

SPECIAL REPORT

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KATHRYN AND SHELBY CULLOM DAVIS INSTITUTE FOR NATIONAL SECURITY AND FOREIGN POLICY

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The most persistent and consequential challenge that will confront the United States for the next several decades will be the rise of China. Evidence of this is seen on a day-to-day basis on a range of American interests from freedom of the seas to the security of its allies and even security at home, particularly in cyberspace. U.S. policymakers will have to manage the U.S. response to China in concert with America's other global priorities, interests and responsibilities. To deal with the China that has emerged on the global stage, the U.S. must demonstrate the determination to protect its vital interests for the long-term and sustain it through multiple generations of Chinese leadership.

Introduction

There is a great deal of discussion among U.S. policymakers today about the challenges that China's rising power presents for the United States. This discussion is welcome news as China, under the governance of the Chinese Communist Party, presents a combination of risks the United States has never before faced.

We at The Heritage Foundation have the utmost respect for the Chinese people and their rich history and culture that have played an immensely formative role in the development of the world. Our issue is not with the Chinese people but with the Communist dictatorship that oppresses them and threatens the well-being of nations across the globe. In this way, we remember the wisdom of President Ronald Reagan, who repeatedly made it clear that the United States took issue with the Soviet government while supporting the Russian people in their quest for freedom and human dignity. This is an abiding foreign policy principle for conservatives.

The list of threats that China poses is growing. Chinese authorities sanction or direct attacks on U.S. government cyber networks, steal the intellectual property of American companies, and threaten the free travel of ships and planes over international waters. The Chinese regime encroaches on the security of America's allies and partners in the region and interferes in their democratic processes. State-directed Chinese investment in sub-Saharan Africa and other developing regions of the world give the Communist dictatorship enormous influence over those regions and over the directions of their governments. Most recently, Beijing is backing the Hong Kong government's violent crackdown on civil disobedience and unrest, which itself started as a result of China's interference in Hong Kong's guaranteed autonomy.

To address these challenges most effectively, American lawmakers and policymakers need to understand the history and culture that inform China's decision making. This *Special Report*, under the guidance of Heritage Foundation Senior Research Fellow Dean Cheng, provides that detailed insight into the elements that form Chinese behavior. The report also analyzes China's power and influence and provides a blueprint for dealing with the regime that includes more than 50 policy recommendations as well as the analysis to support them. The recommendations are intended to help American officials address China's worldwide political and economic influence, its military threat, its human rights abuses, and its trade relationship with the United States.

We trust you will find that the analyses and recommendations herein provide the critical context to help write effective China policy that protects and promotes American interests while also holding true to the American values of free people, free trade, a strong national defense, and a deep respect for human rights.

Kay C. James is President of The Heritage Foundation.

A Blueprint for the U.S. Response to China

The most persistent and consequential challenge that will confront the United States for the next several decades will be the People's Republic of China (PRC). Evidence of this is seen on a day-to-day basis on a range of American interests from freedom of the seas to the security of its allies and even security at home, particularly in cyberspace.

For this reason, the new-found attention of U.S. policymakers to the full range of threats presented by China is welcome, as is the recognition that

they will have to be addressed in concert with America's other global priorities.¹ Officials, however, require important context regarding the sources of China's behavior if they are to sustain a China policy conducive to the protection and promotion of American interests over the long term.

Like the United States, the PRC is a continent-sized power, with significant natural resources and even more substantial human resources. Its location in the most economically vibrant region of the world, the emerging center of global economic gravity and key nodes of multiple global value chains, including those related to advanced information and communications technology, means that China will long be a major factor in American security as well as in economic calculations.

This makes it a challenge that is qualitatively different from any challenge previously confronted by the United States. Informed by its history, culture, and current political ideology, China's perspective on the nature of international power, as well as the relationship between the individual and state, is fundamentally different from that of the West. It has different sets of norms and assumptions. Furthermore, it operates under a political system today that is not only authoritarian, but which provides incomparable opportunities to manipulate various levers of power other systems cannot.

The U.S. cannot, and should not, try to match these levers of power, much less replicate them, for to do so would jeopardize the fundamental principles of this nation. Instead, in dealing with the China that has emerged on the global stage, the U.S. must rely on its own unique strengths. Above all, it must demonstrate the willingness and determination to protect its vital interests over the long term, while remaining committed to the principles of economic and political freedom.

This means resisting China across the spectrum of clashing interests without a defined end state other than a stable relationship that protects the interests and values of the United States. Dealing with China is a *process*. The U.S. has to be prepared for a sparring match of indefinite length involving multiple generations of Chinese leadership.

The effort will need to be international. This does not mean "containment." Such an approach is not practical. The U.S., however, does have to lead a global effort to constrain China's multiple bad behaviors if the two countries are to co-exist peacefully in a way conducive to American interests and those of its allies and partners. At the same time, the U.S. must understand that while global, its approach will need to be tailored to varying regional and functional contexts. There are no elegant, all-encompassing solutions.

This approach is suitable and feasible. It plays to American strengths and matches well against an objective assessment of Chinese power and the complexities of its behavior on the international stage.

American strengths include its free-market economic model, its commitment to a strong military and willingness to use force if absolutely necessary, its systems of security alliances, and its commitment to political liberty. It has other advantages as well, in areas of intelligence and technology, for instance, that will need to be carefully tended.

As for the Chinese, assessments of its military, economy, diplomatic culture, and political stability abound in open sources. For example, The Heritage Foundation's *Index of U.S. Military Strength* provides a comprehensive assessment of Chinese hard power. Heritage also recently published a comprehensive assessment of the Chinese economy.² These studies do not, however, assess the intent or nature of Chinese behavior. This *Special Report* is, in large part, an attempt to fill that gap.

Understanding China's Behavior

Understanding China must be viewed from three critical perspectives: (1) China's political culture and its history of governance; (2) patterns in the ways China perceives and reacts to threats; and (3) the history of China's relationships to other peoples in its principle geographical area of interest, the Indo-Pacific. This *Special Report* systematically lays out these considerations, and then identifies the strengths and weaknesses of the regime, as well as broad American interests and a plan for achieving them in light of these considerations. Many recommendations in this paper are new. Some, the U.S. has already begun. Other policies, particularly regarding economic competition, require adjustments.

The political personality of Chinese power today is the product of history, ideology, and the institutions that have governed the country over the course of five millennia, and the ideology and legacy inherited by the present Chinese leaders from the preceding generations of Chinese Communist Party (CCP) leaders.

The Roots of Beijing's World View. As renowned historian of China John Fairbank has noted, "the Chinese developed what may be called, by analogy to nationalism, a spirit of 'culturism.'"³ Similarly, political scientist Lucian Pye once described China as "a civilization pretending to be a state." That is, a key difference between China and European great powers is that the binding element of China is cultural as much as it is political.

A central characteristic of this culture is the lack of “rule of law.” There is no evidence of a strong, independent judiciary in Chinese history. This is rooted in various factors that differentiate Chinese history and culture from its Western counterparts. It stems from the lack of a strong source of power outside the realm of politics, a moral authority capable of calling Chinese leaders to a higher ideal. The Chinese never developed limitations on the power of their sovereign rooted in universal human rights. Chinese rulers had obligations, but these were based on Confucian norms and prerogatives, not on the natural rights of the governed.⁴ Consequently, mainland China has not developed concepts that are foundational to Western jurisprudence, nor a political culture with limitations on the reach of government or fundamental human rights inherent in all persons.

Instead, Chinese authorities have long relied on “rule by law” or “rule through law,” where the law is not a separate institution, but a means of upholding the existing power structure. Indeed, Imperial Chinese rulers held both the executive and legislative function of government, and under them, magistrates administered the law. These magistrates, appointed by the emperor, did not reflect an autonomous institution separate from the power of the emperor and his subordinates.

Since the establishment of the PRC in 1949, these Chinese cultural tendencies have been reinforced by the Marxist teachings that the “law should serve as an ideological instrument of politics.”⁵ Accordingly, the CCP, particularly during the PRC’s formative years, saw the law in the same terms as imperial China. The law served as an instrument of governance but was not a constraint on the CCP, much less on party chairman Mao Zedong. The party exercised rule by decree, rather than through the provision of legal mechanisms. In fact, during the Cultural Revolution, Mao removed any remaining ambiguity by effectively abolishing both the judiciary and the legal structure.⁶ Since Mao’s passing, “China has witnessed the construction of a comprehensive legal system,”⁷ most notably in the areas of business enabling commercial and contract law. The problem, however, is that even today, as in imperial times, the judiciary remains subordinate to central political authorities.

The instrumental understanding of the law is not only reflected in domestic governance. In international relations, it has meant that the Chinese government typically employs laws, treaties, and other legal instruments to achieve previously formulated ends, even when they fly in the face of traditional legal interpretations. Thus, the Chinese do not see their efforts to extend Chinese authority over shared international 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, rather than upholding international legal precedents and norms.

Another critical difference with the West is that China has never developed a separate “civil society” outside the reach of political power. Long before the birth of Marx, the imperial Chinese system was an example of a totalitarian state, with very few institutions beyond the reach of the state.⁸ It operated along the lines of Confucianism, which reinforced the idea that an individual’s actions and words should adhere to a well-defined set of strictures and standards. Technology in those times limited the extent of state surveillance and monitoring, but social norms and mores reinforced the societal pressure to not deviate from the acceptable range. “Civil society” in China did not develop in opposition or contrast to the state, but as a partner with the state in maintaining an orderly society. Unlike post-Enlightenment Europe, organized religion and other civic entities offered little refuge from the government.

This set of affairs persisted and intensified under Mao Zedong. China promulgated a Communist ideology that opposed separate realms for personal and civil space with as much, if not more, fervor than its Soviet counterpart. At home, both the Great Leap Forward and the Great Proletarian Cultural Revolution were sustained in part by the belief that China was building “true Communism,” regardless of physical, human, and financial cost.

Internationally, for some 20 years after the founding of the PRC in 1949, China sent aid and technical advisors in order to persuade other states of the superiority of its understanding of the relationship between man and state, in comparison with the capitalist United States, as well as with the “revisionist” Soviet Union.

