to both North Korea and Russia. Any US strategic assessments regarding military options in the Korean Peninsula have always caused anxiety in Washington for fear of running the risk of escalating to all-out war in the region. By exercising its leverage, China could ensure that the DPRK will submit its nuclear weapons to international supervision. China's curbing of North Korea's nuclear ambitions would ensure a much safer international community and safeguard US interests in East Asia. At the same time, the US could congratulate China on a job well done, a symbol of respect that China would seek as a global power.

3. Long Term (7-10 Years) Strategy: integrating China to secure a rules-based global order
  - A. US works with China to facilitate new rules to strengthen the global order
  - B. US curbs China's growing geopolitical influence
  - C. US refrains from military actions with China
  - D. US curtails China's anti-America alliance with Russia

Early 21st century China saw both record economic growth and more political/military appetite for continental disputes with neighboring countries. For political leaders in Beijing, it is no longer enough to emphasize domestic economic growth. Many ordinary Chinese would argue that the days of having to accept foreign designs for their homeland are over. China's Belt and Road Initiative serves as its roadmap for the future and reveals China's ambition and unprecedented confidence.

China's ambition today is to enhance its hard-earned international status, and to come out from the shadows of what it views as a century-long, Western-imposed humiliation. Similar to Kaiser Wilhelm II's *Weltpolitik* that inspired Germany's desire for a "place in the sun" as a global hegemon, Xi's *Chinese Dream* aims to transform China into a global power that preserves its "Mandate of Heaven" tradition within the East Asian cultural sphere, and conceives a new capacity (the "divine right of kings") through its geopolitical agenda, expressed in Xi's call for a "New Long March."

The liberal international world order has remained largely functional for the past 74 years, despite the interruption of the two World Wars. China has benefited greatly from the liberal international order since the US helped integrate the country into the global economy. The irony is that Beijing, while exploring the liberal international order, is inclined to reject the established rules, insert political influence through its economic power, and attempt to dominate arenas traditionally in the US sphere of influence.

There are some striking similarities between British-German relations in the latter 19<sup>th</sup> Century, and United States-China relations today. If so, just like the British-German relations of the past, current US-China relations are likely nothing but a zero-sum game. This is the largest challenge that the US faces in the years ahead. It is vital that the US remains confident as a global leader and that it protects the liberal international order in the face of an increasingly assertive China. Simultaneously, the US must also avoid overestimating China's power.

At the same time the US acknowledges China's rightful place on the global stage as a result of its economic success, it must also be acutely conscious of the fact that China is a pro at exaggerating its own power. It is too early to tell how Xi's *China Dream* will turn out, if China will realize its "Project of the Century" through its Belt and Road Initiative, and where the latest "New Long March" will take China on the global map. It is in the US's and everyone else's interest for the "largest developing country," as China calls itself, to become a developed economy, and to engage in pursuit of the public good. The current liberal international order will ensure that China continues to reap its own

economic harvest. The United States should work with China to facilitate the development of new rules that will strengthen that global order.

From a realpolitik perspective, economic challenge from China is not a threat to the US. A democratic United States will only become more motivated, innovative, and prosperous as a result of such challenges. It would be a strategic misstep for the US to engage in any military action against China without exhausting multilevel diplomatic strategies. It is a good thing for China and the US to stand toe-to-toe in competition in pursuit of a positive-sum game, and to avoid entirely the zero-sum game scenario. Strong US leadership on the global stage will curtail Chinese growing influence. And, China's success must be based on its continued commitment to peaceful development and win-win cooperation. "The truth is, the more China develops, the more contribution it can make to the world" (Wang, 2018). By encouraging China to share responsibility and leadership on regional and global issues, the US will effectively mold China into the responsible stakeholder that the United States has long urged it to be, advance the global economy, and avert the certain dangers of a stronger China-Russia alliance.

## Conclusion

The United States must have a comprehensive, overarching strategy to guide long-term US-China relations in order to avert two equally dangerous possible scenarios: (1) China's rising, with the US as its rival and Russia as its ally; (2) China's economic collapse, with renewed resentment against the US, and accompanying global economic crisis. Nothing would be worse for the world than for the US to find itself escalating towards war with China out of a misplaced fear of China's growing power on the international stage—the so-called "Thucydides' Trap" (Allison, 2015). Instead, the US must intentionally and purposefully nurture a developing China with its socialist system under authoritarian rule, as a global partner serving US strategic objectives. Successfully implementing such an overarching strategy for US-China relations demands a flexible rather than reactive approach that will advance US interests across the spectrum of cooperation, competition, and conflict throughout the coming decade.

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## Chapter 23. First Principles of Great Power Competition

### Avoid Allowing Opponents to “Beat America at its Own Game”: Ensuring US Financial and Currency Power

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#### Abstract

Like war, the practice of great power competition reveals information that surprises rival states, upends prevailing strategies, and necessitates course corrections to avoid major setbacks or even defeat. Private information limits the ability of competitors and potential combatants to rationally evaluate their respective strengths and address deficiencies or potentially strike bargains that reflect a more accurate distribution of power and thereby avoid war (Fearon, 1995). Already some central US strategic assumptions about the capabilities, ambitions, and partnerships of America’s leading opponents, China and Russia, have been proven wrong. So far, these miscalculations and attempted policy changes have been in the political, economic, and military domains.

- First, when the Cold War ended and the Soviet Union collapsed, the United States expected no peer competitors to rise and persistently discounted the scale, speed, and fungibility of China’s spectacular economic growth.
- Second, the United States underestimated the resurgence of Russian military power and Moscow’s will to restore great power status and influence while demonstrating it could manage macroeconomic policy through major shocks, including sanctions.
- Third, Washington ignored the incentives for Sino-Russian collaboration and the ease with which China and Russia could develop a deepening partnership based on a strong common aversion to American hegemony.
- Fourth, in contrast to the Cold War when the US gained an advantage through cost-imposing offset strategies against the Soviet Union, China has proved to be a more formidable competitor and, more so than Russia, is developing asymmetrical capabilities and concepts that US strategists fear are “beating the Americans at their own game” (Work & Grant, 2019). Barriers and offsets can work against an economically inferior adversary like the Soviet Union, but are significantly more challenging against an opponent whose economic output is on the path to displacing the US as the world’s top economy<sup>35</sup> and is speeding toward technological leadership in key dual-use sectors, such as artificial intelligence (AI) and robotics.

#### US Financial Supremacy and Dollar Dominance

Perhaps the only material domain where the United States still reigns indisputably supreme is in financial power, which rests on the dominance of the US dollar and the centrality of the American economic and financial system to international commerce. Of particular significance to major power competition is that the relative capability advantages of the United States are greater financially than

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<sup>35</sup> China surpassed the US in 2014 measured in purchasing power parity (PPP).

economically, which means that assessments of global economic power shifts tend to underestimate the structural and network effects of US primacy (Roberts, Armijo, & Katada, 2018). Most international trade is settled in US dollars, the United States has the largest financial markets and clearinghouse banks, and, of course, the US dollar is the dominant global reserve currency. The US dollar accounts for more than 60% of total global sovereign reserves, while the next highest, the euro, has slipped from 27 to 20%. Further, half of the total global debt is issued in US dollars because dollar-denominated debt markets are deep, liquid, and rule-governed. Although Chinese banks hold the top four slots in the ranks of the world's largest banks by assets (while only two in the top 10 are American banks), and China's combined government and corporate bond market more than doubled in size to become the world's third largest after the US and Japan, international investors hold less than 2% of the \$13 trillion in bonds outstanding.

The US dollar is the preferred currency for payments in approximately 40% of cross-border financial transactions. Most trade in international commodities, such as oil, is also typically priced in US dollars. Of the 70 major raw material price series tracked by the International Monetary Fund (IMF), only five are not denominated in US dollars. Some 53% of international bank borrowing is financed in US dollars (Roberts et al., 2018, pp. 60-61). In short, multinational companies and foreign central and commercial banks need access to the US dollar, US or offshore dollar-clearing centers, US banks, and US regulatory and judicial systems to reliably manage their transactions and operate their businesses. Thus, the centrality of the US financial system is amplified by network effects in the world of international business.

