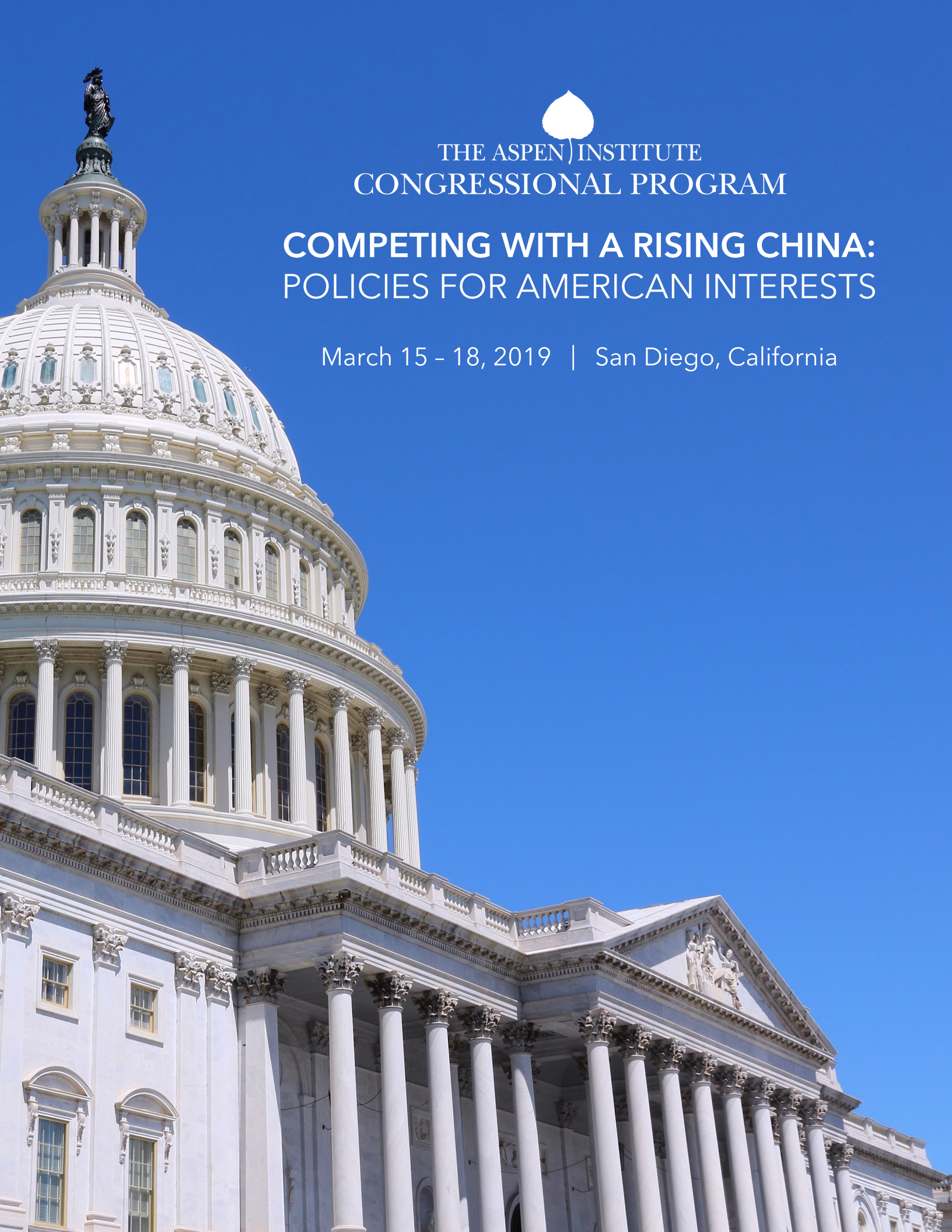


THE ASPEN INSTITUTE
CONGRESSIONAL PROGRAM

COMPETING WITH A RISING CHINA:
POLICIES FOR AMERICAN INTERESTS

March 15 – 18, 2019 | San Diego, California

COMPETING WITH A RISING CHINA: POLICIES FOR AMERICAN INTERESTS

THE ASPEN INSTITUTE CONGRESSIONAL PROGRAM
March 15-18, 2019 San Diego, California

TABLE OF CONTENTS

RAPPORTEUR'S SUMMARY

Charlie Vest

School of Global Policy and Strategy,
University of California at San Diego

The views expressed here are not the author's,
but rather the rapporteur's effort to reflect the discussion

Introduction

On March 15-18, 2019, a bipartisan group of 18 congressional lawmakers met in San Diego, California, to discuss ideas for American policy towards China. The theme of the meeting, Competing with a Rising China, recognized the remarkable transition in U.S.-China relations in recent years towards a relationship increasingly marked by geostrategic competition rather than engagement. While these trends predate the Trump administration, they have taken on a special urgency in light of ongoing trade negotiations as well as Vice President Pence's October 2018 speech outlining the rationale for a more assertive American policy towards China.

This Aspen Institute conference brought together lawmakers and scholars to discuss key questions facing policymakers. Is China's current divergence from international norms a temporary setback, or has Beijing settled on an economic and political system fundamentally at-odds with the norms of advanced industrial nations? If China has chosen divergence, how should the U.S. respond to best serve American interests?

The China Engagement Question

The opening sessions began with an overview of the trends in Chinese political and economic reform since 1978. One scholar noted that previous generations of Chinese leaders since Mao Zedong had, to varying extents, signaled their commitment to economic reform. Both Deng Xiaoping and Jiang Zemin led tremendous economic reforms resulting in the transition from total state control of the economy towards market-led prices and the resurgence of private enterprise in the 1990s. In the Hu Jintao administration (2002-2012), market reforms began to stall, and political messaging shifted away from engagement with the United States towards greater skepticism of Western development models and of American intentions toward China.

Participants broadly agreed that economic and political reform has backslid under the administration of Xi Jinping, and that China's foreign policy stance has hardened. Panelists noted that China depicts itself as beset by hostile foreign forces, and that a growing number of Chinese elites are embracing the view that the United States is China's long-term strategic opponent. Members expressed their concerns over China's defiance of international law in the South China Sea, its

assertive rhetoric regarding Taiwan, continued intellectual property theft, its market-distorting high-tech industrial policies, and its worsening human rights abuses.

These developments sparked debate about China's once-apparent trend towards convergence with the West, and what implications this has for U.S. policy.

Members opened the discussion by questioning why China began veering away from its once-apparent path of convergence. Some participants questioned the premise itself, arguing that the Chinese Communist Party never intended to hew to a Western development path. Others pointed to the importance of Xi's rise to power in redirecting China's development strategy.

Some participants questioned whether the U.S.'s characterization of China as a strategic competitor was a self-fulfilling prophecy. Others countered that the U.S. had already made extraordinary efforts to engage China, from welcoming Chinese students in U.S. universities to helping China enter the World Trade Organization.

One scholar proposed that understanding China's strategic intent toward the United States and its allies was critical to calibrating an appropriate response. Others noted that if China chooses a path running counter to American interests, it will become increasingly difficult to cooperate on issues requiring global action, ranging from counterterrorism to climate change. This risks a negative feedback loop: as these channels for cooperation narrow, the overall U.S.-China relationship becomes even more dangerously fraught.

One participant proposed that policymakers differentiate between capital-'E' Engagement and lowercase engagement. Whereas Engagement meant a strategy of ushering China into the community of nations in the hope it would conform to global norms and values, lowercase engagement is more utilitarian. This paradigm gives policymakers flexibility to decide what forms and areas of engagement with China serve American interests.

China's Economic Reforms in Reverse

Panelists noted that China's progress towards economic liberalization that began in 1978 has stalled. Despite Xi's early stated goals of ambitious economic reform, these reforms have failed to materialize and Beijing has instead doubled-down on state-led growth. These developments come amidst a structural slowdown in China's economy: an aging population, slowing population growth, and rising wages that signal the end of China's double-digit growth period.

What happened to economic reform? One panelist argued that Beijing's failure to push forward the reform agenda is a symptom of China's fragile political system. The expert noted that Xi endorsed a comprehensive economic reform plan in 2013 (known as the "60 Decisions") but these efforts were met with stinging failures and subsequent retrenchment. Since 2013, this pattern of reform, crisis, and retrenchment has been seen in interbank lending, equity markets, internationalization of China’s currency, and capital controls on outbound investment. These failures have diminished Beijing's appetite for economic reform, leading policymakers to fall back on what they know: the centralized administration of the economy. Meanwhile, the same problems that halted economic reform in the first place – indebtedness,

inefficiency, and speculation – continue to compound.