With the rise of the far more practical Deng Xiaoping in the late 1970s, the role of CCP ideology appeared to decline, in deference to pragmatism. Indeed, in some quarters, the CCP was viewed as increasingly anachronistic, becoming a networking opportunity for businesses. Optimists in the West concluded that China was bound to develop additional avenues of citizen participation, and indeed, a genuine civil society. Much of the optimism was driven by Western capitalist understanding of the relationship between politics and economy. These theories held that China could not “create a middle-class society without eventually generating middle-class values and middle-class organizations.”⁹ This meant, in effect, the inevitable development of civil society and the associated “independent organizations and flows of information, opinion and ideas.”¹⁰ In reality, this did not occur.

How China Is Governed Today. The pragmatic trend of economic reform continued under General Secretary Jiang Zemin (1992–2002) (and Premier Zhu Rongji for much of this time) and then began a reversal under his successor, Hu Jintao (2002–2012), who demonstrated a much diminished commitment to economic reform. Under General Secretary Xi Jinping (2012 to present), there has been a continuing reduction in the economic space outside CCP control. Moreover, while the CCP may have formally expanded the party’s core concepts to account for the contributions of its most prominent leaders, including Xi Jinping, it remains firmly fixated on Leninism, especially the concept of the Leninist “vanguard party.” This is the elite minority of dedicated, class-conscious workers who are the only ones capable of leading the working masses.¹¹ There has never been a willingness on the part of the CCP, whether by Mao or Deng or any of Deng’s successors, to share this role of vanguard party. Within the context of the PRC, only the CCP exercises political power, and not only has it guarded that position jealously from other political parties, it is not prepared to accept any kind of sphere that is fully outside its control, whether in the form of religion, civic groups, nongovernmental organizations, or businesses.

Whether in the economic, political, environmental, or religious spheres, there is no entity that is exempt from the scrutiny of the CCP. Every institution and organization is expected to have a party committee that will oversee its operations and report back to the main body of the CCP. The latest manifestation of this principle is the development of a “social credit system,” where the Chinese government openly monitors its citizens’ various actions through tools such as their credit history, driving records, compliance with court orders, and online activities. Those actions are then analyzed and scored. Those scores, in turn, will affect such things as access to mobile phone service and citizens’ ability to work and advance in various career fields, which cities they can live in, and even if they can travel at all.

The CCP also retains ultimate authority to control the economy. Despite decades of reform, state-owned and state-directed enterprises continue to represent an estimated 40 percent of gross domestic product (GDP) and 20 percent of employment.¹² These include key sectors, such as aerospace, aviation, shipbuilding, chemicals, and energy, but also the banking system. The National Development and Reform Commission, effectively sidelined during the Jiang-Zhu era, is today a vital, if diminished, part of the Chinese economic bureaucracy. There are private companies that operate alongside the state sector (such as those in the automotive industry and banking). But there is no illusion within China that the weight of governmental support is not on the side of the state-owned companies.

This does not mean that China's economy has reverted to Mao-era behavior. On the whole, CCP ideology is clearly far more flexible. While the state continues to play an outsized role in the economy, its role is magnitudes smaller than during the pre-reform era. Where Mao Zedong pushed for economic autarky, centralized planning, and a heavy focus on military development, today's China is economically integrated into the broader global economy, has reduced the role of centralized planning, and is far less oriented toward military industry.¹³ But, it is not a market economy by any means.

Internationally, China also remains pragmatic. It no longer seeks to export its political model. It has, however, more effectively integrated its post-Jiang control of economic levers into broader strategic goals. The Chinese government has the ability to direct massive financial and material resources for foreign investment, as well as to influence sourcing of various materials to feed the still-growing Chinese economy. This is what makes initiatives like the Belt and Road Initiative (BRI) and "Made in China 2025" so problematic for the U.S. Were these efforts simply about economic development, creating markets, and advancing up the supply chains, they would not pose such strategically significant concerns. But they are more than that.

How China Perceives and Reacts to Threats

Layered atop China's political personality is the collective memory of the particularly searing experience associated with the series of humiliations and defeats it experienced between 1839 and 1949. This *Special Report* does not have the space to examine the entirety of what China terms the "Century of National Shame" (*bainian guo chi*; 百年国耻) or the "Century of Humiliation" (*bainian chi ru*; 百年耻辱). Nor can it explore the full impact this phrase carries in Chinese. At base, what must be appreciated is that this period resulted in China losing control of its own destiny, with a number of implications, both external and internal.

The fact that the Chinese leadership has abused the memory of this experience to justify all manner of bad behaviors, while reprehensible, does not negate its genuine seminal impact on Chinese thinking.

External Consequences of the "Century of Humiliation." Following are some of the consequences of China's historical experiences from 1839 to 1949 that remain central to the way it sees the outside world.

- **Physical territory.** China steadily ceded portions of its territory to the major imperial powers, beginning with Hong Kong Island to the British, and later Russia, France, Germany, and Japan. This included

the transfer of German concessions to Japanese control as part of the Versailles Treaty, despite China declaring war on Germany in World War I.

- **National sovereignty.** During the Century of Humiliation, China not only lost control of physical territory, but the ability to exercise control over its own people and laws. The Treaty of Nanking (1842) and the subsequent Treaty of Tientsin (1858) effectively removed China's ability to determine what constituted a crime (by compelling China to legalize the importation of opium), with whom its people could do business (by removing the ability of the Chinese to designate official business contacts), as well as what kinds of ideas it might choose to allow into the nation (by forcing China to open itself up to Christian missionaries).
- **Legal protections.** In various concessions established in China, foreign nationals were exempt from prosecution under Chinese law; Chinese citizens, however, could be tried in foreign courts if charged with crimes in these areas. This principle of *extraterritoriality* provided the basis for subsequent creation of both settlements and concessions in Chinese territory, both of which were essentially other forms of colonies within China.¹⁴ Chinese authorities in essence were denied the ability to exercise political control over their own people.
- **Economic policies including tariffs.** China's ability to control its own economic borders was similarly restricted. The Treaty of Nanking, for example, restricted Chinese tariffs on imports to 5 percent. The treaty also required that all custom duties be *negotiated* between China and Britain, rather than set by the Chinese themselves.¹⁵ The subsequent imposition of "most favored nation" clauses by other powers, which ensured that concessions granted to any one state would be granted to all other states, meant that China effectively lost the ability to determine tariffs on what was entering the country. Further highlighting the marginal control the Chinese had over their own trade relationships was the fact that the office responsible for the collection of customs duties from foreign vessels was staffed and managed by foreigners.¹⁶
- **Internal Factors Enabling the "Century of Humiliation."** Following are some of the domestic factors that contributed to China's

travails over this period, perceptions of which continue to heavily influence its governance:

- **Weakness of Chinese leadership.** The Qing Dynasty's leadership was internally divided and unable to unify the nation on a single policy direction. This division was exacerbated by the decentralization of power and responsibility, as well as rampant corruption. The creation of de facto warlords to fight the Taiping Rebellion (1850–1864) further sapped efforts to build a national consensus. Things did not improve under the Republican government (1912–1949). Despite efforts at unifying the nation, “the essential independence of so many provinces...in some instances prevented the central authorities from even acquiring statistics for national planning.”¹⁷
- **Weakness of Chinese society.** The Qing dynasty was hampered in responding to Western pressure in part because of the various civil wars that ravaged China in the 18th century and 19th centuries. This included the White Lotus and Nian Rebellions, as well as the Taiping Rebellion, the bloodiest war of the 19th century, involving some 10 million to 20 million dead. These civil wars contributed to a general weakening of China, both due to physical destruction, but also taxing the ability of the system to focus on other priorities, such as industrialization.
- **Weakness of China's economic base.** Despite past technological advances, the Qing dynasty had clearly missed the Industrial Revolution. As a result, despite its large population, its national economic capacity was very limited, as the nation was primarily agrarian. Nor did it have a modern financial system to sustain economic modernization. The destruction caused by the various civil wars further stalled economic development and modernization.
- **Weakness of China's scientific and technological base.** The weakness of China's economy was mirrored by the weakness of its scientific and technological base. China's civil service system, for example, continued to focus on rote memorization of Confucian writings, with little interest in modern technologies that were revolutionizing the West. Nor was there a perceived need to modernize scientifically until well into the Century of Humiliation.

- **Reluctance to modernize.** Weakness of capability was exacerbated by lack of will to modernize. Among the Qing dynasty's top leaders, including the Empress Dowager Cixi, there was a broader ambivalence toward modernization. While some questioned the need, there was also a real fear of the social impact of introducing new capabilities. Even military modernization was frustrated, as government officials "opposed such technological change as seemed likely to lead to social change."¹⁸ Consequently, modernization efforts that did occur were scattered and episodic, rather than systemic. "The results of China's industrialization effort can be summed up...that these were isolated cases rather than an epidemic of industrialization."¹⁹

China's Perceptions of Weakness. Chinese history demonstrates to the Chinese that internal weakness is as much a threat as external aggression. The Qing dynasty, and later Republican China, were hampered in responding to Western pressure in part because of the various civil wars that ravaged China in the 18th, 19th, and 20th centuries. These civil wars not only caused widespread death and destruction, but also prevented the state from formulating a coherent modernization policy or mobilizing human and financial resources to support any modernization effort.

The major 19th-century Chinese civil wars were not ethnically centered or the result of separatist sentiments. Instead, while there was a latent anti-Manchu sentiment (the Manchus being distinct from the Han population that dominates China), these rebellions were triggered by a range of other factors, including corruption, regional unrest, and religious movements. For the CCP leadership, maintaining internal stability is therefore more than just suppressing ethnic-centered unrest.

Nor is weakness solely a matter of political division. Economic, scientific, and technological backwardness contributed to China's vulnerability in the 19th century. Consequently, China's leaders clearly see development in these areas as essential to keeping China strong. China needs to keep abreast of the rest of the world technologically if it is to avoid becoming vulnerable again.

Advanced scientific capacity, cutting-edge technological capabilities, and a strong military in turn all demand financial and economic wherewithal. CCP leaders from Mao through Xi have, therefore, emphasized the importance of building China's economic foundations.

Chinese leaders also see as fundamental the threat posed by Western soft power and cultural influence. Chinese analyses in the post-Mao era have tended to perceive the greatest external threats confronting China as ones

that exploit domestic weaknesses, that is, foreign efforts to exploit China and alter its nature. If China conducts hybrid warfare involving the comprehensive application of military and non-military means, the CCP sees itself as responding to a comprehensive threat approaching from multiple different directions.