The United States has successfully leveraged its structural and network financial power so as to assert its dominance in new disruptive ways, despite its declining share of the world economy (Roberts et al., 2018, pp. 1-64). International banks cannot presently survive if they are unable to operate in US dollars in the global financial system. Most importantly, Washington treats access to the American financial system through the global banking system as a set of proprietary nodes, leaving other countries potentially vulnerable to interruption of such access (Zarate, 2013). With such clever retooling, the United States has successfully weaponized its unique economic and financial capabilities and is able to impose punishing sanctions that disrupt access of opponents and their supporters through America's proprietary nodes to the global banking system. Moreover, through the far-reaching system of "secondary sanctions," the US can cut off the access of foreign financial institutions or individuals to the dollar clearing system if they engage in proscribed conduct with a sanctioned entity, even if none of that activity touches the United States directly (Zarate, 2013). The number of people, firms, and other targets sanctioned has been on an annual upward trend since 2001, and in 2018 alone, nearly 1,200 individuals and entities were added to US sanctions lists (Gibson Dunn, 2018; Harrell & Rosenberg, 2019).

This paper identifies two concerns regarding the extension of great power competition to America's currently unrivalled dominance in financial power. First, aggressive overuse of financial instruments as extra-territorial instruments of coercion and punishment is incentivizing opponents, and even US allies, to find workarounds and defenses to limit their vulnerabilities and increase their autonomy for independent foreign policy. Although these initiatives still fall short as a genuine alternative to the US dollar, let alone the seed of structural power, the United States should not be complacent or assume that inertia and incumbency will keep the dollar as king forever. A second concern is that the weaponization of finance creates not only negative blowback effects that may impose greater future costs on senders (Drezner, 2015) but also the risk of a security dilemma spiral and inadvertent escalation.

## **Increases in US Coercive Financial Leverage Incentivize Other Powers to Find Escapes and Alternative Institutions**

Aggressive overuse of financial instruments as extra-territorial instruments of coercion and punishment is incentivizing China, Russia, and even US allies to find workarounds and defenses to limit their vulnerability to American coercion. The financial domain is becoming contested as potential alternatives to the US dollar and financial system start to proliferate. These include expanding the international roles of the Chinese currency; constructing alternatives to existing international payments systems and the main global financial messaging system, the Society for Worldwide Interbank Financial Telecommunication (SWIFT); and the development of next generation digital currencies and payments systems that potentially could operate beyond the reach of the US government. Former Treasury Secretary Jacob Lew warned that “the plumbing is being built and tested to work around the United States. Over time as those tools are perfected, if the United States stays on a path where it is seen as going alone... there will increasingly be alternatives that will chip away at the centrality of the United States” (Lew, 2019).

In great power competition, China does not need to equal the United States in every domain to be able to achieve many of its goals, increase its influence, and deny certain outcomes preferred by the United States and its allies. In the financial domain, just as in the realm of military technologies (Work & Grant, 2019), Beijing can create offsets to erode American advantages and also develop “financial coalitions of the willing,” including not only Russia, but also the European Union (EU), to experiment with alternative payment institutions that bypass the US (Setser, 2016; Roberts et al., 2018). For example, China works with the EU and Russia to buffer Iran from US sanctions if it remains in the 2015 nuclear deal and with other BRICS countries to create parallel financial institutions, such as new multilateral development banks and a contingent reserve arrangement (Roberts et al., 2018). These offsets could eventually erode America’s singular instrument of national power as well as the important role the United States plays in assuring the collective goods of international financial stability and economic growth.

The dilemma of many countries, not just authoritarian competitors, is that they would like to have alternatives to the US dollar, but they do not want the value of their dollar holdings to fall, for that would reduce the value of their own dollar-denominated assets. This predicament explains why China cannot simply threaten to dump US dollars or abruptly unload its US agency assets to coerce the United States. In addition, as the quantitative easing by the Federal Reserve Bank during the financial crisis showed, the US can buy as much of its own debt as needed. In 2012, in accordance with that year’s National Defense Authorization Act, the U.S. Department of Defense issued a report with essentially the same findings, noting that “attempting to use U.S. Treasury securities as a coercive tool would have limited effect and likely would do more harm to China than to the United States. As the threat is not credible... it does not offer China deterrence options, whether in the diplomatic, military, or economic realms, and this would remain true both in peacetime and in scenarios of crisis or war” (Morrison & Labonte, 2013, p. 15).

China, which had accumulated massive foreign exchange reserves and dollar-denominated assets in the past, faced the “dollar trap” and uncertainty about US monetary policy. According to the U.S. Treasury monthly report on “Major Foreign Holders of Treasury Securities,” China slightly edged out Japan as the largest holder of \$1,110.2 billion in May 2019. According to the State Administration of Foreign Exchange (SAFE), US dollar assets accounted for 58% of China’s total reserves at the end of 2014—down from 79% in 2005—as China increasing diversified, even more so than the international average of 65% share of assets in US currency. China’s holdings of U.S. Treasuries fell to a 15-month low in September 2018 as the country intervened to support the yuan, which had been

depreciating against the US dollar amid the ongoing trade war. Then, in August 2019, China allowed market forces to marginally depreciate the yuan past the symbolic renminbi (RMB) 7 per dollar mark, partly as a signal to the Trump administration, which announced 10% tariffs on the final \$300 billion of imports from China. Although the US Treasury promptly labeled China a “currency manipulator” and referred the case to the IMF, it is widely recognized that China had been intervening to prevent a more significant downward correction until the escalation in the trade war. Beijing faces competing demands, namely to protect its economy during the trade war, but also to maintain a strong currency to cover outstanding US dollar debts of many firms, to continue the transition to a consumption economy, and to keep capital outflows in check. People’s Bank of China (PBOC) governor Yi Gang insisted that China “has the experience, confidence and capacity to keep the renminbi exchange rate fundamentally stable at a reasonable and balanced level” and will “not engage in competitive devaluation” (“China will not use yuan”, 2019).

Likewise, Russia increased its holdings of US debt by more than 1600% between 2006 and 2011, with a peak in 2010 of \$176 billion, thanks to surging commodity prices for its oil and gas. After S&P Global’s AAA rating downgrade to AA+ sparked a global selloff in August 2011, then–Prime Minister Putin complained that the United States “is living beyond its means and... acting... as a parasite on the global economy and its dollar monopoly position.” But strikingly, Russia’s Deputy Finance Minister Sergei Storchak joined the chorus of US debt holders voicing support for the dollar, insisting that Russia doesn’t expect “any alternative whatsoever” to its holdings of US sovereign debt in the next five years. In justifying his stance, Storchak gave the standard explanation: “The US debt market is still the most liquid, dependable, and safe.”

As a petro state, Russia needs hard currency reserves to protect against currency and budget crises generated by oil price fluctuations. When Russia shifted to a free-floating currency in 2014, the silver lining of the declining ruble during the crisis was that it cushioned plunging oil prices. Oil production costs and government expenditures were denominated in devalued rubles, while oil profits in US dollars account for roughly 40-50% of Russia’s annual federal budget revenue.

Russia still wants to diversify, but good alternatives have been lacking. Nonetheless, to escape the reach of the US government sanctions, in 2018, Russia sold \$101 billion of its reserves—about 45%—of its U.S. Treasury holdings, investing 15% in RMB and a portion in euros and yen, and offshoring the rest to Belgium and the Cayman Islands (Steil & Rocca, 2018; Fleming, 2019). Meanwhile, Russia edged out Saudi Arabia as the top crude exporter to China by agreeing to accept RMB for payment despite the downside in currency valuations. Both China and Russia are also trying to attract interest in their own fledgling oil futures markets in national currencies, a venture that Russia has attempted for over a decade without success.

### Renminbi as a Global Currency?

Another side to this issue is the natural increase in the role of RMB in functions of money other than as a reserve currency, particularly as China’s economic rise transformed global trade patterns. As Barry Eichengreen argues, “It is not obvious why the dollar, the currency of an economy that no longer accounts for a majority of the world’s industrial production, should be used to invoice and settle a majority of the world’s international transactions” (Eichengreen, 2011, p. 61). The US dollar is used for 43% of cross-border payments on the SWIFT network and 86% of trade finance, even though the US economy is only involved in less than 15% of global trade flows.

Creating more distance from the US dollar, Beijing aims to promote the enhanced use of the RMB for international transactions. However, there is still a large gap between the RMB, accounting in August

2015 for a high of 2.79% of global payments, and other major currencies. Only in Asia does SWIFT report the RMB as the top-ranked currency. Eventually, such developments could diminish the dominance of the US dollar, particularly in two of the three important functions of money: as a medium of exchange and a unit of account.