Unwilling to accept substantially slower growth nor efficiency-enhancing market reforms, policymakers have doubled-down on an unproven economic growth strategy: high levels of state-led investment in industries they believe are at the verge of technological revolution, as exemplified by the "Made in China 2025" initiative. Beijing is betting that despite this strategy's enormous wastefulness and its mixed record of success, this approach will allow China to dominate the core technologies of the 21st century.

One panelist offered three policy recommendations for Members. First, reset the narrative around China's economic growth. China is not blazing the trail of a new economic strategy; China is stuck. China's embrace of state-led industrial policy is a symptom of its inability to overcome short-term crises, and it does not offer a serious alternative to the Western model (despite its drawbacks). The U.S. has tools to counter China's distortionary policies, including investment screening and export controls. Policymakers should work with partners and allies to help implement similar controls in their economies as well.

Second, policymakers must be transparent about the costs and benefits of adopting a more assertive economic posture towards China. Holding firm to American long-term interests might require implementing safeguards for the medium term, affecting American firms ranging from agriculture to information technology.

Third, the panelist proposed three principles to guide a more assertive American economic policy towards China. Economic disengagement with China should be partial, provisional, and peaceful. The United States can say yes to Chinese investment in sectors unrelated to national security, making the disengagement only partial; policymakers must be willing to open up again to China if Beijing makes meaningful reforms, making it provisional; and U.S. policy should be protective of the American economy, not designed to spur economic crisis in China, thus making it peaceful.

Recognizing that China is now facing new economic strains, some Members questioned whether U.S. economic policy toward China should be crafted with an eye towards precipitating an economic crisis in China that could spur political and economic reform. Several participants pushed back on this view, noting that explicit efforts to spark an economic crisis could in fact strengthen the regime by playing into CCP propaganda: that the United States is bent on containing China's rise. If China began teetering towards economic crisis, one scholar argued, the United States should keep its distance.

Members focused a great deal of attention on the trade negotiations with China: what is the American interest, and what should we expect from China? Discussants noted that China's primary aim is to preserve the status quo. In the short term, Beijing is likely to favor a trade deal that includes some managed trade (government-directed purchases of soybeans, natural gas, etc.), but forgoes deeper reforms to China's economy. Several participants worried that a weak deal would only delay an inevitable reckoning with China, and could in fact undermine the U.S. bargaining position if a deal boosts Chinese imports from the United States at the expense of our partners and allies.

The panelist noted that if Beijing decides to commit to a meaningful deal, it has concrete measures that it can

implement now to signal its commitment, even if deeper reforms take more time. Among others, these include elimination of foreign joint-venture requirements, ending import quotas in film and television, and granting access to American financial services companies.

One expert speculated that although the United States has leverage in the trade negotiations because China remains dependent on U.S. markets and technology, Beijing would fight hard for its high-tech ambitions. Beijing is expected to push back on American efforts to curtail these ambitions both within and outside of formal negotiations; if Huawei Chief Financial Officer Meng Wanzhou is extradited to the United States, American executives in China could be at immediate risk of detention – just as happened to two Canadians, Michael Kovrig and Michael Spavor, after Meng's arrest.

Discussion of China's high-tech ambitions led to broader questions regarding innovation in China. One discussant raised the view that creative destruction is the key to genuine innovation. If social stability is the watchword of the Xi era, how much space for creative destruction can there be? Others pointed to the unpredictable nature of innovation; Japan once bet heavily on strategic technologies only to be blindsided by the emergence of the Internet. Some participants recognized that China is exposing itself to these same risks today, but raised the possibility that China's bets on technologies such as Artificial Intelligence and electric vehicles may be well-placed. What implications would this have for American power?

Members of Congress took interest in the implications of China's Belt and Road Initiative. Several discussants noted that the BRI, rather than a concerted foreign policy, is instead a catch-all branding strategy for China's overseas investment. Although some participants characterized the BRI as solely a predatory loan scheme, scholars argued that it serves a variety of purposes: as a soft-power initiative, an outlet for industrial overcapacity, a tool for overseas political influence, and a means for recycling Chinese savings into diversified investments.

Despite the corrosive nature of some BRI projects, some panelists argued that Chinese overseas investment can be a force for good, given increased transparency and guidance from more experienced development lenders. Members noted that Congress has already taken steps to provide a much-needed American alternative through the American Reassurance Initiative Act and BUILD Act.

China's Military Posture in the Pacific

In a session on China's military activity in the Pacific, panelists noted that China has adopted a more assertive military posture, particularly relating to Taiwan and the South China Sea.

Panelists remarked that China has focused its strategy on building asymmetric capabilities in China's maritime periphery. China is striving for the capacity to dominate the air and sea domain around Taiwan by amassing the world's largest cruise and ballistic missile arsenal. China now has the ability to interdict U.S naval assets along its coast, an issue that drew concern from Members of Congress.

In the South China Sea, China has engaged in gray zone operations – military operations short of provoking war – to control and militarize features in the South China Sea. These operations typically involve Chinese law enforcement, coast

guard, and paramilitary fishing vessels. This approach has allowed China to gradually change the status quo in the South China Sea.

Although international tribunals have ruled against China's "nine-dash line" claims in the South China Sea, China continues to militarize its claims and harass U.S. ships conducting freedom of navigation operations. China has rejected these rulings, and aims to resolve territorial disputes by negotiating with claimants bilaterally – where China's size works most in its favor – rather than multilaterally. Additionally, China has pressed members of ASEAN to accept a code of conduct in the South China Sea that bars companies from outside the region from jointly participating in oil and gas development projects.

One panelist offered a set of recommendations for policymakers to advance American interests in the South China Sea. The U.S. should keep oceans navigable and reinforce international norms and laws; despite China's flouting of the ruling of the Permanent Court of Arbitrations, only seven countries have called for China to comply. The U.S. should work to prevent China's rise as a hegemon in Asia, and to do so requires both a clearer policy stance from Washington as well as cooperation with China's maritime neighbors to counter coercion from Beijing. The panelist recommended that policymakers act to protect the rights of countries to jointly exploit resources within others' exclusive economic zones. The U.S. can additionally consider sanctions on Chinese companies participating in the militarization of maritime features. Finally, the United States should continue its leadership in a Free and Open Indo-Pacific Strategy.

Members assessed the Trump administration's approach in countering China in the region. Discussants commended the administration's support for freedom-of-navigation operations, but noted that the administration's vocal skepticism of treaties and partnerships had undermined confidence among regional partners and allies. The preponderant view in the room was that the alliance structure in the Pacific serves American interests, that the Free and Open Indo-Pacific Strategy is a welcome development, and that the United States needs to build on this progress with much greater economic engagement in the region.

In addition to discussion of China's maritime strategy, Members expressed concern over China's role in the denuclearization of the Korean Peninsula. The panelist noted that China is similarly concerned about North Korea's nuclear program, but that the U.S. and China have no shared vision on how to achieve denuclearization. China, like North Korea, wants sanctions lifted prior to denuclearization. In the long term, China wants U.S. military presence removed from South Korea, and would be happy to see a re-united Korea with closer ties to China.

Cyber and Information Warfare

One panelist contended that China views information as the main currency of power in the 21st century, and that the United States remains vulnerable to Chinese information warfare.

The contention was made that China views information control as a critical tool to influence public opinion at home and abroad. Domestically, China has tightened control over traditional media, heavily censors online media, and blocks foreign social media services. The government has instituted a social credit score system that tracks online activity and revokes freedom of movement for blacklisted individuals.

Abroad, Beijing has bolstered its state media operations overseas – such as through the media network CGTN – and begun exporting censorship and surveillance technology to other authoritarian regimes. On a strategic level, China seeks to erode the norms of global management of the Internet in favor of national Internet sovereignty.

Beijing has prioritized information technology in its military modernization drive. The People's Liberation Army has sought to institutionalize cyberwarfare capabilities within the Strategic Support Force, which operates at war and in peacetime. While integration of cyber capabilities is recognized as a key Chinese goal, some discussants suggested that we should not overstate China's success in integrating cyberwarfare capabilities in its military, and that institutional obstacles remain.