These considerations have meant that the Chinese—leaders and the people alike—include a large cultural and public-opinion component in their concept of security. As a result, there has been unease and uncertainty about how to interact with the West dating back to imperial leaders. Unlike Japan, which has had the confidence to interact with the West, certain that the essence of Japan would not be lost, Chinese interactions have often been far more hesitant and uncertain (and often led to Chinese defeat).

Not surprisingly, then, the CCP has long seen Western ideas as subversive, and posing a threat as potent, in some ways, as intercontinental ballistic missiles and amphibious forces. This perception was reinforced in the early years of the PRC, when then-Secretary of State John Foster Dulles called for “peaceful evolution” in a series of speeches.²⁰ By promoting an evolution in thinking, it was expected that both China and the Soviet Union would shift away from socialism, presumably toward capitalism and democracy. Ideally, the West would win without firing a shot.

The opening of China to the West after Mao died has not altered this concern. Indeed, even Deng Xiaoping, the Chinese leader most responsible for China’s reforms and integration into the global economic structure, regularly warned of “westernization and splittism” as the great threats posed to the CCP. His successors have had the same concern.

At the same time, however, today’s CCP recognizes that China’s isolation from the international system was a major reason for its vulnerability. China therefore cannot afford to isolate itself or to be isolated. It knows that ignoring the outside world is no guarantee of Chinese security. It, therefore, seeks to make that world safer for the CCP by influencing international rules and, where it can, making its own. Today’s PRC is an active part of various international organizations. It occupies leadership positions in a number of United Nations–related organizations. As important, in recent years it has begun to sponsor and support various international financial organizations (such as the Asia Infrastructure Investment Bank and the Silk Road Fund). The BRI technology, infrastructure, and financial elements would create a massive global complex safely under Chinese leadership.

Complicating its perceptions further is the reality that since 1949, China has had to contend with multiple external threats, not just the United States, but also the Soviet Union. Moreover, either superpower might act against

China independent of the other. Deterring the United States was no guarantee of also deterring the Soviet Union, and vice versa. Chinese decision makers have also had to deal with a potential independent, albeit less severe, contingency on its border with India, especially after Delhi demonstrated a nuclear capacity in 1974. China has therefore long had to pursue a policy of *multilateral deterrence*. Chinese decision making must consider not only how to deter a given state (that is, the United States), but how its actions, and their consequences, could affect deterrence against other major potential threats, such as from Russia and India.

All of these considerations suggest that the CCP sees itself in an ongoing struggle for both regime and national survival. Communist China has overcome many of the flaws that crippled imperial China, including economic and technological backwardness, but it must sustain this new base if it is not to fall behind. In the opinion of China's leadership, Western powers continue to threaten China by attempting to subvert the Chinese people and undermine political unity. Efforts to promote "westernization," "peaceful evolution," and especially "splittism" are therefore not only threats to CCP rule but also to China's national integrity. The disintegration of the Soviet Union, as well as the lessons from the "Century of Humiliation," serve as warnings of China's likely fate if the CCP is not successful in deterring external aggression and maintaining internal strength and unity.

China's greatest geographical vulnerability is its east coast. In order to protect the massive belt of industry, infrastructure, and population centers from Tianjin to Shenzhen, China calculates that it needs to dominate the Western Pacific littoral—the same territories bounded by the first island chain (running from Japan through Okinawa, Taiwan, and the Philippines to the Straits of Malacca). Chinese leaders recognize that if these territories are in the hands of states that are positively oriented toward China, they shield these economic centers from enemy attack, whether from naval or air platforms. Conversely, in unfriendly hands, these territories are both a barrier to Chinese access to the global sea lanes, and a potential base from which an enemy could strike at China's new economic centers.

Problems with Chinese Reaction to Perceived Threats. If China's perceptions are, on some level, understandable, China's means of achieving its goals are nonetheless problematic. Because of the lack of a rule-of-law perspective, and because of the all-encompassing nature of the CCP, China's efforts to re-establish its historic pre-eminence will incorporate methods that are at odds with the norms and standards of the West. Indeed, the ability to extend control over much of China's economy, as well as its willingness to work with a variety of partners as long as it serves China's and the CCP's

interests, has provided the CCP with strategic options that were unavailable to its Soviet counterpart.

One such option is informational mercantilism. China limits the inflow of information to insulate the Chinese population from outside influence, while striving to access both foreign intellectual property and foreign public opinion. Chinese propaganda targets the domestic population through the state-owned media while using the Great Firewall of China to restrict foreign access. Meanwhile, China uses a range of actors from the People's Liberation Army to academics, businessmen, and students to access foreign information.

Another option is economic influence. This should not be surprising; the second-largest GDP in the world will inevitably exercise enormous influence and voice in the international economy. Its influence can increasingly be felt in norms-setting and rules-making. China has indicated that it is dissatisfied with remaining embedded in an American-created and American-led global economic system—any deference to Western financial leadership having been severely damaged in the views of the Chinese by the 2008 financial crisis.

This is not only felt in terms of intellectual property issues, but also in Chinese efforts to influence various states through economic and financial means, including restrictions on rare earth exports and ensnaring states through the prospect of debt-for-equity swaps in Chinese-built and Chinese-financed infrastructure projects. Equally important, the CCP's all-encompassing control means that even interactions that would be innocuous with other states are less so with China. Chinese students and academics have been part of broader illegal efforts to obtain intellectual property. Chinese nationals, serving in growing numbers in international organizations, often behave foremost as Chinese officials and only secondarily as members of organizations that employ them.²¹

Ironically, as the CCP has become more pragmatic, jettisoning the more extreme ideological elements propounded by Mao, the challenge it poses to the international system has increased. For example, a rule-by-law approach, and China's inconsistent compliance with laws, treaties, and regulations, was one thing when China was physically isolated from the rest of the world (such as during most of its imperial history), or when it was largely autarkic (the early years of the PRC), and even into the early years of Deng Xiaoping's reforms. The impact of China acting outside the bounds was limited.

But now, as the PRC has become an integral part of the global economy and given its rise to second-largest economy with the attendant information

infrastructure, and international political structures, the PRC's worldview and approach to perceived threats pose a much more fundamental challenge to the global rules-based order.

China's Relationships with Other Nations in the Indo-Pacific

Just as China has developed internally very differently than its European counterparts, the international context within which China has developed is also fundamentally different from what has prevailed in Europe. European politics since the Treaty of Westphalia in 1648 has revolved around the nation-state and maintaining a "balance of power" among them. The rise of would-be hegemons in Europe, be it Napoleon, the Kaiser, Hitler, or the Soviet Union, resulted in a balancing response, as the other major powers allied and aligned against that hegemon. For this reason, theorists of international relations, using European examples, have tended to presume that a balance of power is the natural reaction to the rise of a dominant regional or global power.

In Asia, however, no such concert of great powers ever arose. Instead, a single power, China, came to dominate Asia in a way that has no real parallel in Europe, certainly since the Treaty of Westphalia. For millennia, most Asian states have never undertaken balancing behavior, as they have not really had a choice. Instead, they have often accommodated tributary status to China's central hegemonic one, if bridling (like Vietnam) at direct Chinese control.

This, in turn, has resulted in a very different set of norms and expectations for regional interaction. While states have historically opposed Chinese encroachment at various points in history, there has not been the development of intra-regional alliances or institutions to counter broader Chinese power. "Balancing" behavior, as understood in much of Western international relations theory, and which is grounded in European precedents, has only been a recent development in the Asian context. It arose in 20th-century Indian, Japanese, and Australian thinking, for instance, while still largely absent in Southeast Asia.

Chinese influence in Asia waned during the Century of Humiliation. The combination of internal weakness and external pressure marked China's international nadir. China's traditional dominant position over foreigners was eclipsed by Western nations whose economies and military capability were superior to China's. Meanwhile, in the regional context, as the European powers expanded their Asian presence, they detached a variety

of states neighboring China and made them colonies. Not only was China powerless to prevent the loss of its sphere of influence, it itself was increasingly targeted as a would-be colony.

The establishment of the PRC did not see an immediate reversal of Chinese fortunes. While China was no longer the subject of foreign depredations, for decades, its influence over Asia remained limited. Chinese efforts to destabilize its neighbors, internal upheavals precipitated by Mao and the CCP, priority concern for the designs of the Soviet Union, and relative poverty all limited China's global impact.

As important, the Cold War saw various external efforts to balance Communist (including Chinese) influence. The creation of the Southeast Asia Treaty Organization (SEATO) was the first attempt by the U.S. to build a multinational Asian security organization to achieve regional balance. SEATO served a strategic political purpose vis-a-vis both the Chinese and Soviet threats, but failed as a multilateral alliance in any operational sense, lacking as it did a command structure and dedicated forces. Moreover, despite its name, its membership included only two Southeast Asian countries, the Philippines, a former U.S. colony that was already a treaty ally of the U.S., and Thailand. The other principle players in the region at the time—Indonesia, Malaysia, and Singapore—demurred. More lasting and far more relevant to regional balances has been the “wagon wheel” of narrowly focused bilateral security alliances between the United States and key Asian states: Australia, Japan, New Zealand, the Philippines, South Korea, and Thailand.

On an indigenous multilateral basis, the region's most enduring organization has been the Association of Southeast Asian Nations (ASEAN). ASEAN is decidedly *not* an alliance, and throughout the course of its more than 50 years of existence has suffered internal divisions over the priority to be given any threat from China. Ultimately, it has chosen not to “balance” any other power, including China. Rather, it seeks to engage all comers in ways that maximize their contributions to the prosperity and stability of the region and the strategic autonomy of its member states.

As such, ASEAN is not a product of Western theories of balancing. It was a response to the international environment, including the threat from international Communism. But it grew out of the region's unique economic and political vulnerabilities, its unfortunate experiences with colonialism, its particular diplomatic traditions (most notably affinity with the non-aligned movement), and its own intellectual traditions. All of this applies to more than just the *raison d'être* of ASEAN. It applies to the region's disposition to international affairs generally. China's efforts to engage Southeast Asia will always be “pushing on an open door,” unless and until it blatantly

interferes with the internal affairs of the member states, or disturbs what the region sees as its own internal equilibrium. Even so, in the case of the latter, the reaction will not be to “balance” China or restrain it, but to seek out additional partners.