Three institutional bases for wider international use of the RMB are the introduction of a new Chinese international payments system, the expansion and reform of quotas for investing in China's local-currency equity market (i.e., the RQFII quota), and the Belt and Road Initiative, although the last requires liberalizing capital controls to gain widespread acceptance of RMB use. In October 2015, China launched a phased roll-in of its own international payment system—the Cross-border Interbank Payment System (CIPS). This system is substantially in accordance with international standards but run by state authorities, in contrast to similar systems operated by private actors. CIPS can act as the middleman between SWIFT and the China National Advanced Payment System (CNAPS), the latter of which does not support international payments. CIPS is modelled on the US dollar payments network, the Clearing House International Payment System (CHIPS), which supports about \$1.5 trillion in payments each day. The system will also allow offshore banks to participate, enabling offshore-to-offshore renminbi payments, as well as those in and out of China. But this is not just an efficiency development. China (and Russia) are not only unsettled by the ability of Western countries to shut countries like Iran out of SWIFT, but also because SWIFT is highly susceptible to being accessed by intelligence agencies from the US (Wildau, 2015).

Nobel laureate Robert Mundell once wrote, “Great powers have great currencies.” Although none of America's competitors boasts a top currency, China is “a major emerging financial power” (Helleiner & Wang, 2019, p. 214) that could internationalize the renminbi, claim the mantle of “a position of prominence in the hierarchy of currencies” (Cohen, 2003, p. 22), and simultaneously limit its vulnerability to US coercion. A step in this direction was when the IMF incorporated the RMB into its currency basket as China agreed to phase in regulatory reforms over two years.

Officials at the Chinese central bank who are proponents of greater liberalization and openness evidently have long appreciated that it may be easier to couch their policy arguments for market-driven RMB internationalization in the context of the high-priority Belt and Road Initiative and the global prestige that comes from a top currency. Thus, for example, the Deputy Governor of the People's Bank of China, Pan Gongsheng, published an article in July 2019, stating that PBOC would work to promote global investors' confidence in the Chinese currency through market-driven efforts, giving a new opportunity to boost its global status amid rising trade conflicts.

Finally, China is a leader of the world's largest financial technology (fintech) system, dominated by Alibaba spinoff Ant Financial's Alipay and Tencent's WeChat Pay. Advances in this sector potentially could help the country diversify from dollar dominance through digital currencies and blockchain technologies. China is driving rapid growth in fintech and has home country dominance. China's fintech boom has been largely unregulated, which facilitated growth but also led to fraud and problematic standards. Since 2014, PBOC has been investigating building its own centrally-controlled cryptocurrency, which would allow it to record transactions in real time and collect a data pool significantly larger than even the data accumulated by Alipay and WeChat Pay. However, to circumvent Western payment systems, China would also need cross-border payment functions, which are still dominated by US firms, such as MasterCard and Visa. Meanwhile, despite legitimate concerns about adopting and regulating digital currencies like Bitcoin and Facebook's proposed Libra coin, Western firms may still use their advantages to jump ahead of China. Although it is still early in the process, Facebook already has 27 interested partners, including Visa, PayPal, and Lyft. Another variant, strikingly proposed by Bank of England Governor Mark Carney in August 2019, could exploit



blockchain technology to develop a network of central bank digital currencies whose aim would be to create a replacement reserve currency and diversified multipolar financial system. Leaving aside consideration of feasibility, it is noteworthy that proposals to reduce the dominance of the US dollar originate with both great power competitors and US allies.

## **Defending the Global Financial Order: Avoid Overuse of Offense When It Undercuts American Financial Dominance**

As competitive great power politics intensify, nationalist, protectionist coalitions gain more traction, and security concerns weigh heavily on trade and wealth-enhancing agendas. The United States has serious legitimate objections to China's violations of World Trade Organization (WTO) rules and the scope of Party-state direction of commercial power. However, Washington should be careful not to exaggerate China's autocratic modernization strategy as an existential threat or assume that China is following a linear trajectory based on a civilizational identity or ideological program.

As scholars have shown, Xi Jinping is not looking to "import" a foreign development model or "export" a China model. China's general principle is "pragmatism and a willingness to experiment," not a particular economic orthodoxy (Weiss, 2019; Tsai, 2015). China's economic miracle involved the introduction of markets and competition, and it also showed that development does not require democracy. Over the longer run, China faces more than just regression to the mean in economic growth rates and strong pushback from competitors unwilling to be subjected to unfair trade, loss of comparative advantage, and theft of intellectual property. Developing countries need to constantly upgrade the quality of their institutions for each level of development. This suggests that, in China, if institutions (such as rule of law and property rights) do not keep up as incomes rise, then growth will slow (Roberts et al., 2018, pp. 170-177).

Despite China's economic weaknesses (i.e., its debt, demographics, and dictatorship, as well as its capital misallocation), conventional gross domestic product (GDP) indicators are not wholly a fiction given evidence of real modernization and greater prosperity. Possessing the world's largest middle class, China is becoming a consumption economy and a valued export market for advanced economies. As Lardy (2014) shows, during China's 30 years of growth, the share of state-owned enterprises (SOEs) in industrial output declined from 78% in 1978 to 26% in 2011, as the vibrant private sector of the economy steadily expanded, accounting for 70% of China's output and China's most successful technology companies, such as Alibaba, Baidu, and Tencent. Although it is true that in 2012, Xi shifted to a more statist approach with greater economic and political control (Lardy, 2019), slowing growth could encourage another reversal down the road and return to market reforms since material success is an important source of regime legitimacy. Wholesale decoupling from trade with China not only would harm US private sector profits, but also remove external incentives for greater liberalization while reinforcing the state sector and nationalists.

One area where US soft power can have a positive effect is on China's financial markets, which are opening up to global investors. Thus, Chinese A-shares RMB-denominated stocks traded on the mainland were included in the MSCI Emerging Markets Index in 2018. "Connect" programs allow investors to buy certain shares and bonds through Hong Kong's stock market, and, as of April 2019, a portion of China's \$13 trillion of onshore bonds were included in global indices. China's capital markets are gradually finding their place in the global investment mainstream, which should strengthen the hand of reformers as the foreign investor community becomes an increasingly significant stakeholder in China's financial system. At the same time, as financial interdependence grows, there is an important role for strong US government oversight and accountability. According to the US-China Economic and Security Review Commission, 156 Chinese companies, valued in total

at \$1.2 trillion, are listed on the top three US exchanges, including 11 Chinese state-owned firms. Draft Congressional legislation appropriately insists on the transparency of audits of Chinese firms and disclosure requirements, pushing China to comply with international norms, just as it has conformed to many IMF regulations, implemented the global Basel III rules on bank capital adequacy, and other Financial Stability Board requirements.

## Weaponization of Finance: Risks of Escalation

As discussed above, Washington's increased wielding of its financial swords—particularly against Iran and Russia, as well as North Korea—is unsettling China and encouraging competitors to diversify away from the dollar and attempt to bypass the US financial system. Extreme sanctions raise a second concern about destabilizing negative blowback effects. In particular, the weaponization of finance, although “a powerful alternative to military engagement” (Lew, 2016), creates the risk of inadvertent escalation.

A rational strategist should consider the risk that economic tensions may spiral to a tipping point beyond which the wielding of financial weapons could boomerang, unintentionally escalating into a Pearl Harbor scenario where coercive punishment used as an instrument to bring the opponent to capitulate is instead deemed intolerable by the target state and prompts it to take even more excessive risks. One may recall that the Roosevelt administration imposed a series of increasingly stringent economic sanctions on Japan in the two years before the Japanese attack, restricting the export of essential defense materials, and in July 1941, freezing Japanese assets in the United States and embargoing oil, recognizing that Japan imported 90% of its oil, 75-80% from the US.

Roberts et al. (2018, pp. 91-92, 132-133) recount the escalatory dynamics inherent in the signaling over possible extreme use of extreme financial sanctions against Russia following the start of its aggressive intervention against Ukraine in 2014 and its annexation of Crimea. Some senior officials in the Obama administration contend that sanctions (including the four executive orders the President introduced in 2014) and especially the threats to escalate them deterred Russian President Vladimir Putin from gambling that he could take Kiev in two weeks and instead pushed him to the negotiating table. In March 2014, after the annexation of Crimea, President Barack Obama conceded in an interview that the sanctions he threatened against Russian economic sectors could have worldwide impacts. But, he added, “If Russia continues to escalate the situation, *we need to be prepared to impose a greater cost*” (emphasis added).

In particular, the United States and the European Union signaled they might turn off Russia's access to the SWIFT financial messaging system—an action taken against Iran in 2012. Some US officials also sought to target the issuance of sovereign debt and the full range of derivative products, threats repeatedly made by a bipartisan coalition in Congress which now proposes legislation along these lines to deter Russia from meddling in US elections, following on the 2017 Countering America's Adversaries Through Sanctions Act (CAATSA).