On U.S cybersecurity, a widely cited figure appraised the cost of Chinese economic espionage at $300 billion per year. Chinese civilian, military, and government-affiliated hackers engage in cyberespionage targeted particularly at advanced industries. The panelist proposed that the U.S. should do more to prevent cyber-intrusions, build resilience, and deter hackers.

Members of Congress expressed concern over China's leaps in artificial intelligence. Discussants noted that weaker privacy laws in China may give Chinese AI scientists an advantage from access to more data. Other participants noted that although Chinese scientists may have more data to work with, their data tends to be only Chinese, which limits the value of their artificial intelligence algorithms in overseas contexts. Others noted that the United States has an advantage as a top destination for scientists, engineers, and mathematicians. One expert pointed to the fact that breakthroughs in AI take place when people work together across disciplines, and that a side-effect of a tightening academic environment in China could be slower innovation.

Members of Congress debated how best to address China's 5G challenge and its premier telecommunications giant Huawei. One concern was the risk of diplomatic defeat if the United States takes a hardline stance with allies on Huawei's global infrastructure buildout without offering a workable alternative. In one view, the U.S. could consider ways to mitigate the risk of using Huawei technology by using Huawei devices in some locations but not others. The opposing view argued that the structure of the Internet is so complex that rerouting sensitive data around Huawei technology would be technically difficult, and that Huawei has already been suspected of hiding malicious code in their devices.

Chinese Perspectives on U.S.-China Relations

Throughout the conference, Members of Congress took interest in Chinese perceptions of U.S.-China relations. What does China want? How did Xi rise to power? How do average Chinese people feel?

One panelist argued that the China's ultimate goal is hegemonic stability – a stable and secure Asia with China at its center – and that a growing number of elites in the People’s Republic of China believe that the time has come to realize this goal. While Deng Xiaoping's maxim of foreign affairs was "hide your strength and bide your time," Xi Jinping believes that China has now entered a "period of historic opportunity" during which China can

achieve national rejuvenation under the leadership of the Chinese Communist Party, with Xi at the helm.

One panelist noted that the wisdom of this approach is a point of debate among Chinese elites. Many feel that Xi has prematurely challenged U.S. hegemony, and that the trade war is evidence of Xi's overreach. One view is that Xi's decision to rule China from center-stage has made him vulnerable because policy failures will be pinned solely on him. Yet despite elite discontent over some of Xi's policies – particularly the perceived wastefulness of the Belt and Road Initiative and intensifying political indoctrination – Xi has no obvious challengers to his power.

One discussant noted that Chinese elites broadly agree that the U.S. is the China's single largest national security threat, and that the U.S. is committed to containing China. The prevailing view in China is that U.S.-China tensions are a historical inevitability stemming from China's rising power amidst waning U.S. hegemony in the Pacific.

Chinese elites also tend to believe that time is on China's side. As China's power waxes, the United States will gradually lose its willingness to bear the costs of hegemony in the Pacific. This view allows the PRC leadership to be patient about realizing its claims to Taiwan. Even if public opinion polls in Taiwan show that peaceful unification is becoming increasingly remote, PRC elites believe that the United States will not always come to Taiwan's rescue.

One panelist concluded by offering recommendations to Members. U.S. policymakers should consider how to prepare for China's emergence as a stronger regional power. Americans should not expect China to democratize, nor should they underestimate the power of nationalist sentiment in China. Policymakers also need to recognize that Chinese diplomats view diplomacy as transactional: to cooperate on matters important to the United States, Chinese diplomats will demand concessions. By the same token, China has been emboldened by U.S. unwillingness to take risks; China will continue to pursue aggressive policies until the United States demonstrates the willingness to push back and exact costs for assertive Chinese behavior.

Members expressed concern over Taiwan's growing international isolation under PRC pressure. The panelist noted that congressional action can be a strong deterrent and that the only reason the PRC doesn't coerce Taiwan more aggressively is because of U.S. pressure. Nonetheless, the PRC continues to isolate Taiwan internationally, and the panelist encouraged Congress to consider how to impose costs on the PRC for this behavior. Other experts suggested that Congress can pass legislation to help Taiwan participate in global governance organizations.

Members took interest in the views that average Chinese hold of Xi Jinping. The panelist remarked that Xi's popularity among lower- and middle-class Chinese stems from the perception that Xi's anti-corruption campaign had succeeded in uprooting rampant corruption from the prior Hu-Wen administration. The panelist noted that entrepreneurs, by contrast, were concerned about U.S.-China trade tensions and the growing tension between Xi's statist economy and market-led innovation.

Asked about human rights in China, the panelist suggested that the Chinese government has been pleased that the U.S. has not pushed back more strongly against

China despite its worsening human rights behaviors.

China's Quest for Power under Xi

Panelists broadly agreed that Xi Jinping's rise to power has made China more authoritarian at home and more assertive abroad. In governance, Xi has overturned prior norms of consensus and collective decision-making in favor of one-man rule. Under Xi, the CCP has taken a more active role in social and economic life, from demanding party stakeholders on corporate boards – including foreign companies and joint-ventures – to the creation of a police state in Xinjiang, where more than one million Uyghurs are estimated to be detained in so-called re-education facilities. Foreign nongovernmental organizations now operate in China under much stricter supervision and control. Beyond China's borders, the CCP exerts pressure on overseas students, academics, and dissidents living abroad.

A panelist recommended that Members consider how best to recalibrate the U.S.-China relationship under these new conditions. Now that the Trump administration has pressed the reset button, Washington can now turn to strengthening U.S. economic ties in the region and engaging allies and partners. One panelist proposed that the U.S. continue to seek areas of cooperation with China – both to serve American goals in areas of shared interest, but also to bolster reformers within the Chinese bureaucracy. To counter China's Belt and Road public relations blitz, the United States should reframe the narrative around U.S. global engagement; the U.S. remains the largest donor to Africa, and ranks just behind the EU and Japan in investment to Southeast Asia. Finally, the panelist argued that the U.S. should avoid overreacting to concerns about Chinese influence operations in the United States.

On human rights, several Members voiced concern that Congress was not doing enough to push back against the detention of over one million members of the Uyghur minority in China. Members noted that the chairs of the bipartisan Congressional-Executive Commission on China had signed a letter urging the administration to pursue sanctions against Chinese officials and companies involved in the detentions through the Global Magnitsky Act, but that no action has been taken thus far.

On Chinese influence operations, several Members of Congress worried that friction with China was spurring dangerous anti-Chinese and anti-Chinese-American sentiment in the United States. Some participants worried about visas for Chinese students and researchers in the United States, noting that American laboratories would collapse without Chinese talent. By the same token, some participants raised the need to protect visiting Chinese students from CCP pressure and surveillance while they study abroad, and stressed the role that universities could play in protecting their students from threats and coercion. Experts noted that there is yet no evidence of Chinese direct meddling in U.S. elections.

Normalizing Competition with China

The final session of the conference featured a panel and discussion among Members of Congress on the key questions facing policymakers.

The weekend conference began by asking Members of Congress to consider whether the U.S. could afford to continue pursuing a China strategy based more on the hope of cooperation than competition. The prevailing view among participants was

clear: We should expect a high-stakes, contentious relationship with China for the long-term.

Based on this view, three recommendations were posed in the final session.

First, clearly define the threat from China. Policymakers should ask: given China's own very real political, economic, and environmental constraints, what is the worst it could do? One panelist suggested that three immediate goals should be to prevent Chinese dominance of Asia (while accepting our own inability to dominate Asia ourselves); prevent the spread of authoritarianism; and preserve peace by avoiding an arms race with China.

Second, be transparent with ourselves, our allies, and our children about the costs of countering China. What costs are we willing to bear to counter China, and how can we justify them to the American public?

Third, prepare for a world where both the United States and China are strong and prosperous. How can we accept the fact that China will play a greater role in global affairs while preserving American interests?

One panelist stressed that normalizing competition with China not only does not preclude engagement, it demands it. Peaceful competition with China will require engagement on a variety of global challenges, among them AI ethics, arms control, peacekeeping, disaster relief, global health, as well as some commercial and academic partnerships.