The American Response: U.S. Interests and Goals

Too often, China policy begins with an assumption of across-the-board U.S. competition with China and develops from there. Competition is an important element of U.S.–China relations in many respects, but it should not be considered the sole basis for development of policy. Otherwise, presumption of competition will drive policy choices, even where it may not be the mode of interaction that is most conducive to American interests. The first consideration should be the interests themselves. Keeping the U.S. free (which includes economic freedom), safe, and prosperous are the goals of U.S. foreign policy. To achieve them, the U.S. must defend the homeland, support stability in critical regions (operational areas in which disruption could either significantly affect the U.S. economy or implicate U.S. armed forces) and preserve the right of states to freely transit global common spaces (such as the seas, air, outer space, and the cyber realm).

Another essential consideration is America’s historic interest in human rights. That the Chinese have not developed a state-supported philosophy recognizing natural rights does not mean they do not exist in China. But approaches to helping the Chinese people secure them must take into account the political and cultural context and vary according to other interests at stake in the relationship.

In short, the U.S. must pick its fights. A key attribute of the recommendations in this *Special Report* is their focus on the contested spaces that are most critical. The report details the regions of the world where American interests are most important, as well as to the degree to which they are threatened. In addition to the United States and the PRC themselves, these regions are the Indo–Pacific region, Europe, and the Middle East.

The Indo–Pacific Region. In the Indo–Pacific, Beijing is seeking to restore the hegemony it enjoyed centuries ago. It would not be in American interests to allow this, as it would undermine America’s ability to mitigate conflict in the region and protect the common spaces that are vital to the international (and therefore its domestic) economy. Ultimately, ceding any region so large and so productive would undermine American freedom at home—an assessment that has driven U.S. foreign policy for more than 150 years.

The current U.S. government has acknowledged this, judging by multiple Administration documents, including the 2017 National Security Strategy, the 2018 National Defense Strategy, the Free and Open Indo–Pacific Vision of the State Department, and the Defense Department’s 2019 Indo–Pacific Strategy Report. The latter, in fact, states explicitly that the “Indo–Pacific is the single most consequential region for America’s future.”²²

The U.S. should mobilize the diplomatic, military, and economic assets available to it accordingly. In so doing, as these reports aver, it will build on many policies of the past. The reports reference the U.S. joining the East Asia Summit and its defense component, the ASEAN Defence Ministers’ Meeting (ADMM) Plus in 2010; U.S.–India–Japan Malabar military exercises in 2014; U.S.–ADMMs in 2014 and 2016; the 2014 25-year Force Posture Agreement with Australia; the 2014 Enhanced Defense Cooperation Agreement with the Philippines; the 2015 U.S.–Singapore Enhanced Defense Cooperation Agreement; and the 2015 Guidelines for U.S.–Japan Defense Cooperation.

This list of military consultations and commitments has its diplomatic analogue in the region. They start with the American alliance structure. A robust forward deployment of the U.S. military (including military bilateral and multilateral exercises, freedom of navigation operations, and port calls) is essential to protection of American interests. But it is not enough. The U.S. needs allies. It has long-established patterns of commitment and cooperation with several nations in the region and a range of evolving partnerships with others, including most prominently Singapore and India. It must nurture these alliances diplomatically, and provide them constructive context.

This is part of what makes engagement in regional diplomatic architecture, such as various ASEAN forums, so important. Mechanisms like the East Asian Summit are important to U.S. friends and allies in the region. They value participation. Whatever American policymakers’ assessment of these mechanisms’ relative intrinsic value, U.S. participation is therefore important to the relationships with the individual member countries. The Trump Administration seems to understand this conceptually, given that its strategic documents and statements are replete with references to ASEAN-centered diplomatic architecture, although actual engagement has been less consistent.

The U.S. must also be able to vie for its interests in international organizations. The Chinese are seeking to set the rules, and are becoming ever more active. This is ultimately about servicing their interests close to home, supporting disputed maritime territorial claims, isolating Taiwan, setting industry standards that facilitate deployment of Chinese technology,

supporting mercantilist economic aims, and generally masking all its regional aspirations with international respectability. But the way the Chinese seek to achieve these goals, and often the goals themselves, are diametrically opposed to U.S. interests and create dangerous precedents.

The nature of the U.S.–China relationship in these areas, diplomatic and military, is, therefore, mostly competitive. The U.S. government is right to pursue them as such.

The current strategy is misleading in two broad ways, however.

First, China’s ambitions are not wholly global at this time. In military matters, China’s current focus is primarily regional, securing the Chinese homeland and the surrounding air and sea spaces. While Chinese political and economic policies are more global, they are focused on benefiting China, rather than spreading a specific ideology. In this regard, Beijing is fundamentally different from the Moscow of the Cold War, which sought global pre-eminence as an ideological end.

Thus, China’s engagement with Europe is about acquiring technology, management expertise, and a positive return on its investments, rather than making them into “little Chinas.” The BRI, among other things,²³ is about mobilizing capital and creating markets for Chinese exports. All are also about garnering diplomatic leverage for issues related to the aforementioned rules and priorities in its immediate neighborhood—Taiwan, Tibet, Xinjiang, and the South China Sea. And, they are designed to temper what China regards as interference in its internal affairs. To the extent that China is interested in overturning the current rules-based international system, it seeks an order it believes to be more conducive to China’s security, prosperity, and the continued rule of the Chinese Communist Party.

Second, economics is not a field of state-to-state competition. It should not be treated as such by policymakers. This is because in the American system the economy is not a function of government. It belongs to individuals making investment decisions and trading with one another, within borders and beyond them. It involves risk, which these persons willingly take for gains they often earn for their trouble. When the government interferes in these decisions, it compromises a fundamental American interest in economic freedom and arbitrarily distorts its outcomes to deleterious, often unintended effect. To the extent that the U.S. can mobilize economic strengths, it involves opening markets and establishing rules that allow American companies and other foreign companies to compete in an environment as free from the intervention of governments as possible.

“Pushing back” in this context involves getting China to abide by the rules to which it has already agreed. It constitutes promotion of this liberal

trading order and focusing on narrowly defined security threats and legal violations emanating from China, rather than using the China threat to effect industrial policy. This relates to controversies concerning leading Chinese tech companies, such as Huawei and ZTE. The U.S. government is absolutely right to ban genuine security threats from its government procurement processes. It is right to prevent these same companies from participating in the buildout of the nation's fifth-generation (5G) network, as well, if it has good reason to suspect a serious threat to its communications network. And, it is right, for security reasons, to control American exports to these same companies. That is decidedly not the same as the government emulating China and picking "winners" in technology or designating national champions.

Moreover, China's broader economic challenge must be kept in perspective. Its economic growth has been slowing. Despite two decades of increased trade and investment, China's economic development will likely plateau before ever reaching high-income status. With an aging population and significant amounts of debt, China's economy is in severe need of reform. Although Chinese leadership presumably understands this, it is reluctant to take the steps necessary to address it.

The U.S. should have as free and open trade and investment with China as possible, and emphasize not simply access, but the sort of opportunities that will accrue to both sides from renewed free-market reform. Ultimately, a China that chooses to liberalize, to re-engage in economic reform, and to obey the rules to which it has already agreed, is a China that can be a potential American partner. By contrast, a China that is ever more sealed off, while economically weaker, is also a greater potential threat because it will inevitably challenge every aspect of the international order.

Europe. The U.S. and Europe have many major overlapping global concerns—perhaps more than any other two regions in the world.²⁴ Prominent among them is coordinating responses to a China challenge that threatens the current global order. Accordingly, both the U.S. and Europe have deployed major resources to the Indo-Pacific.

For Europe, this is especially true with regard to economics. As a group, European countries are the biggest investors in China and are its largest trading partner. Europe is also the region's largest aid donor and a major source of sophisticated weaponry. France has a significant territorial presence, regionally based population, and military presence. The British have less of a presence, but are directly useful to common transatlantic interests given their integration with the American military.

Given its presence, deep transatlantic cultural linkages, especially support for rule of law and transparent, democratic governance, as well as their modern-day habits of cooperation in diplomacy and defense, it would be a strategic error not to work together to manage the challenge presented by China's rise.

This is obvious every day at an operational level, and perhaps in no area more critical than in communications technology. The West cannot afford an evolution into a bifurcated global communications network in which the U.S. and Europe are on opposing sides. In addition to impeding cooperation in the Indo-Pacific, such bifurcation would impede America's and Europe's ability to coordinate the defense of the transatlantic community and deal with the challenges posed by Russia and the Middle East.

On trade, both Europe and the U.S. have an interest in bringing the Chinese into compliance with their World Trade Organization (WTO) commitments. Both sides of the Atlantic must stand together for human rights in China's Xinjiang province and in Tibet, and for rule of law in Hong Kong. The two sides should be of one mind in protecting the right of the Taiwanese people to determine their relationship with China, and they have a common interest in international investment standards and Chinese adoption of these standards.

The U.S. and Europe have different perspectives on China. As a resident power in the Pacific and a guarantor of security for several nations in the region, the U.S. is more focused on the security side of the China challenge than is Europe. The Europeans, on balance, remain more focused on economics. And while they recognize that the causes they have in common with the U.S. are far greater than any differences, they certainly do not see themselves as party to a U.S.–China great power struggle. Further, Europeans fret over the nature of U.S. strategy toward China and its impact on the global economy. Some fear that the U.S. will ultimately look to establishment of a so-called G-2, a grand bargain with China where the two powers make all the big decisions and divide the world between them. Alternatively, some worry that the U.S. plans to “decouple” the East from the West, thereby reviving the Cold War and forcing everyone to pick sides.

Debates within the transatlantic community over Huawei illustrate the difficult issues confronting the alliance. U.S.–China relations are steadily worsening. Consequently, it is a growing priority that the U.S. prevent China from using its government-controlled companies to gain a position in the United States' 5G wireless networks that could directly impinge on security.

By contrast, several European nations already rely heavily on Huawei software and hardware in their telecom infrastructure. Eliminating Huawei's presence in such systems is simply financially unsustainable. In addition, some European governments argue that Huawei products are so financially competitive that they have little alternative. They also argue that firewalls can be built against national security risks from the company's products.

Obviously, there will be significant Chinese suspicion about Western cooperation given the history outlined herein. To help alleviate this and avoid knee-jerk responses on the part of the Chinese, both Europe and the U.S. will need to maintain active dialogue with the Chinese across the range of issues that concern them, and coordinate with one another on their interaction.