In the Ukraine conflict, almost immediately, the Russians responded to Western warnings with public counter-threats. Prime Minister Dmitri Medvedev and other officials warned of severe retaliation and escalation, stating that any cutoff from SWIFT would be met with a response “without limits.” Andrei Kostin, the head of Russia's second-largest bank, remarked that “excluding Russia from the global SWIFT banking transactions system could mean “war.” In a meeting with foreign experts, Putin underscored the certain blowback that would result, asserting that, at a minimum, sanctions are reinforcing the inclination of many countries to become “less dependent on the dollar” and to set up alternative financial and payments systems and reserve currencies, partly in coordination with

China. Putin insisted that the United States does not have a monopoly on financial statecraft, warning “I think that our American partners are quite simply cutting the branch they are sitting on” (citations in Roberts, et al., p. 133).

US coercive diplomacy over Russian aggression against Ukraine, which has lessons for US policy towards China, initially resembled Thomas Schelling’s risk strategy of imposing significant punishment while threatening much higher costs so that submission appears the best option. However, in the confrontation with Russia over Ukraine, President Obama, supported by Treasury Secretary Jacob Lew and other senior officials, temporarily switched from compellence to deterrence, focusing on Schelling’s “threat that leaves something to chance.” In this domain, the coercive demand is not to provoke escalation but to prevent it, and reflects the insight that coercion may succeed when threatened, not when sanctions or other forms of punishment are implemented (Drezner, 2003, p. 655; Sechser, 2018). As Schelling put it, “successful threats are those that do not have to be carried out,” meaning Moscow should understand the costs and refrain from invading all of Ukraine. US resolve also seems to have been influenced by the relative “issues at stake” (Danilovic, 2001), which involved demonstrating unwavering commitment to vulnerable East European members of NATO and warning Russia that it should not test the boundaries of its aggression against Ukraine.

It is unclear whether an escalation spiral was averted in this case because of immediate Russian counter-threats and assertions of escalation dominance, because of Washington’s switch to deterrent threats and greater concern about the reaction of global financial markets, or some combination of these or other factors. In a frank interview, President Obama later remarked, “The fact is that Ukraine, which is a non-NATO country, is going to be vulnerable to military domination by Russia no matter what we do.” Russia’s stakes are higher and thus has escalation dominance (Goldberg, 2016). Obama insisted that “we have to be very clear about what our core interests are and what we are willing to go to war for” although “there’s always going to be some ambiguity” (Goldberg, 2016). To make sure that the US learns this reality, in March 2015, a year after the annexation of Crimea, Putin signaled during a television broadcast that he had been ready to raise the alert level of Russian nuclear forces to ensure the West did not intervene. Even discounting for Putin’s loose talk about nuclear signaling, Russia has plausible horizontal escalation options, including cyber attacks on critical civilian infrastructure or against the US financial sector.

The fact that Russia did not invade and seize all of Ukraine is not necessarily in response to US coercive threats. New information as the conflict progressed appears to have an impact on Russian calculations. Putin learned from the improvised operation in the east that the predominantly Russian speaking third of the country from Donbas to Odessa in Eastern and Southern Ukraine—initially proclaimed to be part of the project to promote Novorossiia—were not en masse prepared to fight alongside the Russian-supported separatists to join Russia (Kofman, Migacheva, Nichiporuk, Radin, & Oberholtzer, 2017). Moreover, the Kremlin is not unconstrained domestically; it would face popular opposition if the use of force resulted in high casualties. Additionally, Russia could not rule out that the US and other NATO countries would not support Ukraine covertly in the event of a wider war.

Recent continuation of the conflict into the Sea of Azov, where both Kiev and Moscow have core strategic interests, shows the two sides are still far from reaching a mutually-acceptable settlement. Meanwhile, Moscow uses every opportunity to try to persuade European governments to abandon sanctions and renew economic ties. Significantly, Russia, China, and the EU together are attempting to develop a payments facility that would bypass the US to allow oil companies and businesses to continue trading with Iran since the Trump administration’s withdrawal from the 2015 nuclear deal with Iran and tightening of sanctions on Iranian oil exports. Although this “special purpose vehicle,”

known as the Instrument in Support of Trade Exchanges (INSTEX), falls short in achieving its objectives, the incentives for both America's competitors and allies to collaborate to find a way to bypass US coercive controls over international finance should give sanctions hawks in Washington pause.

## Conclusion

International financial instruments are important weapons in peacetime for great power economic competition. Although all three contemporary great powers possess robust nuclear forces to deter war—with ongoing major expansions of programs in Russia and China (Ashley, 2019)—only the United States possesses a unique economic and financial arsenal of capabilities, thanks to the dominance of the US dollar and the centrality of the US economic and financial system to international commerce.

Managing great power competition over the long term requires recognition that opposing actions will naturally evolve. Prudent strategic adjustment is essential to ensure that imposing costs on US opponents does not lead to unintended consequences like viruses that impair America's strengths or provoke costly inadvertent escalation.

At the same time, it's important to keep in mind that competitive great power politics are occasionally cooperative and plus sum, sometimes zero sum with the risk of war, and mostly in the domain of relative gains and losses, which involves positional struggles, relational power, and shifts in the balance of power. Nuclear great powers have a major stake in avoiding negative sum outcomes where everyone loses, such as global financial crises, economic depression, and crises and conflicts that may escalate to all-out war. Over the long haul, the United States must avoid losing at its own game and instead create winning strategies that outcompete rivals, while discouraging miscalculations and averting worst case outcomes.

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## Chapter 24. Refocusing US Capabilities to Compete in the Gray Zone

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### Abstract

Given the context of a renewed era of great power competition and the breadth of the global challenge that China's rise presents to the US-led western democratic world order, it is incumbent on the US to focus time, energy, and resources to adequately compete in the gray zone as part of a long-term strategic competition against the Chinese Communist Party (CCP). This competition will likely require cultural and organizational changes, as well as a different lens through which to view US capability development and operations in order to successfully counter ongoing Chinese actions in the gray zone below traditional armed conflict. This paper establishes the foundations for this new focus and points to some key areas for investment and capability development for the US military and other instruments of national power. Focusing today's capabilities and operations on countering CCP coercion while seeking new areas of enduring US competitive advantage is crucial in the long-term strategic competition with China.

### A New Lens—Understanding and Perceiving Chinese Coercive Activities and Competitive Approaches

The Chinese approach to competition and the coercive approaches it uses to achieve objectives in the gray zone are challenging for us to counter in some cases because we lack the correct lens through which to view these activities. While the US military and other instruments of power typically default to binary lenses of “war” or “non-war” military activities, Chinese approaches purposefully blur these lines so as to deter or delay US and allied and partner actions detrimental to Chinese objectives, or opportunistically to achieve Chinese objectives below armed conflict at the expense of US and other nations. In order to put Chinese actions in better perspective, we ought to use a new lens to view gray zone activities—that of comprehensive coercion (Mahnken, Babbage, & Yoshihara, 2018).

Comprehensive coercion in this context is the Chinese Communist Party's (CCP) approach to political warfare that seeks to leverage Chinese whole-of-nation focus and capability to compete in the gray zone in order to ensure the preeminence of the CCP and subvert the current US-led democratic order to benefit a rising China. Comprehensive coercion is also a long-standing component of Chinese strategy. Chinese strategic planners from Sun Tzu to Mao and Xi Jinping have aggressively used offensive influence campaigns as a core element of their strategy to comprehensively coerce individuals, groups, and states (Mahnken, Babbage, & Yoshihara, 2018). This form of competition has enabled the CCP to “avoid dissent, discourage foreign narratives that are inimical to their interests, generate support for policies they favor, enhance their freedom of action by keeping rivals distracted, and mitigate pushback against overt acts of revisionism” (Mahnken, Babbage, & Yoshihara, 2018). Unlike the West, which views warfare along a Clausewitzian paradigm where war is an extension of politics, the Chinese elevate war to an equal status with politics. In other words, politics, and the struggle for power, is war. Consequently, the Chinese view this type of warfare as a normal tool in their toolkit, which they have long used to preserve domestic control and compete against external threats (Ibid). Viewed through a lens of comprehensive coercion, not only do Chinese activities in the gray zone become clearer (e.g., Chinese actions in space, cyber, information propaganda, etc.), but US responses and focused capability development to effectively counter CCP strategies come into focus.