Members of Congress disagreed on the specific threats that China poses to American interests. On one hand, some participants noted that U.S. foreign policy has long championed universal values that China's leaders oppose, and held that these values are essential to long-term U.S. peace and prosperity. Yet others raised concerns that facing down China would be difficult to justify to constituents whose foremost concerns are economic ones.

Members of Congress noted that we lack a historical paradigm to frame our understanding of these threats. Neither the Cold War, a competition between two superpowers with opposing worldviews and no economic ties, nor the 1970s and 1980s competition with Japan – an economic rival but military ally – apply to competition with China today. This makes "right-sizing" an American policy response to China more difficult.

Throughout the conference, Members of Congress broadly agreed that competing with China requires us to get our own house in order. Members pointed to the need to improve infrastructure, education, and government funding for research and development. Some Members argued that this should include instituting visa and immigration rules that preserve the U.S.'s advantage as a hub for global talent.

Participants noted that China's economic rise had unforeseen consequences for American workers, and that their impacts on workers' livelihoods persist today. One expert noted that tariffs will not bring relief to economically dislocated communities, but that other tools – including "place-based" policies, reform of the Earned Income Tax Credit, and partnerships between educational institutions and employers – can better help communities recover.

Members of Congress generally agreed on the need for the United States to reengage economically and diplomatically in the region. Many pointed to growing bipartisan support for the U.S. Import-

Export Bank and progress through the ARIA and BUILD acts. Some pointed to the need to bolster our diplomatic corps and train a new generation of talent with strong Chinese-language skills. Members broadly expressed their support for the U.S. alliance system and engagement with regional partners as a foundation of successful competition with China.

Conclusion

Participants left the conference with the sense that the possibility of long-term strategic competition with China will be a defining issue of the 21st century. The most consequential question facing policymakers now is how the United States should respond.

Though participants' viewpoints differed on this question, most recognized that a reset in U.S.-China relations now offers policymakers an opportunity for bipartisan action to define a strategy that serves long-term American interests.

THE NATIONAL COSTS OF HARMING QUALCOMM[1]

Orville Schell and David Teece

Director, Center on U.S.-China Relations, Asia Society;
Professor, Institute for Business Innovation, Haas School of Business,
University of California – Berkeley

As the U.S. and China careen toward an increasingly adversarial relationship, a national security question looms: Can our country maintain leadership developing, using, and deploying key technologies such as 5G, artificial intelligence and robotics? One important drama playing out in U.S. District Court in San Jose will help answer that question for 5G, the foundation of many other new technologies, in which the Sino-American contest is proxied by corporate entities — Huawei for China and San Diego-based Qualcomm for the United States.

Qualcomm stands accused by the Federal Trade Commission, with the active support of Apple and key testimony by Huawei, of overcharging for its industry-founding intellectual property backed by the alleged threat to withhold its industry-leading microprocessor chips. If Judge Lucy H. Koh's ruling, which could happen soon, goes against Qualcomm, a harmful blow could be dealt to the California tech company that has powered the United States' global competitiveness in wireless technology.

Qualcomm, one of America's most innovative companies, delivers the technologies underneath many of the smartphone features that consumers value and appreciate most, such as fast data rates, mobile video, GPS navigation, location tracking and more. A very large patent portfolio underpins, and protects, Qualcomm's vast investment in those technologies.

From its early days, Qualcomm followed the industry-standard practice of licensing these technologies to device-makers. Later, after Qualcomm started developing chips, Qualcomm adopted industrywide licensing practices that resulted in a reasonable policy that a user of its intellectual property, such as a device-maker, must have a Qualcomm patent portfolio license to buy Qualcomm chips. It is to this practice that the FTC has objected, claiming that Qualcomm's business model is anti-competitive.

Since by law the FTC regulates competitive conditions, not prices, the commission somewhat dubiously argues that Qualcomm has too much bargaining leverage against Apple and other device-makers, such as Huawei. For example, to reach this conclusion, the FTC arbitrarily segments the market for LTE chips into premium and nonpremium, confines its focus to the premium space where Qualcomm has been successful, then ignores the competitive forces at work in

[1] Originally published in the *San Francisco Chronicle*, February 7, 2019

that space, where Qualcomm faces competition not only from MediaTek, Samsung and Intel, but Huawei. (Ironically, Apple dialed down the performance of the Qualcomm chips it puts into its iPhones so that unlucky consumers who got an iPhone with an Intel chip inside wouldn't notice the slower speed relative to the equivalent Qualcomm-powered iPhones.)

California's tech companies, big and small, should shudder at the FTC's "tunnel vision" because highly innovative firms could easily be accused of monopoly in gerrymandered markets, possibly resulting in overturned business models. Bad theories leveraged against innovative firms do not make for sound antitrust policy nor, when those rivals are geopolitical stand-ins for large powers, for sensible national security policy.

Qualcomm's evident licensing aim is to get Apple — and all users of its technology, whether in America, Europe or in China — to pay for the use of that technology. Patents are not self-enforcing and Judge Koh (if not the FTC) should recognize that Qualcomm's business model is simply trying to get reluctant and recalcitrant infringers to pay a price sufficient to support the R&D investments needed to propel the industry forward. Without that support, the innovation will not be made in the USA. It is precisely here that an ill-conceived antitrust suit undermines national security.

The regulatory excess on display in FTC vs. Qualcomm would be less troubling if in March 2018 the Committee on Foreign Investment in the United States (CFIUS) had not already explicitly recognized, in blocking an acquisition of Qualcomm by Broadcom, that "a reduction in Qualcomm's long-term competitiveness ... would significantly impact U.S. national security." The judgment was that even though Broadcom was Singapore-based, the research contribution made by Qualcomm was simply too important to the U.S. national security to risk such offshore ownership. So now, what Broadcom could not do by acquisition, our own FTC may accomplish through a lawsuit.

There is little doubt that if Judge Koh enters an injunction dissolving Qualcomm's business model, which is what the FTC has requested, all licensees will cease paying their agreed-upon royalties, and Qualcomm will in short order be in financial distress. And with the FTC and CFIUS at odds and no institutional mechanism to iron out their differences, U.S. national interest may also become a victim.

In sum, it would be self-defeating, if an effort to resolve an ill-considered antitrust action ended by seriously compromising America's global competitiveness and national security interests, especially as our confrontations with China over tech theft, trade inequities, the South China Sea, Taiwan and myriad other issues show every sign of becoming more belligerent.

BUILDING A BETTER DEAL WITH CHINA[1]

Daniel Rosen and Scott Kennedy

Founding Partner, The Rhodium Group;
Director, Project on Chinese Business and Political Economy, CSIS

With Chinese vice premier Liu He coming to Washington, D.C. this week to engage in trade negotiations with his U.S. counterparts, this is an important time to take stock of the U.S.-China relationship, assess the goals of the talks, and chart a pathway forward.

The Problem

The old foundations of the U.S.-China commercial relationship have cracked, and a new basis for the two is still unsettled. For decades, bilateral trade and investment ties were on balance, mutually beneficial, and did not directly threaten U.S. national security. Losses in some U.S. manufacturing jobs were offset by gains elsewhere, lower prices for consumer goods lifted household buying power, and the economy broadly shifted away from low-margin activities that were migrating to China toward knowledge-intensive innovation upstream and high-value consumer services downstream. But over the last decade, that balance between benefits and challenges shifted. There are multiple reasons for this, but the most important is that China has altered its policy mix in ways that are inimical to market economies and the liberal international order they have built. Since 2012, China has reverted to reliance on state-led industrial policy to generate growth as successive marketization steps became more difficult.

For a time, statism seemed to deliver higher growth at least in China, but the required inducements extended to state-owned enterprises, and pliant domestic firms led to massive distortions at home and abroad that now erode the gains. Rather than create stability, intervention is simply leading to new and probably worse concerns about instability, as the tab for politicized lending comes due at home and resistance to distortions in competition coalesces abroad. In the United States and beyond there is a growing consensus—despite impolitic U.S. unilateralism—that Beijing must change course on economic governance.