The Middle East. Of the three priority regions for the U.S., the Middle East is the least integrated with the China challenge. This does not mean it is irrelevant. Even with its new-found energy independence, the U.S. still has critical interests at stake in the region. Saudi Arabia alone produces 12 percent of the world's oil. One-third of global seaborne shipments of oil transit the Persian Gulf region.²⁵ Because prices for oil are set on the open market, the impact of conflict and political disruption can have a major impact on the international economy, and therefore, the U.S.

The U.S. has other priorities in the Middle East as well. It has allies, like Israel, whose security is in and of itself an American interest, as are its contributions to broader U.S. efforts there. With troops stationed throughout the region engaged in train-and-assist missions and occasional combat, the U.S. has major stakes in several current conflicts. And, it has been engaged in a decades-long struggle with one of the principle powers in the Middle East, Iran.

China's presence in the region can complicate the pursuit of any number of American interests. Focused mostly on five countries in the region—Egypt, Iran, Israel, Saudi Arabia, and the United Arab Emirates—Beijing has become a major source of investment and trade for all them. Its technological tie-ups in the region potentially threaten U.S. security cooperation and assistance, in similar although less-significant ways as with America's North Atlantic Treaty Organization (NATO) partners. China is opposed to the U.S. effort to isolate and force change in Iran's nuclear and foreign policy. This is all the more significant due to its signature to the Joint Comprehensive Plan of Action (the Iran nuclear deal), which positions it as a potential partner with Europe on an issue that mostly divides the trans-Atlantic relationship.

Since 2008, China has cooperated militarily with multinational anti-piracy operations in the Gulf of Aden area. In 2017, it established its first overseas military base, in Djibouti. Meanwhile, China clearly sees the region as an arms market. Its penetration pales in comparison to American arms sales, but it is starting to attract attention, particularly in the area of unmanned aerial vehicles, of which it is the world's largest exporter.²⁶

Even with its increased engagement in these areas, the Chinese hope to stay outside political issues. The Chinese have expressed little interest in brokering regional conflict. This is in keeping with their focus on priorities closer to home. The investments and trade help China's economy. China is heavily dependent on Middle East oil, and so its interest is also in energy security. Its military engagement, however, is not only about protecting sea lanes important to it, but also about gaining broader operational experience. Meanwhile, its status as a partner with the Europeans on Iran or the international community in the Gulf of Aden offer it diplomatic heft that can be indirectly leveraged on things truly important to it—like claims to Taiwan and the South China Sea, and preventing censure in the United Nations of its domestic governance or that of its partners, like Burma.

America's Other Priorities

Defining global strategic priorities as freedom at home, guarding against regional war, protecting international common spaces, and identifying regions most critical to these ends does not mean that the U.S. has no interests elsewhere. Neither does it mean that Chinese designs in these other areas—even if ultimately about reinforcing China's position in the Indo-Pacific—do not impinge on those interests.

Human Rights and Democracy. The American political tradition proceeds from the universality of natural rights. Rights are not granted by a sovereign or prohibited by cultures. Political change is possible, and while it need not be revolutionary, neither must it take centuries to develop. U.S. policy must account for this, if for no other reason than to remain relevant to the beliefs of the American people. To do otherwise is unrealistic, and as such would be a source of instability in U.S. policymaking.

Advancing human rights in China, in fact, can often have positive benefits for advancing many other U.S. priorities in the region, including national security objectives. The U.S. should do a better job of identifying issues where values and interests overlap, and pursue them. Where they do not overlap, the U.S. will have to prioritize, sometimes to the near-term detriment of its values-based interests.

It is important for Western analysts to recognize that the terms associated with such democratic transitions, including “peaceful evolution,” “democratic convergence,” and “Westernization,” may be appealing to Westerners, but have long been problematic, if not downright antagonistic, for many Chinese, not just the CCP.

Therefore, making democratization an explicit goal would not only be misguided, but would also further harden Beijing’s convictions that the West is intent upon regime change or the break-up of China—violating fundamental core interests of the PRC. Chinese history, regional context, as well as Chinese ideology (including the Marxism–Leninism practiced by the CCP), in combination, suggest that no Chinese leadership, whether Communist or not, could accept Taiwanese or Tibetan independence. Even if the leadership perceived it as a wholly indigenous effort with no external support—the impact would still be to erode Chinese security and regime legitimacy.

This has particular saliency with the CCP, which has justified its rule in part on the idea that it has preserved Chinese sovereignty more successfully than either the Qing dynasty or the Nationalist regime. Consequently, the CCP has publicly equated Taiwanese (and other) separatist movements as threats to China, as much as to the CCP.

Beijing has similar sovereignty-related concerns—either real or manufactured—that stem from intervention on behalf of ethnic and religious minorities, universal human rights, and Western concepts of rule of law.

For all these reasons, the aim of U.S. policy should not be to transform China. What the U.S. can do, in concert with like-minded countries, is to press for change where and when it can, and where Chinese abuses are most egregious. It can also pursue a norms-based approach to its relations with China that applies international legal precedents and international agreements, especially those to which the Chinese have already formally assented.

While authorities in Beijing will likely not be responsive to appeal to natural rights, under the right circumstances, they may be susceptible to international pressure on discrete issues. There are a number of pressing concerns emanating from China today. First, religious freedom, a foreign policy priority of the U.S., is under immense threat in China.²⁷—Christian pastors and followers facing imprisonment, the Vatican’s capitulation to Beijing’s demands,²⁸ persecution of Falun Gong practitioners, continued repression of Tibetan Buddhists,²⁹ and the mass detention of more than 1 million Uighurs in political re-education facilities in Xinjiang.³⁰ In addition to these severe violations of freedom, China is in violation of obligations under the Sino–British Joint Declaration on the Question of Hong Kong, to which it should be called to account.

With regard to “democracy promotion activities,” these should be an integral part of the American effort to manage great power competition. Whatever compromises the U.S. may make in day-to-day efforts to promote and defend American interests, ultimately, there is a long-term battle between two systems of governance—authoritarianism represented by China and others, and democracy and freedom advocated by the U.S. and many of its allies. The current U.S. Indo–Pacific strategy acknowledges that tension and seeks to prioritize the promotion of universal values in the region.

Africa. By many measures, China’s current engagement blitz with Africa has made it the most significant foreign actor on the continent. Its lending, trade, and diplomatic engagement on the continent has dramatically increased since the turn of the century, in most cases outstripping other world powers, including the U.S. While all this Chinese engagement provides an opportunity for African governments to improve their infrastructure and human capital, it poses a challenge to U.S. national security interests.

First, Beijing’s activities create an influence toward, and facilitation of, illiberal governance in Africa. Beijing has chosen to support some of the most repressive regimes in Africa (such as Zimbabwe and South Sudan) with its single-minded focus on meeting Chinese resource demands.

Similarly, China is establishing economic norms on the continent that disadvantage U.S. firms. Chinese companies’ willingness to offer bribes, for instance, gives them an advantage when competing for contracts against American and other companies that are rightly forbidden by law from offering bribes.

Finally, Beijing’s influence in Africa makes it harder for the U.S. to achieve its national interests on a strategically important continent. Africa touches three of the world’s eight maritime chokepoints, abuts Europe and Asia, and has thousands of miles of Atlantic and Indian Ocean coastline. Powers, such as China, India, Japan, Russia, Saudi Arabia, Turkey, and many others are jockeying for influence on the continent. Furthermore, included in Africa’s share of the world’s mineral reserves are 22 of the 33 mineral commodities that the U.S. deems critical to its economy and national defense, and on which the U.S. is more than 50 percent import reliant.³¹

The Arctic. The Arctic region, commonly referred to as the High North, is becoming more contested than ever before. The Arctic encompasses the lands and territorial waters of eight countries on three continents. Unlike the Antarctic, the Arctic has no land mass covering its pole, just ocean. The region is home to some of the roughest terrain and harshest weather on the planet.

The region is also one of the least-populated areas in the world, with sparse nomadic communities and few cities and towns. Although official population figures are non-existent, the Nordic Council of Ministers estimates the figure is four million, making the Arctic's population slightly larger than Oregon's and slightly smaller than Kentucky's. Approximately half of the Arctic population lives in Russia.

The region is rich in minerals, wildlife, fish, and other natural resources. According to some estimates, up to 13 percent of the world's undiscovered oil reserves and almost one-third of the world's undiscovered natural gas reserves are located in the Arctic.

The melting of some Arctic ice during the summer months creates security challenges, but also new opportunities for economic development. Reduced ice will mean new shipping lanes, increased tourism, and further natural resource exploration. However, it will also mean a larger military presence by more actors than ever before.

All this has attracted the attention of Beijing. Its diplomatic involvement—under its self-designation of “near-Arctic nation”—also presents new challenges for the U.S. to navigate.³²

The Homeland. The presence of Confucius Institutes on American university campuses; Chinese access to the American news media, both through investment and presence; and the influence it has on Hollywood have all been a prominent part of debates over U.S.–China relations. At first blush, this may seem like a first order threat to U.S. interests—and to the extent it induces self-censorship by Americans, it is. But to consider it principally from this perspective exaggerates the threat.

The Chinese are not trying to influence American media and education in order to change American society or to convert Americans to Chinese socialism. The Chinese today, as noted above, are not seeking converts. What they seek is to influence American opinion on the issues about which they care most, such as the status of Taiwan, aspirations of the people of Tibet, or the state of “one country, two systems” in relation to Hong Kong. That said, it is fair and advisable for Washington to both enforce transparency and demand reciprocity in these areas.

Here, the more serious threat is that posed by China's cyber and information-warfare capabilities. China cannot be allowed to use its government-controlled companies to gain a foothold in the United States that compromises American telecommunications and data infrastructure—including the communications integrity of the U.S. military and intelligence community.

Policy Recommendations for the United States

In order to protect U.S. vital interests and address the destabilizing threats posed by China's behavior, the U.S. should follow this comprehensive set of recommendations:

Indo-Pacific

Strategic Presence.