Using this lens, in order to most effectively compete against Chinese gray zone activity, the US must focus its mindset, organizations, and capabilities to frustrate CCP coercive approaches and seek to gain and maintain areas of dominant advantages in a long-term strategic competition. Competition aims to apply the attention and resources necessary to gain and maintain sustainable positions of advantage while continuing to remain a dominant player within the infinite game of international politics. Application of a competitive mindset enables identification of potential venues in order to generate advantage and create dilemmas for the adversary. This organizing principle ought to shape the way we view the use of current US capabilities as well as determine what new capabilities we should develop in the future. Finally, the organizing principle of competition that seeks to blunt CCP comprehensive coercion and advance US interests emphasizes influence and information as key areas of capability use and future investment. While being prepared to fight and win a future war and deter adversaries' actions in full-scale conflict is vital, it may no longer be sufficient if Chinese (and Russian) objectives are to achieve wins below traditional armed conflict in the gray zone.

### **Harnessing Today's Capabilities to Compete Now**

Strategic competition against China and meeting the CCP in the gray zone requires long-term vision and an enduring framework (as has been discussed in previous chapters to this White Paper), but also requires deliberate action now to constrain CCP options, protect current US advantages, and inoculate the US and its allies and partners against CCP coercion. To accomplish this goal, we must first and foremost adopt a competitive mindset and organizational focus. Next, we must harness the current capabilities and global advantages that we already possess to effectively counter CCP coercion and advance US and allied and partner interests. This outcome is best accomplished through a synchronized and integrated whole-of-government approach. While that effort is underway, the sections below will focus specifically on military contributions to the competition and what overall mindsets, organizations, and capabilities are likely to be most needed as the US and its allies and partners confront CCP comprehensive coercion today.

Action is required to inculcate a competitive mindset within the culture of the Joint Force. Doing so requires developing doctrinal approaches for how our forces compete in the gray zone, employ multi-domain effects, and view different aspects of risk. Many organizations today traditionally view risk as something to mitigate; risk, however, is also something that is deliberately assumed in order to gain an advantage. However, the Joint Force lacks an adequate framework and lexicon to view risk associated with competition over the long term. For instance, how can the Joint Force deliberately accept risk and failure in the short-term in order to better compete over the long-term? Tactical failure may support strategic success. Additionally, a competitive mindset requires the Joint Force to change how we prepare our forces to compete, how reasonably aggressive leaders are identified and promoted, and how leadership is prepared to compete within the information domain and cognitive domain. A competitive mindset to counter CCP actions in the gray zone today requires reasonable aggressiveness and an opportunistic eye combined with the right sight picture for risk acceptance to gain and maintain advantages over competitors as they appear.

Competition also requires organizational change to enable the Joint Force to compete now with the tools and resources it already possesses. Traditionally, the Joint Force focuses future concepts, force design, and budgets around a model of traditional warfare. This focus, while necessary and vital, drives organizational models that primarily focus on full-spectrum conflict and does not adequately address capabilities, concepts, and operations intended to drive the competition with China in the gray zone when the US is not "at war." While other instruments of national power (Diplomatic, Economic, etc.) may have primary responsibilities for directing actions in a peacetime competition, the US military certainly has a role to play and must be organized, trained, and equipped to act in



concert with the interagency and offer options to the President that make use of the full range of military capabilities short of war to counter CCP coercion. Finally, the Joint Force needs to empower its organizations with the responsibility to manage consistency and congruency of the department's chosen competitive strategy (presuming one is created). This includes the needs to develop and synchronize a proactive information operations campaign, identify current and emerging areas of competition, and manage an active feedback and assessment effort to track current areas of advantage or disadvantage. Containment during the Cold War required the US government not only to orchestrate all the sources of American power towards a single goal, but also to synchronize them across multiple administrations, opposing political parties, and multiple service secretaries over a period of forty years. Likewise, successfully implementing a strategy to compete against China in the gray zone requires an organizational re-focus that synchronizes disparate actions from multiple players over long time horizons.

From a current capability standpoint, the question for the Joint Force is how to most effectively and efficiently leverage existing capacity, capability, and operating concepts to best counter CCP comprehensive coercion now and expand US and allied and partner advantages and influence. Foremost, the US must recognize that it cannot and should not do this alone, but by acting by, with, and through like-minded countries and our vast network of allies and partners across the globe to counter Chinese global activities that seek to subvert the rules-based international order. Many of the CCP's gray zone activities are meant to control information and promote Chinese narratives at the expense of US and western influence across the globe; today's capabilities should be focused to counter this. Proactive and integrated information operations leverage current US and allied and partner capabilities in public affairs, global strategic messaging, key leader engagements, and synchronized diplomatic outreach to further US and allied and partner influence. Countering and exposing Chinese propaganda when encountered, naming and shaming of irresponsible CCP behavior in the global commons, and highlighting CCP human rights abuses internationally and domestically are effective uses of these informational capabilities.

Additionally, the Joint Force should seek to expand its view of information operations and messaging to encompass potential actions in cyber, space, and other domains that are crafted to deliberately send messages and shape CCP decision-making calculus. The idea of Strategic Shaping as a "coercive strategy employing an integrated whole-of-government approach that aims to complicate an adversary's calculus and target his strategic intentions, not just his forces" (O'Shaughnessy, Strohmeier, & Forrest, 2018) gets to the heart of how Joint Forces can contribute, in multiple domains, to countering CCP coercion. Complementary improvements and a refocus on operations security, emissions security, and electronic warfare help to expand the competitive space of options to frustrate CCP gray zone activity and maintain current US and allied and partner influence. Finally, the capability to credibly demonstrate US power and will through integrated global operations provides the hard power that supports soft power operations to deter and respond to Chinese actions in the gray zone. Freedom of Navigation operations conducted in the air and on the sea help to enforce international law and counter excessive Chinese claims. Maintaining the capability and capacity to continually challenge Chinese extra-territorial claims is vital to the competition. Viewed through the lens of CCP comprehensive coercion and a counter-strategy to compete with China, every activity and current capability short of war becomes a venue for active competition. Combined with a competitive mindset and an organization focused on current and long term strategic competition, today's capabilities and those of tomorrow can be effectively focused to achieve US and allied and partner goals and interests.

## Future Capabilities to Compete Tomorrow

As the Joint Force and other branches of government work to counter Chinese activity in the gray zone today, we should also be mindful of what new capabilities should be pursued for tomorrow's competition and the long-term areas of advantage that the US and allies and partners want to gain and maintain. This net assessment may include developing new and additional space, cyber, information operations, electronic warfare, command and control, and intelligence surveillance and reconnaissance capability. This also may include enhancing the Joint Forces' ability to credibly project power and operate in highly contested and congested environments. It is likely to also require investments to ensure the resiliency of multi-domain operations and communication systems to enable dispersed forces to reliably communicate and coordinate. It will also likely require the growth and fostering of new capabilities from allies and partners that can contribute to daily competition actions and help deter Chinese advances. Finally, future capability development should likely focus on protecting key US critical technology and identifying areas for future technology development that are revolutionary, not just evolutionary. This is how the US and allies and partners can ensure continual advantage in the long-term competition and effectively counter CCP actions in the gray zone of tomorrow.

The future of the long-term competition with China and the eventual direction of the US-led western democratic order will be determined by actions that the US and its allies and partners either take, or do not take, today and in the near future. We must be clear-eyed in our recognition of CCP coercive approaches and adopt a reasonable competitive mindset to push back, protect, and advance the competition while maintaining areas of cooperation where it is advantageous. We must refocus the use of today's capabilities to compete in the gray zone while maintaining traditional warfare concepts and processes focused on future conflict. Simultaneously, we must honestly assess areas of current and desired advantage and build towards future capabilities that maintain or expand those advantages. Finally, we must do all of this while challenging our culture and mindset to adapt a more competitive approach and make the hard organizational changes necessary to enable long-term continuity and consistency in our approaches. Let us begin by refocusing our efforts and capabilities on competing in the gray zone now.

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## BIOGRAPHIES

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Rear Admiral Jeffrey Czerewko is a native of Saginaw, Michigan and a graduate of the US Naval Academy. He also holds a master's degree from the National War College.

At sea, he deployed aboard USS Enterprise (CVN 65) with Attack Squadron -75 (VA-75) flying A-6E Intruders. He flew F/A-18C Hornets on USS Dwight D. Eisenhower (CVN 68) with Strike Fighter Squadron-81 (VFA-81), USS John F. Kennedy (CV 67) and USS George Washington (CVN 73) with VFA-136. He deployed twice with USS John C. Stennis (CVN 74) as commanding officer of Strike Fighter Squadron 146 (VFA-146). He flew F/A-18Cs, F/A-18E/Fs and EA-18Gs while serving as commander of Carrier Air Wing 2 (CVW-2) while assigned on USS Ronald Reagan (CVN 76) as strike warfare commander for Carrier Strike Group 9.