Beijing's Choice

At their most recent presidential meeting in Argentina, the United States and China agreed to a 90-day timeline for reaching an agreement to resolve their differences. The debate over whether to expect a big deal, a small deal, an extension of negotiations, or a collapse of talks and a new wave of protectionist penalties has been unending. We believe there is a need to reconceptualize the goal of the process. The question is not whether China will become a market economy overnight and U.S.-China relations will return to "normal,"

[1] Originally published by the Center for Strategic and International Studies, January 28, 2019
link: https://www.csis.org/analysis/building-better-deal-china

but what kind of system China believes serves its interests and what sort of relationship with the United States that choice permits. Washington has already decided, after a debate that started in the previous administration but was largely settled under Team Trump, that the commercial relationship with China must be bounded both by fairness and the expanding needs of U.S. national security. If China wants maximum engagement with the United States, it needs to make substantial economic governance changes so that the division of benefits is far more symmetrical. If China prioritizes political engineering of its economy and firms, there is less scope for linkage with the United States. Beijing will do what it thinks is right for China, and Washington must be prepared for either outcome—or something in between. Think of a sliding scale: China will decide if it wants to converge with advanced economy liberal norms, and the United States will calibrate how engaged it can be in response. That is the basic equation on which an enduring U.S.-China deal must be built, whether this March, this year, or in the years to come.

Immediate Reforms and Long-Term Structural Changes

To the extent China wants a broad and extensive relationship, it will need to make structural reforms to its economy. Catching up on the reform and opening agenda will take time, after notable delays in recent years, but Beijing can make meaningful progress immediately. Above average tariffs on autos and other manufactured products can be normalized; foreign joint venture requirements can be eliminated (yes, now, and across every sector); China's negative list for inward direct investment can be cut by three-quarters to the advanced economy average; applications for U.S. banks in China to buy out their partners can be approved; licenses for Visa and Mastercard to offer electronic payment services and for Moody's, Standard & Poor's, and Fitch to issue domestic ratings in China can be issued; quotas on U.S. movies can be eliminated entirely; state-owned enterprises can be held to antitrust guidelines for mergers and acquisitions instead of shielded; industrial and agricultural subsidies can be capped and made available without discrimination to domestic and foreign firms (and fully reported to the World Trade Organization); and market access for U.S. companies in high value-added services including healthcare, education, logistics, cloud services, and e-commerce can be announced and expedited. If this looks like a run-on sentence, it is. It is far from comprehensive but describes the right degree of ambition for a negotiating outcome that would break the ice forming over the relationship.

These immediate changes would build goodwill and serve as a starting point for structural reforms to be implemented over years to come on a feasible schedule. Listing out all the elements of institutional and policy changes that Beijing will pursue if it is earnest about marketization would take hundreds of pages. Indeed, it has taken hundreds of pages, because this has been done before. The World Bank-State Council Development Research Center study China 2030, the Communist Party's 60 Decisions of the Third Plenum in 2013 and companion materials: these and other lengthy documents have elaborated what China needs to do to make the market work, and why. Rather than reiterate every micro-element of such a package, we recommend looking for decisive action to reform in three acid test areas that if done

right will flow down to the rest of the system.

First, the commitment to make the financial system commercially oriented instead of an extension of state planning must be made manifestly clear. That will be a long and challenging task, but it starts with an acknowledgment that the financial system is not operating in a wholly commercial or sustainable manner today.

Second, the essence of sustainable financial intermediation is increasingly about returns on investment in intellectual property. China has many years of hard structural work ahead to create healthy incentives to protect intellectual property rights (IPR). The formal basis of Washington's unilateral tariffs and action against China is a set of four arguments about technology and IPR. A serious structural outcome in these negotiations must include some agreement that if IPR is not better protected in China in practice, then restitution for the damage to private property will be necessary, and that abundant evidence of past patterns of pressure on foreign firms require a radical improvement in transparency and pathways for legal recourse today.

Third, Beijing needs to align its competition policy goals with the goal of protecting consumers instead of protecting producers. Even today Chinese officials talk about "excessive" competition as though it should be reduced until all incumbents are happy with their profitability. If China is serious about being pro-competitive, then national treatment for foreign-invested enterprises with regard to registration, market access, and other elements of regulation should take precedence over protecting domestic margins. Fears about "excessive" competition, price wars, and overcapacity should be addressed not by bureaucratic gatekeepers but by the discipline resulting from a commercially-based financial system and a competitive environment that rewards quality and penalizes poor performance. As the Chinese Communist Party avowed in the 60 Decisions manifesto issued early in the Xi era, reiterating an insight the leadership had stressed in 1993, China needs a "unified, open, competitive and orderly" market system that corrects defects plaguing the economy as a result of excessive government interference which suppresses marketization. Absolutely correct: now it needs to be visibly realized.

This set of three must-have elements is illustrative, not comprehensive. Myriad other commitments need attention, from non-discriminatory recognition of industrial standards, certification and testing, to the system of explicit and implicit subsidies to profit repatriation.

Enforcement and the Sliding Scale

Ultimately, the room for U.S. engagement with China should be calibrated to the degree of convergence with advanced economy norms and structural market reform Beijing intends. The duration and extent of interim safeguards and transition mechanisms should be geared to how much time China requires to implement that marketization, not an arbitrary timetable. It is no sin for China to require time to implement reforms; but nor is it benighted for the United States or any other market economy to maintain temporary safeguards to remedy distortions arising from China in the meanwhile. Such safeguard tools as a Transitional Review Mechanism (TRM) for the first five years after China's accession to the World Trade Organization (WTO) and a non-market economy pricing methodology for trade

remedy cases made compromises possible in the past and have a role in a deal today.

In the years following China's WTO entry, the United States focused its trade remedies narrowly on individual cases, not—given the seeming clarity of intentions China's WTO accession was understood at the time to convey—on larger questions of systemic directions. Alas, today we are told, even by some Chinese leaders, that we misconstrued China's future course; that we only wanted to believe that Beijing had a liberal model of market economics in mind. Regardless whether this is valid or revisionist, the United States must take a more holistic view of China's trajectory now to prevent such misunderstanding. If elements in China harbor hostile or predatory intentions toward liberal nations, the United States will take a series of self-protective steps far more hawkish than transitional safeguards, including restrictions on visas, educational and professional exchanges, technology sharing, and cooperation arrangements. These would add up to profound disengagement, and this outcome would be costly and unfortunate even if deemed necessary.

Measures of progress and compliance should not be based on subjective impressions or political passions but instead need to be rooted in objective data on the macroeconomy, the financial system, specific industries, and in some instances companies. To make an objective approach to the relationship possible improvements in the quality and transparency of economic statistics are essential. Economic data generally improved in past decades (as lengthy analyses have described), but presently that progress seems to be eroding. Reliable and transparent data is the wellspring both of Beijing's ability to trumpet its accomplishments, hence arguing for a sunset to safeguards, and of Washington's case that marketization is fading.

Escaping the Win-Lose Trap

We have laid out elements that add up to a successful U.S.-China trade negotiation. Success cannot mean winning or losing for either side. And the U.S. interest requires a wider set of options than simply yes, no, or never. A collapse of talks and escalation of tariffs and countermeasures is neither the first-best nor the worst outcome. It would destabilize both a China suffering from slowdown and sagging business confidence, a U.S. economy that won't enjoy a debt-financed fiscal stimulus forever, and the rest of the world left wondering what the future holds for almost half the global economy. A deal limited to Chinese purchases of U.S. products at the expense of other exporters, meanwhile, would just rearrange problems, not solve them. Closing the entire U.S.-China bilateral trade gap in just a few years is impossible; closing it without causing trade diversion from other nations' shipments of natural gas, soybeans, airplanes, and other products is not even half-possible. If the U.S.-China outcome is at the expense of other nations—especially our allies—or leaves China's structural economic problems unaddressed then it will dissolve within months.

The good news is that China needs to embrace a structural reform agenda as much as the United States and other advanced economies need to insist on it. China's entrenched interests will fight tooth and nail, but just as with WTO accession, China as a whole will benefit immensely from restored internal structural adjustment and external stability in its relationship with the United States and its other trading partners. Beijing will have a better

opportunity to make its economic transition sustainable and avoid the middle-income trap, and mitigate the difficulty of financial distress. For all sides, it is more important to get the right kind of deal than a superficial one based on false achievements.

The prospects are not black and white. Even if China is committed to marketization, it will take years to realize that intention, and we are all awake to the risk that consensus toward that end-point could slip along the way. A deal based on a sliding-scale principle will require U.S. flexibility: if China is ready to reform, Washington must temper plans for permanent disengagement in favor of transitional safeguards instead. If China is not prepared to do so, then the United States should accept that choice, however disappointing, and adjust accordingly with much less malice in mind and more focused self-interest.