- **Accelerate partnership building for a free and open Indo-Pacific.** The United States needs to manage China in a way that both protects American interests and also respects the values of those nations with which it hopes to work. This cannot be accomplished by the U.S. alone. The U.S. is engaged in negotiations about its military basing with some of its biggest allies in the region—Japan and South Korea. It needs to take a reasonable approach that accounts for shared interests among all of these partners, as well as the major investments that have already been made to support the U.S. presence. Then there are countries, such as Bangladesh, that may not be able to be full partners, but would nonetheless prefer an increased U.S. and allied presence to counterbalance Beijing's influence.³³
- **Build a sustainable architecture for security in a free and open Indo-Pacific.** There will never be a Pacific NATO. But, there needs to be more consultation and strategic cooperation among the nations most concerned about China's rise. The U.S. should adopt a more holistic approach toward the region, including vigorous engagement of ASEAN, if for no other reason than its member states, among them American treaty allies, value it. The quadrilateral security dialogue involving Australia, India, Japan, and the U.S. should be central to the U.S. approach, as it provides an overarching informal network to coordinate work across the matrix of trilateral frameworks and bilateral 2+2 (defense secretary and foreign secretary) discussions of which the U.S. is part.
- **Forge ever closer partnerships with Taiwan and India.** The U.S. needs to sustain its special relationships with Taiwan and India in order to send China the right message. Taiwan is the canary in the coal mine. China has intensified its security, diplomatic, and

economic threats to the island over the past several years. In order to defend itself, Taiwan remains reliant upon the U.S. This will require selling Taiwan the weapons it needs for its defense and supporting it diplomatically, if the Taiwanese people are to make decisions about their own future. If the U.S. is not dependable as a friend of Taiwan, few states in the region will trust Washington for their own security needs. India's size, interests, and development and geographical position mean that it will be a vital long-term partner. A free and open Indo-Pacific will be difficult to achieve in the absence of a U.S.–Indo partnership.

- **Re-affirm relations with the Central Pacific island states.** The PRC is increasingly influential in the various island states of the Central Pacific. This has major strategic consequences for the United States, as the “second island chain,” including the Federated States of Micronesia, the Republic of the Marshall Islands, Vanuatu, and Palau, will be vital strategic staging grounds. As important, these states have legal control over vast ocean resources including both fish and minerals; they are also in control of certain key parts of the geosynchronous orbital region of outer space. The United States has long been responsible for the security of many of these states, under Compacts of Free Association. That agreement is currently set to expire in 2023. It is in the American interest to extend these compacts, and ensure that the region remains favorably disposed toward Washington.

Military Presence.

- **Reinforce the U.S. military presence.** Under former Secretary of Defense Jim Mattis, the Pentagon instituted the concept of “dynamic force employment,” whereby American forces would be more flexible in how they might be employed. This concept is insufficient for providing the level of presence necessary to deter threats to American interests and to reassure the region. The U.S. needs to improve its ability to push more capability into the theater, without shortchanging other theaters in order to do so. There are a number of measures worth considering: forward basing more submarines in Guam, proceeding with recommendations that increase the rate of production of Virginia-class attack submarines, and investing in a long-range strike stealth drone that can be launched from a carrier. Other initiatives could include accelerating the procurement of land-based anti-ship

cruise missiles and fielding Marine and Army units with the capability, fielding mobile anti-submarine warfare capabilities, and deploying more powerful long-range systems on mobile ground launchers. Additional options include allocating more Air Force and Navy assets to the U.S. Indo-Pacific Command and expanding logistics support in a manner that make the United States' Asia-Pacific military footprint more flexible and durable. There is also opportunity in the Philippines for collaboration with the U.S. on planned projects and new ones under the 2014 Enhanced Defense Cooperation Agreement.

- **Actively defend access rights to international waters.** Over the past three years, the U.S. has conducted at least 19 freedom of navigation operations in the South China Sea. Along with its usual transiting and schedule of exercises in the area, this is an essential element of U.S. diplomacy. It demonstrates very explicitly and constructively that the U.S. will continue to sail, fly, and operate, wherever international law allows. It should also seek to make common cause with allies, like the Philippines, and partners, like Indonesia, Malaysia, Thailand, Taiwan, and Vietnam, wherever it can. It is helping all these countries to develop the technological wherewithal to monitor their waters, share information, and cooperate with security partners. This is the purpose of the Maritime Security Initiative. Its important work needs to be preserved and fully funded by Congress.

Engagement with Multilateral Organizations.

- **Apply U.S. resources judiciously.** Not all international organizations are equally important, and the U.S. should not squander finite time, effort, and resources on international organizations of dubious merit. The U.S. should focus its effort and resources on countering Chinese influence, advancing U.S. policy preferences, and increasing employment of U.S. nationals, particularly in senior positions, in those organizations whose remit affects key U.S. interests.
- **Identify and carefully vet highly qualified candidates for leadership positions well in advance of elections.** The status of the U.S. as a major military and economic power and the largest financial supporter of the U.N. should result in a U.S. national leading a handful of important international organizations, and the U.S. should never hesitate to nominate a qualified American to lead an international organization. In cases

where a U.S. national is unlikely to win, the U.S. should support individuals from other nations who are well qualified, support the core purposes and mission of the organization, support those who are not beholden to governments whose priorities are antithetical to U.S. interests, and support those who are committed to ensuring that the organization operates efficiently, accountably, and transparently.

- **Counter Chinese financial and political pressure.** The Chinese have skillfully used their historical relationship with developing countries to assist their efforts to elect Chinese nationals to lead international organizations. China has complemented these historical relationships with carrots and sticks, that is, its extensive loans to, and investments in, developing countries, in order to influence these countries. The U.S. must use its own influence and assistance to counter Chinese financial leverage and convince developing countries, which overwhelmingly are the beneficiaries of projects and programs of international organizations, that independent management serves their interest more than the head of an organization beholden to, and acting at the direction of, Beijing.
- **Press the U.N., the specialized agencies, and U.N. funds and programs to increase employment of U.S. nationals.** This has long been an objective of the U.S. government, whose nationals have historically been under-represented in U.N. organizations. Congress has required the State Department to report on U.S. employment in U.N. organizations with geographic distribution formulas for staff since 1991. Past Government Accountability Office reports on this matter outline a number of challenges in increasing employment of U.S. nationals in the U.N. system that remain relevant today. The Trump Administration has made employment of U.S. nationals in the U.N. system a priority, but addressing the matter is a gradual process involving recruitment, promotion, and occasional U.S. government intervention.³⁴
- **Elevate multilateral affairs and international organizations within the State Department by establishing an Under Secretary for Multilateral Affairs.** Although the U.S. might prefer otherwise, diplomatic, economic, and security matters are increasingly discussed, negotiated, implemented, and acted upon through multilateral initiatives or in international organizations. An Under Secretary for

Multilateral Affairs within the Department of State charged with coordinating and directing U.S. policy in international organizations and on multilateral matters would be better positioned to oversee and set policy within the State Department and resolve differences with other agencies.

- **Identify the purpose, scope, and means of expanded Chinese influence in international organizations.** As it did during the Cold War when Soviet influence in the U.N. was a major concern. Congress should request that the U.S. intelligence community report on Chinese objectives, tactics, and progress in influencing international organizations to their benefit. This report should be the basis for adjusting U.S. policy and resources to equip the executive branch to counter Chinese influence where it undermines U.S. interests or the independence and purposes of those organizations.

U.S.–Taiwan Relations.

- **Follow through on the sale of new advanced fighter jets to Taiwan.** Taiwan faces a yawning gap in airpower vis-à-vis China. The U.S. should make good on its stated intention to sell Taiwan sufficient numbers of fighter jets to address this gap.
- **Support Taiwan’s acquisition of diesel-electric submarines.** Taiwan has expressed an interest in acquiring new submarines for more than 20 years. In 2001, the U.S. offered to help, but failed to do so. More recently, the U.S. has approved necessary licenses to enable construction of indigenous submarines. It should continue to facilitate the program, in keeping with U.S. Navy priorities. Taiwan is under a standing threat from China to unify it with the mainland, by force if necessary. It is in the U.S. interest that Taiwan make a contribution to the effort to deter such an eventuality. Given the geography, submarines are an essential part of this deterrence.
- **Actively support Taiwan’s participation in international organizations.** Taiwan has critical experience and expertise to share with these organizations. More broadly, Taiwan’s meaningful participation in them will integrate its security policy in its broader relationship with global partners, and deter China from coercing it into unification. Taiwan is boxed out of most international organizations by China.

The Administration should prioritize membership, observer status or other meaningful participation in INTERPOL, the World Health Organization, and the International Civil Aviation Organization.

- **Launch negotiations of a free trade agreement (FTA) with Taiwan and establish a high-level economic dialogue between the U.S. and Taiwan.** The FTA and dialogue should be comprehensive, including not just trade issues but non-tariff and areas for 21st-century cooperation.³⁵

Concrete Quadrilateral Initiatives.³⁶

- **Expand maritime domain awareness cooperation among the parties of the quadrilateral dialogue.** Each Quad nation—Australia, India, Japan, and the United States—fields substantial naval and maritime law enforcement capabilities and is very experienced in maintaining maritime domain awareness (MDA). Building on this shared set of capabilities and experiences should be a priority. This is likely to be facilitated by existing cooperative efforts and common equipment fielded by the respective national forces.
- **Create an Indo–Pacific regional maritime monitoring structure.** While the Quad members are dependent on the seas, they are not the only ones, especially in the Indo–Pacific region. Many other states in the Indo–Pacific also depend heavily on the oceans for their economic health and national security. While some states, such as Singapore, South Korea, and Taiwan, also have substantial MDA capacities, others, including the states of Oceania and the central Pacific, are far less capable of undertaking regular, never mind persistent, monitoring of their vast maritime boundaries. Insofar as various nations can all contribute to the overall maritime situational picture, this would help to promote MDA among all nations.
- **Coordinate interagency response to China's Belt and Road Initiative.** The Trump Administration should consider establishing a central coordinating office within the White House's National Security Council to lead and guide interagency efforts to analyze and respond to the BRI.