Ashore, Czerewko's tours include VFA-106 as a fleet replacement squadron instructor pilot and assistant safety and assistant training officer; electronic warfare branch chief with the Joint Staff, J 39 deputy director for Global Operations; resource sponsor for Naval intelligence, surveillance and reconnaissance (ISR) capabilities as director of battlespace awareness (N2N6 F2); acting director of the Digital Warfare Office on the Navy Staff and most recently chief of staff for Commander, Naval Air Forces.

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Previously, Michael held positions at Harvard's Kennedy School of Government, the U.S. Department of Defense, the RAND Corporation, and the Carnegie Endowment for International Peace. He continues to advise offices within the U.S. Intelligence Community and U.S. Department of Defense.

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An avid horseman and hiker, he lives below Flat Gap in the Cowee Mountains of Jackson County, North Carolina.

## Prof. Anoush Ehteshami

Professor Anoush Ehteshami is Professor of International Relations in the School of Government and International Affairs, Durham University. He is the Nasser al-Mohammad al-Sabah Chair in International Relations and Director of the HH Sheikh Nasser al-Mohammad al-Sabah Programme in International Relations, Regional Politics and Security. He is, further, Director of the Institute for Middle Eastern & Islamic Studies (IMEIS) at Durham, one of the oldest and noted centres of excellence in Middle Eastern studies in Europe. He acts as Co-director (2016-2021) of the £3.9 million AHRC-funded Open Worlds Initiative entitled Cross-Language Dynamics: Reshaping Community. Previously (2006-2016).



## Mr. Daniel J. Flynn



Mr. Dan Flynn was selected to be the first Director of IC Net Assessments in the Office of the Director of National Intelligence in August 2018. In this position, Mr. Flynn is responsible for developing forecasts and comparative assessments to identify emerging challenges and opportunities for US intelligence capabilities.

Prior to his current assignment, Mr. Flynn was the Director of the Global Security Program for the National Intelligence Council's (NIC's) Strategic Futures Group. In this position, he led national-level assessments of long-term and crosscutting military-security issues for senior US policymakers and defense officials. His work informed the development of US national security and defense strategies, including the 2018 National Defense Strategy. He also was an advisor to several Defense Science Board studies.

Mr. Flynn also participated in writing several of the NIC's *Global Trends* reports, including the 2017 *Global Trends: Paradox of Progress*.

From 2004 to 2005, Mr. Flynn served as a senior staff member for *The President's Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction*. His duties included leading the Commission's research on the capabilities of the IC to support future US military operations, perform strategic assessments, and conduct scientific and technical analysis.

Mr. Flynn is a "Distinguished Graduate" of the National War College earning an M.S. in National Security Strategy. He also earned a B.S. in Aerospace Engineering from Boston University. Mr. Flynn is an ODNI "Plank Holder."

## Lt. Col. Christopher D. Forrest

Lt. Col. Christopher D. Forrest, Indo-Pacific Division Chief, Headquarters Air Force CHECKMATE, Pentagon. As Indo-Pacific Division Chief at Air Force CHECKMATE, Lt. Col. Forrest leads a team of air-power strategists to provide the Air Force Deputy Chief of Staff for Operations and Chief of Staff of the Air Force best military advice on current and near-term operations and strategy. His portfolio entails assessment, operational planning support, lethal and non-lethal effect integration, clean-sheet strategy and concept development for the China and North Korea problem sets. His recent work involves a deep-dive project on Great Power competition and competitive strategy.



Lt. Col. Forrest is a 1998 Distinguished Graduate of the US Air Force Academy. Prior to his assignment at CHECKMATE, Lt. Col. Forrest served as the Chief of Strategy and Plans and Chief of Targeting at the 613<sup>th</sup> Air Operations Center, HQ Pacific Air Forces, Joint Base Pearl Harbor Hickam, Hawaii. In his role as Chief of Strategy and Plans, Lt. Col. Forrest conducted operational planning, Concept of Operations development, and strategy for the Commander, Pacific Air Forces and Theater Joint Force Air Component Commander to CDRUSINDOPACOM. In his role as Chief of Targeting, Lt. Col. Forrest was responsible for targeting strategy, cyber/non-lethal effects integration, and operational-level planning for INDOPACOM operational and contingency plans.

Prior to his assignment in Hawaii, Lt. Col. Forrest served in various roles and locations as an A-10C Instructor/Evaluator Pilot, to include leadership positions as Director of Operations for the 455<sup>th</sup> Expeditionary Operations Support Squadron, Bagram Air Base Afghanistan and Chief A-10C Evaluator at the 23d Fighter Group, Moody Air Force Base, Georgia. He was awarded 52<sup>nd</sup> Wing Flight Lead of the Year in 2003 for his aerial combat actions in Operation Enduring Freedom providing Close Air Support to CJTF-180. Additionally, Lt. Col. Forrest completed multiple tours as an Instructor Pilot in the T-38C as a lead instructor and initial cadre for the Air Force Introduction to Fighter Fundamentals course at Randolph Air Force Base, Texas.

Lt. Col. Forrest is a Command Pilot, with over 3,000 hours, including over 380 combat hours. He has flown the T-37, T-6, T-38A, AT-38B, T-38C, T-1, OA-10A, A-10A, and A-10C.

### EDUCATION

1998 Bachelor's Degree in Political Science, United States Air Force Academy (Distinguished Graduate) 2004 Squadron Officers School, Air University, Maxwell Air Force Base, AL  
2008 Master's Degree in International Affairs, Fletcher School of Law Diplomacy, Tufts University  
2008 Air Command and Staff College, Air University, Maxwell Air Force Base, AL  
2011 Advanced Certificate in Nuclear Policy and Surety, Defense Nuclear Weapons School, DTRA  
2017 Air War College, Air University, Maxwell Air Force Base, AL

### ASSIGNMENTS

January 1999 – May 2000, student pilot, Euro-NATO Joint Jet Pilot Training, Sheppard Air Force Base TX  
May 2000 – October 2000, A-10A student pilot, Davis-Monthan Air Force Base, Arizona  
November 2000 – November 2001, OA-10A Fighter Pilot and Battalion Air Liaison Officer, 25th Fighter Squadron, Osan Air Base, Korea  
December 2001 – December 2004, A-10A Assistant Weapons Officer, 81st Fighter Squadron, Spangdahlem Air Base, Germany

December 2004 – November 2006, T-38C IFF Instructor Pilot, Flight Commander and Chief of Weapons, 49th Fighter Training Squadron, Moody Air Force Base, GA  
November 2006 – October 2008, T-38C IFF Instructor Pilot and Chief of Scheduling, 435th Fighter Training Squadron, Randolph Air Force Base, Texas  
November 2008 – November 2009, A-10C Instructor Pilot and Assistant Director of Operations, 25th Fighter Squadron, Osan Air Base, Korea  
December 2009 – February 2012, Executive Officer to the Director Air Force Safety Center and Air Force Chief of Safety, Air Force Safety Center, Kirtland Air Force Base, NM  
February 2012 – May 2013, A-10C Chief Evaluator Pilot and Chief of Standardizations and Evaluations, 23d Fighter Group, Moody Air Force Base, GA  
May 2013 – Oct 2013, Director of Operations, 455th Expeditionary Operations Support Squadron, Bagram Air Base, Afghanistan  
November 2013 – February 2015, A-10C Evaluator Pilot and Wing Chief of Inspections, 23d Wing, Moody Air Force Base, GA  
February 2015 – February 2016, Chief of Targeting and Effects Team, 613th Air Operations Center, HQ PACAF, Joint Base Pearl Harbor Hickam, HI  
February 2016 – February 2018, Chief of Strategy and Plans Team, 613th Air Operations Center, HQ PACAF, Joint Base Pearly Harbor Hickam, HI  
March 2018 – Present, Chief Indo-Pacific Division and Air Power Strategist, HQ Air Force CHECKMATE, Pentagon, VA

#### **MAJOR AWARDS AND DECORATIONS**

Meritorious Service Medal with five oak leaf clusters  
Air Medal with 2 oak leaf clusters  
Aerial Achievement Medal  
Air Force Commendation Medal with 1 oak leaf cluster  
Air Force Achievement Medal with 3 oak leaf clusters  
Air Force Outstanding Unit Award with Valor Device and three oak leaf clusters  
Combat Readiness Medal with 3 oak leaf clusters  
Afghanistan Campaign Medal with one oak leaf cluster  
Global War on Terrorism Expeditionary Medal  
Korean Defense Service Medal