CHINESE VIEWS OF INFORMATION AND IMPLICATIONS FOR THE UNITED STATES

Dean Cheng

Senior Research Fellow, The Heritage Foundation

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

How China Sees Information and Future Power

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

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

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

reform, led to the downfall of the other major Communist Party. Just as information is the currency of economic and military power, it is also the basis for political power.

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

To some extent, efforts at exerting this control are merely sustaining longstanding policies. The CCP has long demonstrated a willingness to employ extravagant lengths, such as the massive organizational infrastructure to support censorship, to limit that flow. However, because of the nature of the Information Age, including extensive interconnections and linkages across various information networks, the CCP cannot only control the flow of information **within** China. Instead, it must also control the flow of information **to** China.

This effort to control the external flow of information constitutes a fundamental, qualitative change in how nations approach information as a resource. Of course, states have long sought to shape and influence how they are portrayed. Nor is limiting access to outside information a new phenomena. However, the Chinese efforts, in light of their views of the qualitative changes wrought by the rise of the Information Age, are different in scale and scope. Controlling information now means limiting not just newspapers and television programs, but the functioning of the Internet, on a global scale.

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

But China's efforts are not limited to the technical side. The effort to influence, if not control, the functioning of the Internet extends to how the PRC looks upon the international system, including the governance of the international common spaces. **If the Chinese are going to control and influence information flow to China, then it will have to shape and mold the international structures which manage that information flow**. This is not to suggest that China is about to overthrow the current system. Chinese writings regularly note that the PRC is still in the period of "strategic opportunity," which China needs to exploit, if it is to improve itself, and elevate itself to the ranks of middle-developed powers.[1] Thus, China must continue to pursue policies of peaceful development and interaction.

As China has grown steadily more powerful, though, it has increasingly questioned the underlying international

[1] YUAN Peng, "China's Strategic Opportunity Period Has Not Ended," ***People's Daily Online*** (July 31, 2012). http://en.people.cn/90883/7893886.html; XU Jian, "New Changes in the Next Decade of China's Period of Strategic Opportunity," *Guangming Ribao* (October 30, 2013). http://cpc.people.com.cn/n/2013/1030/c83083-23372744.html; and ZHANG Yunling, "Deeply Considering the International Environment Confronting Our Nation's Period of Strategic Opportunity," *Seeking Truth* (December 18, 2015), http://theory.people.com.cn/n1/2015/1218/c83846-27946374.html

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

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

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

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

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

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

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

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

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

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

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

How Chinese Conclusions Will Shape Chinese Actions

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

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

This will likely be reinforced by the high priority accorded informationization in general. While various senior level efforts have been halting at times, Xi Jinping has

clearly made informationizing China a major policy focus. Insofar as the Chinese see their future inextricably embedded in the Information Age, these efforts will enjoy highest level support, with efforts to reduce stove-piping and enhance cross-bureaucracy cooperation. This, in turn, will mean not only greater cooperation within the military, but also between the military and the other national security bureaucracies, as well as with the larger range of Chinese ministries, and both public and private enterprises.

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

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

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

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

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

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

During the early years of the PRC, Chinese legal development was influenced by the Marxist perspective that the "law should serve as an ideological instrument of politics."[2] Consequently, the CCP during the formative years of the PRC saw the law in the same terms as imperial China. The law served as essentially an instrument of governance but not a constraint upon the Party, much less the Great Helmsman, Mao Zedong. In any case, the Party exercised rule by decree, rather than through the provision of legal mechanisms. Mao himself, during the Cultural Revolution, effectively abolished both the judiciary and the legal structure.[3] Since Mao's passing, while there have been efforts at developing a body of laws, most have been in the area of commercial and contract law. Moreover, the law remains an instrument that applies primarily to the masses as opposed to the Party, i.e., the law exists to serve authority, not to constrain it.

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

Consequently, Chinese efforts to dominate information space strive not only to control the flow of information, but to delegitimize the idea of the information realm as a shared space, accessible to a variety of groups. Chinese authorities have striven to limit the role of non-state players in setting the rules for the Internet. At the same time, it has also sought to limit the access of dissidents, Taiwan political authorities, Tibetan activists, and others who have tried to oppose China's position to not only Chinese audiences, but global ones. Given the Chinese leadership's view of the existential threat posed by information (whether inside or outside China), such efforts are perceived as defensive efforts aimed at preserving the regime.

China is likely to pursue a form of informational isolationism. The Chinese solution to the challenge of information vulnerability is to restrict the flow of information. This is not intended to replicate the extreme North Korean form of isolation, but to align information flows ideally "with Chinese characteristics." Indeed, Beijing strives to make itself informationally autarkic, wholly self-

[2] Eric W. Orts, "The Rule of Law in China," ***Vanderbilt Journal of Transnational Law*** (January 2001).

[3] Murray Scot Tanner, ***The Politics of Lawmaking in China*** (Oxford, UK: Clarendon Press, 1999), p. 43, and Dwight Perkins, "Law, Family Ties, and the East Asian Way of Business," in ***Culture Matters***, ed. by Lawrence E. Harrison and Samuel P. Huntington (NY: Basic Books, 2000), p. 235.

dependent in terms of information access, information generation, and information transmission. Thus, the PRC has created Chinese versions of information companies, is pursuing a homegrown semiconductor industry to substitute for imported computer components, and otherwise tries to limit informational access to and from China.

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

It is important to note, however, that this isolationism does not mean closing China off from the rest of the world's information. Reports that China actively redirects and hijacks entire segments of the Internet to Chinese servers (presumably for later examination and analysis) highlight that Chinese leaders want to control what comes into China, not simply exclude it.[4] As important, they are willing to undertake actions that affect, and could alienate, many other states and actors in pursuit of this end.

Implications for American Policy Makers

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

The United States and China Are Competing

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

There is a recognition among various key decision-makers that China is one of the foremost security competitors of the United States. The 1999 Cox

[4] Chris Demchak, Yuval Shavitt, "China's Maxim – Leave No Access Point Unexploited: The Hidden Story of ChinaTelecom's BGP Hijacking," *Military Cyber Affairs* (Vol. 3 : Iss. 1, 2018).

Commission report, the annual Worldwide Threat Assessment provided by the Office of the Director of National Intelligence, and the annual DOD report to Congress on China, all make clear that China is increasingly challenging American security constructs in the western Pacific and globally. This involves not only Chinese development of an array of new capabilities in its armed forces, but in the realm of information warfare capabilities.

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

The United States and China Are Competing Orthogonally

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

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

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

Part of this difference is rooted in the fundamentally different historic circumstances that frame the contexts for Chinese and American decision-makers. As noted earlier, East and West have radically different perspectives on the role and nature of law, whether it constrains authority or not. Similarly, the United States, for example, ultimately believes in the free flow of information. The Constitution and the rights enshrined therein essentially guarantee a minimum of governmental interference in the transmission of information, such as through freedom of the press, freedom of

[5] It is useful to examine the evolution of this joint publication, from the 1998 version (then entitled ***Joint Doctrine for Information Operations***), through the 2006, 2012, and 2014 revisions. Joint Chiefs of Staff, ***Information Operations***, Joint Publication 3-13 (Washington, DC: Office of the Joint Chiefs of Staff, 2014). http://www.dtic.mil/doctrine/new_pubs/jp3_13.pdf

expression, and freedom of assembly. As important, there has long been a role for a robust civil society in the West's more liberal conception of the interplay between state and society. The very recognition that the two are discrete elements, distinct from each other, reflects this core concept.

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

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

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

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

The Competition Is All-Encompassing

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

Moreover, from Beijing's perspective, determining who controls the flow or information across the globe and who has access to that information is not only a fundamental national security issue, but one touching on regime survival. The United States subscribes to the view that

there are multiple legitimate stakeholders in determining who should have access. This is reflected in the American support for the Internet Corporation for Assigned Names and Numbers (ICANN), and its inclusive stance on who gets to participate in the rules-setting regime. The free flow of information does not affect the fundamental stability of the United States or its institutions.