- **Produce an annual report on China's BRI and its strategic implications and consequences.** The Defense Department's annual report on Chinese military power could serve as a potential template, but the report could also be tasked to the U.S.–China Economic Security and Review Commission (USCC). The USCC's annual report on China has begun to include a regular section on the BRI, but the scope and significance of the initiative merits a separate, dedicated report.
- **Create a database of BRI investments.** The U.S. government should create, or support the creation of, a simple, color-coded user interface map designed to track, document, and archive BRI projects. It could be done as part of the Defense Department's annual China power report, or as a complementary initiative, potentially in partnership with a U.S.-based research think tank.
- **Promote transparency in regional infrastructure projects.** The U.S. government and like-minded partners must devote more attention and resources to promoting transparency in connectivity projects across the Indo–Pacific. This includes not only helping countries to evaluate proposals using professional standards, but also educating public and key interest groups about the full scope of monetary and non-monetary costs that can accompany BRI investments, including full life-cycle costs and debt risks, among others. There have been several high-profile cases of Chinese firms signing secretive deals that were later revealed to carry highly objectionable provisions. Helping participating nations to evaluate proposals using professional standards, publicize the terms of the deal, and educate them about potential alternatives is a service that the U.S. government and partner nations have the capability and expertise to provide at a reasonable cost.
- **Improve and adapt existing lending institutions.** The U.S. government and like-minded partners should evaluate the current standards and practices of the International Monetary Fund (IMF) and World Bank and, through a comprehensive review, consider how best to amend and update them in light of the changing international environment for development finance.
- **Make the BRI an explicit and regular topic of discussion in bilateral and multilateral strategic dialogues.** When leaders and

senior officials of the U.S. meet with their counterparts, they should ensure that the BRI is a high-priority topic for discussion. This includes meetings at the Quadrilateral Dialogue, the overlapping trilateral dialogues the U.S. enjoys with other members of the Quad, and key bilateral dialogues, including with European member states. The U.S. government should also consider convening new BRI-dedicated working groups with its partners and allies as well as a new multilateral dialogue or forum on the “rules of the road” for connectivity in the 21st century.

- **Connect the dots on BRI investments.** China’s opaque model of state capitalism often obscures the nebulous connections between contractors, companies, state-owned enterprises, the Chinese military, and the CCP. Decoding these complex structures and networks of front groups is critical to understanding the strategic implications of proposed Chinese investments and projects. Notably, the European Union has established a new commission to screen investments, not at the level of individual proposals, but the larger *patterns* and *structures* of investment. A similar body established by the U.S. government could help to uncover potential connections between diverse Chinese investments and the country’s broader strategic ambitions.

The Economic Relationship.

- **Right the trajectory of the U.S.–China economic relationship.** The U.S.–China relationship requires that the two states address some of the major structural impediments for American business trading with and operating in China. The most prominent is the issue of intellectual property rights. But it is also necessary to deal with the Chinese restraints on market access that both limit international engagement in their economy and enable the worst of its business environment. At the same time, the Administration needs to shift away from tariffs and instead move toward WTO compliant ways to enforce the rights of its businesses. The U.S. can also send the right economic message by leading the way toward economic liberalization in the region across sectors—goods, services, and investment. When addressing serious issues like those involved with China’s push for 5G wireless networking or its BRI, which can pose legitimate risks to U.S. interests and national defense, the U.S. must be careful not to constrain economic freedom beyond what is strictly required for security.³⁷

- **Negotiate additional FTAs.** American-negotiated FTAs provide obvious economic advantages to the U.S., but when done with an eye to economic freedom both at home and in partner countries, they also highlight America's greatest international economic strength—the role of rule-setter. The U.S. should seek to establish rules on trade and investment that create the context for China's every growing involvement in the international economy. Trade agreements are also a demonstration of political commitment, and for this reason, reassuring about American staying power in the Indo-Pacific. For these reasons, Washington should make a priority of negotiating comprehensive FTAs with key partners in the Indo-Pacific, particularly with Japan and Taiwan.
- **Re-establish a working economic dialogue with Chinese officials.** The U.S. and China are significant trading partners. It only makes sense for both sides to stay in constant communication. With the exception of the ongoing Section 301 negotiations, regular economic meetings with China have fallen by the wayside. The previous attempt at a U.S.–China Comprehensive Economic Dialogue lasted less than a year. The U.S. Trade Representative's (USTR's) efforts to restart regular meetings are a good start and could help to facilitate economic reform in China. However, if they are too broadly structured these meetings could limit negotiators' ability to focus on China's market liberalization. Like the Trump Administration's current trade dispute with China, dialogues would be less effective if focusing on too many complaints at once. The U.S. should resume regular meetings on market liberalization in specific sectors like financial services and e-commerce.
- **Collect more information on China's economy.** Because official statistics can be unreliable, the U.S. should work to build its own measure of China's economy. U.S. official statistics are compiled differently than China's statistics, meaning it is hard to compare apples to oranges. The Department of Commerce and Office of the U.S. Trade Representative should collect the amounts and types of subsidies and support that go to China's state-owned enterprises. They should also rely on the growing number of third-party resources to provide a wide range of economic measurements. This information will provide the foundation for any dispute the U.S. has with China's economic interventions for bilateral dialogue or at the WTO.

- **Reform and support the World Trade Organization.** China has a poor record living up to its WTO commitments. History shows, however, that the U.S. is very successful in winning cases at the WTO. The U.S. uses the WTO dispute-settlement system more than any other member. And China generally implements the decisions. The answer to China's bad compliance record is not for the U.S. to act unilaterally, but to double down through the WTO. The WTO's dispute-settlement system requires adjustments, and the Trump Administration should work with free-market allies to implement them. For instance, reducing the time it takes to adjudicate any dispute would significantly improve the dispute-settlement mechanism. But even in its current state, using the WTO would be more effective in building collective action against China's practices that harms U.S. and foreign companies abroad than using tariffs.
- **Applying sanctions to those who have violated U.S. intellectual property (IP) rights by cyber means.** Applying punitive tariffs on imports from China is a dispersed cost to American consumers that will not stop thieves from stealing U.S. IP. For those bad actors, Executive Order 13694 grants the Treasury Department authority to sanction foreign entities that have used cyber-enabled means to acquire U.S. IP.
- **Pursue punitive action against those foreign entities that have violated U.S. IP rights abroad through non-cyber-enabled means.** In cases where Chinese entities steal U.S. IP through non-cyber means, U.S. sanctions are successful in limiting the abilities of these foreign entities doing business abroad. The U.S. Department of the Treasury, along with information collected through the efforts of USTR and the Department of Commerce, should apply sanctions to those entities that have stolen, or knowingly use stolen, IP. Punishment can go as far as asset seizures.
- **Fully fund and make use of the Committee on Foreign Investment in the U.S. (CFIUS).** China's efforts to acquire U.S. technology include legal investments in the U.S. Most Chinese investment should still be welcome. But the U.S. can regulate foreign investment that could pose a threat to U.S. national security. The CFIUS was recently updated to help deal with threats created by China's foreign investment in the U.S. Two important updates are (1) protecting Americans' personally identifiable information, and (2) preventing the creation of new cybersecurity

vulnerabilities. Recent reform also included an emphasis on making sure that emerging technologies critical to U.S. national security are not at risk of Chinese acquisition. Congress should make sure CFIUS is appropriately funded to manage its day-to-day operations.

- **Support the Department of Justice’s and Department of Defense’s efforts to combat malicious Chinese activity.** The Justice and Defense Departments are actively working to deter and punish those bad actors that threaten the U.S. defense industrial base and commercial businesses. Justice Department efforts to indict bad actors is important for building legal cases and potentially applying sanctions against Chinese companies that have violated American IP rights. Not all criminal activity is at the direction of the Chinese government, either. Chinese government industrial policies aimed at acquiring critical technologies creates incentives for domestic bad actors to steal and illegally export U.S. IP.
- **Initiate more Section 337 investigations.** A significant measure of Chinese IP theft comes from the import of counterfeit goods. Section 337 of the Tariff Act of 1930 allows the U.S. International Trade Commission to respond quickly on behalf of U.S. victims. It is an effective tool for limiting the import of goods from China that violate U.S. IP rights into the U.S. market. But, it is another tool that the U.S. government, and industries, have not used enough.
- **Address concerns about availability of strategic minerals (“rare earths”) by focusing on reform at home.** Actions that can be taken include clearly defining “navigable waters” in the Clean Water Act to strictly limit federal authority; prohibiting pre-emptive and retroactive vetoes under Section 404 of the Clean Water Act; empowering states to manage their water resources; repealing the National Environmental Policy Act; reforming the Endangered Species Act; prohibiting the use of the social cost of carbon in regulatory proceedings, and eliminate agencies’ ability to regulate greenhouse gases.
- **Enact banking-sector reform.** Reform American banking regulations, such as risk-based capital requirements and impediments to capital formation, in ways that better position American investors to make commitments abroad from which they might otherwise be precluded.

Transatlantic Partnership.

- **Seek out common ground for cooperation with European allies.**

The transatlantic partnership—America's and Europe's common values, history, and habits of cooperation—is an extremely valuable asset.³⁸

Multilaterally, the U.S. and Europe need to take strategic steps to ensure that Chinese influence is reasonably mitigated and that its leadership is restricted and channeled to the parts of the United Nations and other international organizations that do not directly undermine shared transatlantic interests. Bilateral cooperation could be the most helpful for blunting some of China's worst behavior. They can cooperate and coordinate on overlapping economic concerns in forums such as the WTO, IMF, World Bank, the Organization for Economic Co-operation and Development, G-7, Paris Club, and even in Chinese-led initiatives, such as the Asian Infrastructure Investment Bank and BRI-supporting institutions. Their specific interests will not always coincide and both sides will occasionally pursue alternatives to cooperation with one another to achieve them. In fact, they may sometimes make common cause with third parties against one another. At the end of the day, however, the U.S. must find courage in the capabilities of its representatives to navigate these complexities in a way which maximizes transatlantic cooperation, even as it fends off conflicting European aims.

- **Start dialogue on China within NATO.** Chinese actions and power could well erode NATO's capacity to exercise self-defense. From telecommunications to industrial control systems, from space and cyberspace to bridges, railroads and ports, China already has a heavy footprint presence throughout the transatlantic community. NATO will need all this infrastructure to deter conflict and defend itself. Yet if China controls the off-switch or has the capacity to conduct malicious or denial activities, NATO's capacity for self-defense will be severely compromised.

NATO has other concerns, as well. It cares strongly about arms control, and not just in a eurocentric sense of the U.S., Britain, and France versus Russia. NATO correctly views arms control as a global issue—and China is a necessary player in global arms control. The Alliance has a vested interest in the future of that dialogue.

What is needed are sober intra-NATO discussions on how to deal with the China challenge. Currently, NATO member countries are far from

being of one mind on the matter. A good place to start these discussions would be with threat assessments. NATO commanders need to roll up their sleeves and hash out a rigorous assessment of the Chinese threat. Once there is agreement on the nature and scope of the threat, NATO can move on to mitigation planning. The key question is: How does the U.S. ensure that China has little or no capacity to interfere with NATO's ability to exercise collective defense?