#### **PROFESSIONAL MEMBERSHIPS AND AFFILIATIONS**

Fellow, Center for the Study of Weapons of Mass Destruction, National Defense University  
Fellow, Service Chief's Fellowship Program, Defense Advanced Research Projects Agency  
Fellow, China competitive studies program, Johns Hopkins School of Advanced International Studies

#### **OTHER ACHIEVEMENTS**

2014 White House Fellowship Regional Finalist

#### **PUBLICATIONS**

"Coercive Engagement: A security analysis of Iranian support to Iraqi Shia militias," Strategic Studies Quarterly, 2009  
"Strategic Shaping: Expanding the Competitive Space," Joint Forces Quarterly, 2018

#### **EFFECTIVE DATES OF PROMOTION (CHRONOLOGICAL ORDER)**

Second Lieutenant	27 May 1998
First Lieutenant	27 May 2000
Captain	27 May 2002
Major	01 September 2007
Lieutenant Colonel	01 February 2013

## Dr. James Giordano



James Giordano, PhD., is Professor in the Departments of Neurology and Biochemistry, Chief of the Neuroethics Studies Program of the Pellegrino Center for Clinical Bioethics, and Co-Director of the O'Neill-Pellegrino Program in Brain Sciences and Global Law and Policy. As well he is J5 Donovan Group Senior Fellow, Biowarfare and Biosecurity, at US Special Operations Command, (USSOCOM). He has served as Senior Science Advisory Fellow to the SMA Group of the Joint Staff of the Pentagon, and as an appointed member of the Neuroethics, Legal and Social Issues Advisory Panel of the Defense Advanced Research Projects Agency (DARPA). He is an elected member of the European Academy of Science and Arts, and a Fellow of the Royal Society of Medicine (UK).

## Col E. John Gregory

Colonel E. John Gregory, US Army, is a trained China historian, lawyer, and Chinese linguist. He currently serves as the Academy Professor and Director of the Chinese Program (Department of Foreign Languages) as well as the Director of the Center for Languages, Cultures, and Regional Studies at the United States Military Academy, West Point, New York. He holds a PhD in Late Imperial Chinese History from Georgetown University (2015), an LLM in Military and International Law from The Judge Advocate General's Legal Center and School (2010), and a JD from the University of Florida (2001). He has been a member of the Florida Bar since 2001. He was previously a Fulbright Fellow and Visiting Scholar at the Institute of History and Philology of the Academia Sinica in Taiwan (2013-14). He travels frequently in Taiwan and China. Colonel Gregory has served as an advisor on numerous US-China exchanges and military-to-military events. He has also published numerous articles and made presentations on the topics of law, Chinese discourse, Chinese history, society, politics and language.



## Dr. Robert Hinck



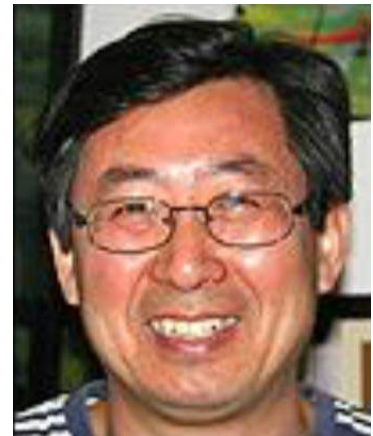
Robert Hinck (Ph.D., Texas A&M University) is an assistant professor in the Department of Communication Studies at Monmouth College. His research examines how strategic actors advocate for favorable policies and build effective relations with stakeholder publics within the fields of global media and strategic narratives, US and international political debates, organizational rhetoric, US-China relations, and public diplomacy.

He has worked with the Strategic Multilayer Assessment group since 2014 analyzing foreign language media. His work in this area has been published in the *International Journal of Press and Politics*, *Russian Journal of Communication*, *Asian Journal of Communication*, *Journal of Public Deliberation*, and *China Media Research*; his forthcoming book, *Global Media and Strategic Narratives of Contested Democracy*, examines strategic narratives within Russian, Chinese, and Arabic language media reporting on the 2016 US Presidential election.

## Dr. Maorong Jiang

Dr. Maorong Jiang is an Associate Professor of Political Science and International Relations and Director of the Asian World Center at Creighton University. After his graduate studies at the Beijing Foreign Affairs College, he taught international relations as a regular faculty member at the Military College of International Relations in China.

Jiang remained as active duty PLA officer from 1979 until he transferred to the Central Government in Beijing in 1989. Jiang was selected as a young government official by the US State Department to participate in the International Visitors Leadership Program (IVLP) in 1990 and served as a visiting fellow at the University of Hawaii at Manoa for three years. Since coming to the U.S. for his doctoral studies in 1996, Jiang's counsel has been sought by several government agencies interested in engagement with both China and North Korea. From 2014 through 2016, Jiang served as one of the five supervisors in the US Midwest responsible for the Japan Foundation Outreach Initiative Project, and was selected by the Ministry of Foreign Affairs of Japan to participate in its "Building a Multi-layered Network of Influential Figures" program in 2016. Jiang's publications and public presentations are mainly on security issues in general, and on US-China and US-DPRK relations in particular.



### Dr. Michael Mazarr



Michael Mazarr is a Senior Political Scientist at the RAND Corporation, which he joined in October 2014. Prior to coming to RAND he served as Professor of National Security Strategy and Associate Dean at the U.S. National War College in Washington, D.C. He has served as special assistant to the Chairman of the Joint Chiefs of Staff, president and CEO of the Henry L. Stimson Center, senior vice president for strategic planning at the Electronic Industries Alliance, legislative assistant in the U.S. House of Representatives, and senior fellow and editor of *The Washington Quarterly* at the Center for Strategic and International Studies. He holds AB and MA degrees from Georgetown University and a Ph.D. from the University of Maryland School of Public Affairs.

### Dr. Eric McGlinchey

Eric McGlinchey is Associate Professor of Politics and Government in George Mason University's Schar School of Policy and Government. McGlinchey received his PhD from Princeton University and is the author of *Chaos, Violence, Dynasty: Politics and Islam in Central Asia* (2011). He is Principal Investigator for the study, Russian, Chinese, Militant, and Ideologically Extremist Messaging Effects on United States Favorability Perceptions in Central Asia (Minerva Research Initiative, January 2017 – December 2019). Grants from the National Science Foundation, the National Council for Eurasian and East European Research, the International Research & Exchanges Board, the Social Science Research Council, and the US Department of State have also funded his research. McGlinchey has published widely in academic journals and the popular press and has contributed to multiple US government studies, including his 2007 USAID funded Study of Political Party Assistance in Eastern Europe and Eurasia as well as three 2013 USAID funded risk assessments on Violent Extremism and Insurgency in Kyrgyzstan, Kazakhstan, and Central Asia.



### Mr. Girish Nandakumar



Girish is a Ph.D. Candidate in International Studies at Old Dominion University in Norfolk, Virginia, with a major in International Political Economy and Development, and a minor in Modeling and Simulation. His dissertation is on 'the political economy of global private currencies'. He is also a fellow at USSOCOM's Donovan Group and NATO's Innovation Hub. He holds an MBA and an undergraduate degree in biotechnology.

## Dr. Sabrina Pagano

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.



## Ms. Nicole Peterson



Nicole Peterson is an Analyst who assists in qualitative research and strategic analysis in support of Strategic Multi-Layer Assessment (SMA) efforts primarily focused on national security issues and Department of Defense (DoD) concerns. She has contributed to NSI's Virtual Think Tank (ViTTa®) and discourse analyses during her time at NSI. Nicole coordinates SMA's speaker series, which encompasses a broad range of topics from radicalization of populations and violent extremist organizations to artificial intelligence. She is also the publisher of SMA's weekly newsletter, which summarizes SMA speaker sessions, outlines upcoming events, and disseminates relevant publications. Nicole began her career at NSI as an undergraduate intern for its commercial sector and was subsequently promoted to an associate analyst for its government sector in 2016. She graduated with honors from the University of San Diego where she received a BA in applied mathematics and a minor in accountancy.



## Prof. Cynthia Roberts

Cynthia Roberts is a Professor of Political Science at Hunter College, City University of New York; Research Scholar at the Saltzman Institute of War and Peace Studies; and Adjunct Associate Professor of International Affairs at Columbia University. She is a member of the John J. McCloy Roundtable on Setting the National Security Agenda at the Council on Foreign Relations. Previously Dr. Roberts was Director of the Russian Area Studies Graduate Program at Hunter and served as a member of the Executive Committee on Science, Arms Control, and National Security of the American Association for the Advancement of Science, among other positions. She has held research fellowships at the Brookings Institution and Stanford University, received several grants, including from the Ford Foundation and the National Endowment for the Humanities, and worked as a consultant on international security issues. Most recently, Prof. Roberts was awarded a Council on Foreign Relations Fellowship for Tenured International Relations Scholars for 2019.