For the Chinese leadership, allowing such a wide variety of groups to have unfettered access to the dissemination of information necessarily poses a fundamental threat. Information can not only affect China's future security, but more importantly, it **will** affect the CCP's ability to retain power. In the first place, if this divergence is left unchecked, then there will be a proliferation of potential sources of information. This would make it virtually impossible for the PRC to limit its flow. As important, the greater the variety of players providing information, the more likely that it will include sources such as religious groups, separatists, and dissidents. That, in turn, would begin to make such groups, and their messaging, appear legitimate to Chinese audiences, and therefore pose a greater challenge to the CCP.

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

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

At the same time, there will likely be a growing effort to deny adversaries the ability to collect comparable information about their Chinese counterparts. American and other states' intelligence gathering operations are likely to be major targets for physical, technical, and political interference. The Chinese island-building activities in the South China Sea, for example, are likely to lead to the creation of an air defense identification zone which, in turn, will serve to exclude American reconnaissance aircraft from patrolling

easily off China's shores. Similarly, the ability to engage in a variety of jamming and dazzling behavior against space systems will compel adversaries to consider carefully when (and whether) they will employ their satellites to observe the PRC. If gaps emerge in coverage, that, in turn, will afford Chinese military forces opportunities to engage in more effective denial and deception operations.

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

The Competition Will be Intensifying—and Militarizing

None of this means that Chinese efforts at establishing strategic information dominance in peacetime will be abating. Indeed, if the Chinese economy slows down, and if this leads to greater internal unrest, then the Chinese are likely to **intensify** their efforts to control the global information space. This will be in order to minimize the ability of outsiders to influence, exacerbate, or exploit the domestic discord. At the same time, they will also be even more restrictive on the Chinese domestic information scene, for the same reason—to limit the potential for more widespread dissent and disruption.

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

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

WHOSE SIDE IS TIME ON? CHINA'S PERCEPTIONS/MISPERCEPTIONS OF CROSS-STRAIT RELATIONS[1]

Yun Sun

Director, China Program, The Stimson Center

On Jan. 2, 2019, Chinese President Xi Jinping delivered a major policy speech to commemorate the 40th anniversary of the Message to Compatriots in Taiwan. The speech is widely interpreted as Xi's policy platform for cross-strait relations for years, or even decades, to come. While Beijing's statements on Taiwan policy have been relatively consistent, the speech and Chinese interpretations of it suggest key perceptions and misperceptions that will have major implications for cross-strait relations.

Use of Force, or Else?

First, despite speculation that Xi is more ready to use force for the purpose of unification, in fact, he is not. The speech did not change the mainland's line on "not abandoning the use of force." The language used is almost identical to former President Jiang Zemin's 1995 Eight-point Proposal for the Development of the Cross-Straits Relations and the Promotion of Peaceful Reunification. It is also consistent with former President Hu Jintao's call to "prepare to fight, seek to talk, don't be afraid to delay." Hu was more patient in his 2008 speech to commemorate the 30th anniversary of the Message to Compatriots in Taiwan, which did not mention "use of force." That patience is widely attributed to positive expectations on cross-strait relations following the inauguration of the Ma Ying-jeou government earlier that year, a luxury Xi does not enjoy today. Xi also sticks to the term "peaceful development," emphasizing "peaceful," suggesting continuation rather than a change of position.

However, there should be no mistake that Xi is keeping the threat on the table. His declaration that "the Chinese will not fight the Chinese" makes it clear that if Taiwan pursues independence and the Taiwanese are no longer Chinese, war will not be off limits. According to Xi, only Beijing has the authority to identify so-called "Taiwan independence separatists" and their separatist activities. Beijing wants to be both the referee and a player at the same time. That is self-serving and harmful for future solution of the issue.

Beijing Navigating Taiwan Politics

The most significant policy adjustment in Xi's speech lies in its call to look beyond the Democratic Progressive Party (DPP) for discussion on the future of unification and cross-strait relations. Xi calls for "political parties and all sectors on both sides of the Strait [to] recommend

[1] Originally published in the Pacific Forum, February 21, 2019

representatives to conduct extensive and in-depth democratic consultation on cross-strait relations and the future of the nation and establish institutional arrangement for peaceful development of cross-strait relations." The mainland is apparently encouraged by the result of Taiwan local elections last November, which confirmed to Beijing that the DPP's popularity has waned. The mainland seeks out new political forces in Taiwan that do not necessarily share the DPP's agenda. Although the November election did not focus on cross-strait relations, those new political forces will become Beijing's engagement target. For example, the reelection of Taipei mayor Ko Wen-je, an independent, has raised great interest in the mainland about his political ambitions in the 2020 presidential election and the acceptability/compatibility of his cross-strait policy.

The problems with this formula are many. Apparently, the DPP is excluded from the so-called democratic consultation, yet it continues to represent a significant portion of the Taiwan population. By dropping the DPP from this discussion, Beijing is also excluding those Taiwanese that the DPP represents from participating in a decision on their future. No politician in Taiwan can embrace such a framework without being delegitimized.

According to Chinese government interlocutors, Beijing has given up hope on possible and meaningful engagement with the Tsai administration. It no longer believes it can convince President Tsai to embrace the 1992 Consensus and the One China principle. And any move to engage her government on an official level at this point will be perceived as a retreat by Beijing from the 1992 Consensus. Beijing will likely enhance efforts on both "peaceful development" to extend economic benefits to win over Taiwan's public opinion as well as on military preparedness to prevent any risky moves by Tsai.

That Xi's speech has boosted President Tsai's popularity is dismissed by the mainland. This could be because officials and experts feel a need to defend Xi's authority and deny any unexpected consequences from his speech. A more likely explanation is that Beijing is making the calculated risk to control damage and project a new strategic direction. It has insisted on concessions and reassurances from Taiwan, which is smaller and weaker than the mainland in every sense. The irony is that China also insists that the U.S. should be the first to make concessions and reassurances to North Korea in denuclearization talks because "North Korea is much weaker and thus the U.S. has material advantages, and hence the moral obligation to reassure Pyongyang."

Xi's speech messaged a demand for clarity on a broad range of issues. Some argue this is disruptive and destabilizing because ambivalence or ambiguity has sustained the status quo. However, from the mainland's perspective, ambiguity only works for China when the Taiwan government is cooperative and willing to embrace the One China principle. In contrast, when the DPP government is seen as detrimental to the mainland's agenda, ambiguity provides cover for "harmful maneuvers" by the Tsai administration and undermines Beijing's interests. This perception prioritizes China's need to push Taiwan but disregards the strain on cross-strait relations, and more importantly, on U.S. policy, which emphasizes retention of the status quo. Beijing's push to tilt the balance publicly and boldly does not promote stability.

Why the Notorious One Country, Two Systems?

There is a major disagreement between China and the rest of the world as to whether Xi equated the 1992 Consensus with the One Country, Two Systems (1C2S) formula. Taiwanese and foreign observers believe that he did. Mainland experts insist that Xi's exact words—"peaceful unification and One Country Two Systems are the best approach to national unification"—do not exclude other arrangements. The dual message is that peaceful unification and IC2S are seen by the mainland as the best, but not the only, option, which leaves room for other non-peaceful means and other political arrangements.

Although the Chinese blame the "social stigma" associated with the 1C2S on Taiwanese politicians, they are deluding themselves if they believe this. Almost all Chinese interlocutors privately acknowledge the disastrous results of 1C2S in Hong Kong and Macao. However, Xi's resort to 1C2S and the invocation of Deng Xiaoping's authority to formulate his own Taiwan policy is politically safe. Given the domestic economic slowdown and the deterioration of China's external relations, Xi cannot afford to make a new and untested proposal on Taiwan without full confidence in its result.

The Chinese often forget that when Deng first proposed 1C2S in the early 1980s, Taiwan was not a democracy and the vision was for the coexistence of two authoritarian systems based on a political deal. The attempt to place a democratic society under the governance of an authoritarian system has only led to the erosion of the former and forced a clash as has occurred in Hong Kong.

Mainland interlocutors sometimes express a willingness to explore arrangements other than 1C2S, or say that "everything can be discussed." (In recent conversations, it was reiterated that the mainland will embrace "any negotiations in any format about any unification formula with Taiwan under the One China principle.") That is just glaring hypocrisy. Beijing considers Hong Kong, Macao, and a reunified Taiwan as constitutionally subordinate entities. No one, Chinese or Taiwanese, expects the mainland to treat Taiwan as a true equal in such negotiations. If they did, 1C2S would not be unilaterally imposed by the mainland. Chinese analysts have been vocal about the widening power gap between the mainland and Taiwan in the past decade, particularly since Xi assumed power. In the Chinese policy playbook, negotiations are decided by the power equilibrium between the mainland and Taiwan. Chinese conclude that Taiwan's best chance to negotiate a deal with the mainland only exists when it can leverage support from the U.S. against the mainland.