The Middle East.

- **Push back against the BRI security threats.** Chinese infrastructure projects could directly threaten U.S. national interests in critical infrastructure. For example, a Chinese company has signed a contract to manage the Israeli port of Haifa for 25 years, starting in 2021. If not managed appropriately, this could pose a security threat to the U.S. Navy, which might force an end to U.S. Navy port visits to Haifa.
- **Enforce sanctions against Iran.** Chinese companies are importing Iranian oil in defiance of U.S. sanctions. Those companies should be sanctioned and Beijing should be warned against future sanctions violations, so it cannot claim ignorance of what subsidiaries of state-owned enterprises are doing.
- **Work with Arab allies to deter closer China–Iran strategic cooperation.** Saudi Arabia and other Gulf Cooperation Council countries are among the countries most threatened by Iran. Washington should encourage them to warn Beijing against selling Iran arms, high technology, or otherwise advancing Iran's strategic interests, or it will risk damaging political, economic, and security ties to Arab states. This could alter China's cost–benefit calculus concerning the strengthening of strategic ties to Tehran.

Other Priorities.

Human Rights and Democracy Promotion.

- **Commit to advancing human rights and values in the Indo–Pacific strategy.** While the security components of the Indo–Pacific strategy are becoming clearer, and the Trump Administration has

taken some economic steps (such as the Better Utilization of Investment Leading to Development (BUILD) Act, which created the new U.S. International Development Finance Agency), the values components of the strategy lag significantly behind. It is not clear, for example, who is responsible for making promotion of human rights and democratic values in Asia a priority as a component of the Indo–Pacific strategy. It should be made clearer which agency or inter-agency process is responsible for actualizing the values component of the Indo–Pacific strategy.

- **Prioritize human rights in Xinjiang.** The human rights crisis in Xinjiang is one of the most severe human rights challenges taking place today. Persecution of ethnic Uighurs, their arbitrary mass internment, and the unique application of 21st-century technology as a tool of repression merit a priority response from the U.S. The U.S. should fully activate its expressions of concern for human rights in the Free and Open Indo–Pacific strategy; sanction Chen Quango, the current CCP Secretary of the Xinjiang Uyghur Autonomous Region, and other known Chinese individuals and entities responsible for oppressing individuals in Xinjiang; create a Special Coordinator for Xinjiang; restrict imports produced by forced labor in Xinjiang and request in diplomatic negotiations with Chinese officials that all arbitrarily detained persons in China be released; publicly request that the International Olympic Committee review China's suitability to host the 2022 Olympics; pressure businesses to cut ties with Chinese entities seeking dual-use technologies from U.S. entities for the purpose of expanding their surveillance operations; and factor forced labor in Xinjiang into the calculus for determining China's ranking in the Trafficking in Persons (TIP) report.³⁹
- **Make more active use of Global Magnitsky and other human rights–based Treasury and State Department authorities** to hold individuals and entities in China responsible for gross human rights violations. Newer Global Magnitsky tools permit the Treasury to target individuals and entities on human rights and corruption grounds through financial sanctions. These tools have the ability to alter the behavior of individuals and entities who have already engaged in human rights violations by shifting their risk calculus through targeting their financial assets. The Global Magnitsky Act is often used in conjunction with other State Department authorities

that restrict travel of individuals and their family members on human rights grounds. These tools have proven successful in other parts of the world. The U.S. has only just begun to apply these tools in China, with more recent travel restrictions placed on Chinese officials for their role in undermining human rights in Xinjiang.⁴⁰ The U.S. should make more active use of these tools to hold Chinese officials and entities responsible for their roles in undermining freedom and human rights in Xinjiang, Tibet, Hong Kong, and elsewhere.

- **Support “one-country, two systems” in Hong Kong.** China is obligated by a treaty it signed with the U.K. and Hong Kong’s mini-constitution, the Basic Law, to preserve “a high degree of autonomy” for Hong Kong. The U.S. can make this clear in its comments about Hong Kong, but it should also regularly examine the health of “one country, two systems” as part of a certification process between the executive and legislative branches, as provided for in the 2019 Hong Kong Human Rights and Democracy Act. As long as the two remain certifiably legally separate, the U.S. can support Hong Kong’s autonomy and should provide the citizens of Hong Kong with the unique benefit of travelling to the U.S. without a visa under the Visa Waiver Program.
- **Make clear that direct armed intervention by Beijing in Hong Kong will justify major U.S. policy changes.** In the event the U.S. should declare citizens of Hong Kong eligible for P-2 refugee status, the U.S. should assemble an international coalition to accept Hong Kong refugees, cancel all trade talks with China, and immediately end Hong Kong’s separate legal status.⁴¹

Africa.

- **Focus on achievable goals.** The U.S. should not try to persuade African governments to abandon their relationships with Beijing, as they are unlikely to do so, and because some of the investment and loans China provides do help African countries. The U.S. should instead focus on assisting African countries in striking fair and productive deals with Beijing, ameliorating the negative effects of Chinese engagement in Africa, and providing a realistic alternative for African governments on the projects and in the sectors where the U.S. or its companies have a competitive advantage or strong strategic reason for competing.⁴²

- **Craft a government-wide messaging strategy on Chinese activity in Africa.** The messages must be tailored to specific audiences, and be delivered in the spirit of friendly concern from an ally. Part of the messaging should include pointing out, in appropriately subtle and sensitive ways, the misleading and self-serving nature of Chinese propaganda, and the routine corruption in which many Chinese companies engage, despite the frequent Chinese rhetoric about pursuing a sincere friendship with Africa. This effort should include seeking, compiling, and publicizing reports of Chinese corruption scandals in Africa.
- **Prioritize the fight against African corruption.** Corruption is a competitive advantage for Chinese companies. Ideas for ameliorating this problem include helping countries strengthen their civil societies, promoting economic freedom, and elevating the fight against graft as part of U.S. development assistance. The U.S. should also leverage technology and the power of crowds by helping civil society organizations to create tools to track and publicize corruption. Apps similar to Waze, which uses crowdsourced information to monitor traffic, could track corruption, and even create heat maps and lists of particularly corrupt government offices. The U.S. should also call on China to abide by its commitments.
- **Increase its engagement with Africa and reorient the focus of some extant initiatives.** Such measures should include focusing U.S. overseas development assistance on enhancing countries' free-market systems and encouraging accountable and competent governance, increasing the efficiency of U.S. aid by eliminating "Buy American" provisions and subsidies to U.S. shipping companies that deliver aid, boosting trade beyond the African Growth and Opportunity Act, and making the U.S.–Africa Leaders Summit a regular event.

The Arctic.

- **Continue to raise awareness of China's questionable ambitions in the Arctic.** China has declared itself a "near Arctic state"—a made-up term that previously did not exist in Arctic discourse. The U.S. should work with like-minded partners in the Arctic Council to raise legitimate concerns about China's so-called Polar Silk Road ambitions.

- **Check Chinese influence in the Arctic Council.** China became an observer in the Arctic Council in 2013. This category is open to non-Arctic states, intergovernmental and inter-parliamentary organizations, and global and regional nongovernmental organizations. Observers are allowed to attend meetings, make oral statements, present written statements, submit relevant documents, participate in and fund working groups (less than 50 percent of the working group's budget), and provide views on the issues under discussion. The U.S. should also make sure that China does not try to exceed what is allowed of it by its status as an observer in the Arctic Council.

The Homeland.

- **Establish the principle of reciprocity in information and education in U.S.–China relations.** Chinese journalists and educational organizations like Confucius Institutes have virtually unlimited access to the United States. The U.S. should insist on the same level of access to China and tie treatment of organizations in the U.S. to treatment of American organizations in China.
- **Share technology threat information with industry.** U.S. government concerns about Chinese technologies and related services cannot be expressed exclusively in classified or other constrained environments. If the U.S. government wants industry to operate in ways that do not provoke national security concerns or make them worse, the government must share its telecommunications security concerns in a detailed and broadly sharable manner.
- **Determine disqualifying factors.** The U.S. government should clearly communicate with industry and with America's foreign partners and allies, as well as the Chinese, which legal frameworks, activities, and business practices will result in exclusion from U.S. 5G infrastructure, services, and other emerging-technology integrations.⁴³ Further, the U.S. should encourage other nations to adopt these standards as a way of maintaining pressure on countries and companies working against U.S. and allied interests.
- **Block vulnerabilities.** The U.S. should block any foreign technology from U.S. markets that creates vulnerabilities in critical infrastructure or that provides hostile foreign actors with "backdoors" to U.S.

data. Doing so will impose significant pressure on China and others to improve poor security practices and it will spur domestic security research in the U.S. that will incrementally improve the safety of the hardware and software supply chains into the United States. The U.S. should encourage the remaining four Five Eyes countries—Australia, Canada, New Zealand, and the United Kingdom—to implement similar exclusionary measures.

- **Block untrusted companies.** The CFIUS should block foreign companies from U.S. investments if they have a history of producing hardware or software with known vulnerabilities. This would be especially helpful in mitigating the challenge of Chinese investment in, and purchase of, American start-ups that might embrace poor security practices in return for rapid access to capital.
- **Prepare for “zero-trust” networks.** Currently, Huawei controls approximately 30 percent of the global mobile communications market and could win as much as 50 percent of the global 5G market. Even if the U.S. is able to secure its own wireless networks from foreign spying and interference, many of the networks around the world will be developed by the Chinese or outfitted with Chinese equipment. This requires the U.S. defense and intelligence communities to begin mitigating this threat and developing new networking strategies that will allow the U.S. to operate and thrive in a “zero-trust” environment—meaning operating on networks that are owned and managed by China or other hostile actors.

Conclusion

The rise of China is the greatest strategic challenge the U.S. will face over the next many decades. Preventing its rise is not an option. Neither is anything resembling containment. Its impact on American interests and values, however, can be managed. On the economic side, the market will handle many of the specific problems that China’s rise presents. It is best for the U.S. to facilitate its operation, not encumber the market with industrial policy or protectionism, approaches that ultimately cost American businesses and consumers. On the diplomatic, informational, and military side of things, the U.S. requires a long-term approach in terms of its multi-generational, bipartisan commitment. The substance of this will be much different from the strategies used during the Cold War. This is because, just

as those approaches derived their particulars from an understanding of the roots of Soviet behavior, much of the pursuit of American interests in relationship to China take into account the sources of Chinese behavior.

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