Prof. Roberts has a dual specialization in military and financial statecraft and has worked extensively on Russia and China, as well European security problems. Her most recent book, *The BRICS and Collective Financial Statecraft* (with L. Armijo and S. Katada) was published by Oxford University Press in 2018 and will come out in a Chinese edition in 2020. She is also the author of recent articles published in scholarly journals, book chapters, and policy papers on: financial statecraft and China; the BRICS in the era of renewed great power competition; Russian nuclear threats and military doctrine; nuclear terrorism and nuclear weapons proliferation; and the political and military sources of the Soviet catastrophe in 1941. Her current research interests include the military and financial statecraft of contemporary great powers; problems associated with deliberate and inadvertent escalation in coercive diplomacy and war; and explaining why dictators fail to integrate political – military policy even when war clouds gather. Prof. Roberts received an M.A., M.Phil. and Ph.D. from Columbia University and also a certificate from the Harriman Institute at Columbia.

## Mr. John Schurtz



John Schurtz is a Senior Research Associate at Georgia Tech Research Institute's Washington Field Office. He is a retired US Army Foreign Area Officer, with past assignments at the Defense Intelligence Agency, including as Assistant Army Attache in Beijing from 2007 to 2010. Following retirement in 2014, he joined the Strategic Capabilities Office, where he worked as part of the Strategy and Plans Team until 2018. His research focus areas include China's strategic planning system, Military-Civilian Fusion, and long-term competitive strategy.

## Dr. Thomas Sherlock

Thomas Sherlock is a professor of political science at the United States Military Academy, West Point. He received his doctorate in political science from Columbia University and teaches courses on comparative politics, democracy and democratization, comparative institutions, international security, and the politics of the post-Soviet region. His book, *Historical Narratives in the Soviet Union and Post-Soviet Russia*, was published in an expanded, translated edition in 2014 by Rosspen (Moscow). He is also the co-author of *The Fight for Legitimacy: Democracy vs. Terrorism*.



Thom has contributed chapters to several edited volumes and his articles have appeared in numerous journals, including *Comparative Politics*, *Washington Quarterly*, *National Interest*, *Problems of Communism*, *Ab Imperio*, *Communist and Post-Communist Studies*, *Problems of Post-Communism*, *Prepodavanie istorii i obshchestvovedeniia v shkole* (Russia), and *Rossiiia v global'noi politike* (Russia).

Thom's opinion pieces have appeared in the *New York Times* (international edition), the *Washington Post* (*the Monkey Cage*) and other news outlets. He has served as a consultant or project manager for the Carnegie Council, the Russian Academy of Sciences, the Open Society Foundations, and EUROCLIO in The Netherlands, among other institutions. He has given invited presentations at Columbia University, Yale University, Wesleyan University, TRADOC, the U.S. Air Force Academy, the U.S. European Command (EUCOM) and other academic and government institutions. Thom frequently conducts field research in post-Soviet space. His current research, which is supported by grants from the Minerva Initiative, examines Russian nationalism and foreign policy, popular and elite assessments of Russian history and identity, and civic and democratic values in Russia.

## Dr. Robert Spalding III



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 509<sup>th</sup> 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 21<sup>st</sup> 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.

### Dr. Cynthia Watson

Cynthia Watson holds degrees from the University of Missouri-Kansas City (which honoured her as Alumna of the Year in 2011), the London School of Economics, and University of Notre Dame. She is the Dean of Faculty & Academic Programs at the National War College, teaching at that NDU facility since 1992. Dr. Watson has written ten books and many articles. She is a member of several professional organizations.



## Dr. Richard Weitz



Richard Weitz is Senior Fellow and Director of the Center for Political-Military Analysis at Hudson Institute. His current research includes regional security developments relating to Europe, Eurasia, and East Asia as well as US foreign and defense policies.

Before joining Hudson in 2005, Dr. Weitz worked for shorter terms at the Institute for Foreign Policy Analysis, Center for Strategic and International Studies, Defense Science Board, Harvard University, and other research institutions, and the U.S. Department of Defense, where he received an Award for Excellence from Office of the Secretary of Defense.

Dr. Weitz is a graduate of Harvard University (Ph.D. in Political Science), Oxford University (M.Phil. in Politics), the London School of Economics (M.Sc. in International Relations), and Harvard College (B.A. with Highest Honors in Government), where he was elected to Phi Beta Kappa. He is proficient in Russian, French, and German.

Dr. Weitz has authored or edited several books and monographs, including *Assessing the Collective Security Treaty Organization* (2018); *Promoting US-Indian Defense Cooperation* (2017); *Enhancing the Georgia-US Security Partnership* (2016); *Parsing Chinese-Russian Military Exercises* (2015); *China and Afghanistan After the NATO Withdrawal* (2015); *Reforming US Export Controls Reforms* (2015); *Turkey's New Regional Security Role: Implications for the United States* (2014); *Rebuilding American Military Power in the Pacific* (2013); *Global Security Watch—China* (2013); *War and Governance: International Security in a Changing World Order* (2011); *The Russian Military Today and Tomorrow* (2010); *Global Security Watch—Russia* (2009); *China-Russia Security Relations* (2008); *Mismanaging Mayhem: How Washington Responds to Crisis* (2008); *The Reserve Policies of Nations* (2007); and *Revitalising US–Russian Security Cooperation: Practical Measures* (2005); and two volumes of *National Security Case Studies* (Project on National Security Reform, 2012 and 2008).

Dr. Weitz has also published in such journals as *Survival*, *Jane's Intelligence Review*, *Jane's Islamic Affairs Analyst*, *The Washington Quarterly*, *The National Interest*, *NATO Review*, *Global Asia*, *Arms Control Today*, *Studies in Conflict and Terrorism*, *Defense Concepts*, *Pacific Focus*, *Asan Forum*, *Journal of Defence Studies*, *Small Wars Journal*, *WMD Insights*, *Parameters: U.S. Army War College Quarterly*, *Naval War College Review*, *World Affairs*, *China Brief*, *Political Science Quarterly*, *Journal of Strategic Studies*, and *Yale Journal of International Affairs*.

The commentaries of Dr. Weitz have appeared in the *International Herald Tribune*, *Baltimore Sun*, *The Guardian*, *Christian Science Monitor*, *Washington Times*, *Forbes*, *Wall Street Journal* (Europe), *Japan Times*, and many Internet-based publications such as *WashingtonPost.com*, *Foreign Policy*, *YaleGlobal*, *The Diplomat*, *EurasiaNet*, *Project Syndicate*, *Real Clear Defense*, *The Hill*, *Roll Call*, *Middle East Times*, *Eurasia Daily Monitor*, *Apostrophe*, and *World Politics Review*. He has also been quoted in *The New York Times*, *The Washington Post*, *Christian Science Monitor*, *Time Magazine*, *Sunday Express*, *Science Magazine*, and other prominent newspapers and magazines.

## Dr. Nicholas D. Wright

Dr. Nicholas Wright is an affiliated scholar at Georgetown University, honorary research associate at University College London (UCL), Consultant at Intelligent Biology and Fellow at New America. His work combines neuroscientific, behavioural and technological insights to understand decision-making in politics and international confrontations, in ways practically applicable to policy. He leads international, interdisciplinary projects with collaborators in countries including China, the U.S., Iran and the UK. He was an Associate in the Nuclear Policy Program, Carnegie Endowment for International Peace, Washington DC and a Senior Research Fellow in International Relations at the University of Birmingham, UK. He has conducted work for the UK Government and U.S. Department of Defense. Before this he examined decision-making using functional brain imaging at UCL and in the Department of Government at the London School of Economics. He was a clinical neurologist in Oxford and at the National Hospital for Neurology. He has published academically (some twenty publications, e.g. Proceedings of the Royal Society), in general publications such as the Atlantic and Foreign Affairs, with the Pentagon Joint Staff (see [www.intelligentbiology.co.uk](http://www.intelligentbiology.co.uk)) and has appeared on the BBC and CNN.



Wright received a medical degree from UCL, a BSc in Health Policy from Imperial College London, has Membership of the Royal College of Physicians (UK), has an MSc in Neuroscience and a PhD in Neuroscience both from UCL.