Whose Side is Time On?

For the mainland, the solution to the Taiwan issue does not lie across the Taiwan Strait, but across the Pacific Ocean. Chinese insist Taiwan harbors three illusions about its future: that democracy can solve Taiwan's problems; that the mainland will collapse; and that the U.S. will always come to Taiwan's defense. For the Chinese, the first two have been exposed as false and the last remains to be seen. This is the single most important Chinese perception/misperception about the Taiwan issue: that it is not about Taiwan or its people. The Chinese believe that as the balance of power shifts between China and the US, there will be a day when the U.S. is exhausted by its commitment in a region far from its homeland and decides to withdraw after a grand bargain with China. That doesn't mean that China will immediately

use force to take over Taiwan; but it does mean that the Chinese believe that the political will of Taiwan to negotiate with the mainland will not emerge unless the U.S. leaves and Taiwan has no other option.

These perceptions lead China to reach the exact opposite conclusion on the essential question of whose side is time on? While the world sees Taiwan public opinion moving away from unification, the mainland has a paradoxical and confounding confidence that time is on its side. As they see it, the critical card is not in Taipei's hand, but in Washington's. While the U.S. searches for a grand strategy in the region, it is essential to remember that China is waiting and Taiwan's fate is on the line.

XI'S GLOBAL AMBITION*

Elizabeth Economy

C.V. Starr Senior Fellow and Director, Asia Studies,
Council on Foreign Relations and Visiting Distinguished Fellow,
Hoover Institution, Stanford University

Chinese President Xi Jinping may well be tempted to take a victory lap. Within his first five years in office, he has upended thirty years of a Deng Xiaoping-led model of reform and opening up to create his own model of Chinese politics. In his drive to realize the "great rejuvenation of the Chinese nation," he has moved away from Deng's consensus-based decision-making to consolidate institutional power in his own hands, deepened the penetration of the Chinese Communist Party (CCP) into Chinese political, social, and economic life, constrained the influence of foreign ideas and economic competition, and left behind Deng's low-profile foreign policy to pursue a far more ambitious and expansive Chinese presence on the global stage.

And yet, the mood in Beijing is far from victorious. As Xi begins his second five-year term as CCP General Secretary and soon as president as well, there is mounting concern that the model's very successes are becoming liabilities. Xi's power grab has alienated party elders and many in China's intellectual and business elite.[1] Too much party control is contributing to a stagnant economy and societal discontent. Moreover, too much ambition has cooled the initial ardor of many in the international community for Xi's vision of a new global order "with Chinese characteristics." Xi, himself, has given few signals publicly that anything has gone awry; the first speeches of his second five-year-term suggest he is mostly doubling down on the current model. Yet without a course correction, Xi and his model may soon begin to stumble.

The Xi Model

Xi's accomplishments to date are undeniable. His efforts to consolidate institutional power received a significant boost in March 2018, when he successfully maneuvered to eliminate the two-term limit on the presidency, ensuring that he could continue to hold three of the most powerful positions—CCP General Secretary, Chairman of the Central Military Commission, and President of the country—at least through 2027, if not beyond.[2] His anti-corruption campaign also continued to gain steam: In 2018, 621,000 officials were punished for corruption, a marked increase over the 527,000 detained in 2017.[3] And dozens of

* The following paper draws from a forthcoming article in *Foreign Affairs*

[1] Li Yuan, "China's Entrepreneurs Are Wary Of its Future," *New York Times,* February 23, 2019, https://www.nytimes.com/2019/02/23/business/china-entrepreneurs-confidence.html.

[2] James Doubek, "China Removes Presidential Term Limits Enabling Xi Jinping to Rule Indefinitely," *NPR*, March 11, 2018, https://www.npr.org/sections/thetwo-way/2018/03/11/592694991/china-removes-presidential-term-limits-enabling-xi-jinping-to-rule-indefinitely.

[3] "China Focus: China's Anti-Graft Campaign Keeps Crushing the Corrupt," *Xinhua*, January 10, 2019, http://www.xinhuanet.com/english/2019-01/10/c_137734283.htm.

universities have raced to establish new institutes and departments devoted to the study of Xi Jinping thought. [4]

Under Xi's leadership, the Party now has eyes everywhere—literally. As many as 200 million surveillance cameras contribute to control the population—both to reduce crime and to prevent social unrest.[5] The surveillance technology will also play an essential role in the 2020 national rollout of the country's social credit system, which will evaluate people's political and economic trustworthiness, and reward and punish them accordingly. On the economic front, the Party has extended its reach into 70 percent of all private enterprises and joint ventures through the establishment of party committees and tasked them with ensuring that Beijing's political and economic interests are advanced.[6] In one case, for example a newly- empowered party committee demanded that a German multinational (in a joint venture) invest in an economically impoverished region to help local development. The multinational successfully pushed back, but the European head expects that more such demands will be forthcoming.

Beijing's efforts to constrain influence from the outside have also been successful. Foreign television content has been slashed; the free flow of information via the Internet is increasingly constrained as Beijing widens the scope for what is considered threatening to national security; and in the wake of the January 1, 2017 Law on the Management of Foreign Non-Governmental Organizations, the number of foreign NGOs operating in China has fallen from more than 7,000 to under 400.[7] Made in China 2025—China's effort to protect its domestic firms in ten areas of critical cutting-edge technology—will also make it more difficult for multinationals to compete. In Sichuan province, for example, the local government has passed a regulation that prevents hospitals from being reimbursed for operations and procedures unless they use Chinese-manufactured medical devices (for fifteen types of devices).[8]

Ambitious and Expansive Abroad

Xi's efforts to transform politics and economics at home have been matched by equally dramatic moves to establish China as a global power. His call for the "great rejuvenation of the Chinese nation" is not only about rebuilding the domestic political, economic, and military wherewithal of the country but also about reclaiming China's centrality on the global stage. Thus, even as Xi's policies at home constrain opportunities for the international community to engage within China, he seeks to project Chinese values, priorities, and policies globally to expand China's economic, political, and security influence and power. Xi's China is an illiberal state seeking leadership in a liberal world order.

The reunification of China, including Taiwan, Hong Kong, and the South China Sea, is a central element of Xi's rejuvenation narrative, and he has

[4] Te-Ping Chen, "Reading, Writing and Xi Jinping Thought: China's Students Learn Leader's Philosophy," *Wall Street Journal*, March 23, 2018, https://www.wsj.com/articles/reading-writing-and-xi-jinping-thought-chinas-students-learn-leaders-philosophy-1521797406.
[5] Paul Mozur, "Inside China's Dystopian Dreams: A.I., Shame and Lots of Cameras," *New York Times,* July 8, 2018, https://www.nytimes.com/2018/07/08/business/china-surveillance-technology.html.
[6] Catherine Tai, "China's Private Sector is Under Siege," *The Diplomat,* December 22, 2018, https://thediplomat.com/2018/12/chinas-private-sector-is-under-siege/.
[7] "How Many Foreign NGOs Have Registered Offices in China and Where Are They?," *ChinaFile China NGO Project,* May 3, 2018, http://www.chinafile.com/ngo/faq/how-many-foreign-ngos-have-registered-offices-china-and-where-are-they.
[8] Tom Hancock, "Multinationals Lose Ground in China's Medical Devices," *Financial Times,* May 27, 2018, https://www.ft.com/content/ea032bba-5f33-11e8-9334-2218e7146b04.

established 2049 as a soft target date for the completion of that process.[9] Over the past six years, Xi has moved from staking claims around sovereignty in the South China Sea, Hong Kong, and Taiwan, to realizing them. He has successfully militarized seven artificial features in the South China Sea and, in January 2019, a Chinese naval official suggested that China might "further fortify" the islets if it feels threatened.[10] Beijing and ASEAN are working toward a South China Sea code of conduct, but Chinese demands, such as excluding participation by non-ASEAN or Chinese multinationals in oil exploration and barring participation by foreign powers in military drills unless agreed to by all signatories to the code, are slowing progress.[11]

Xi has also increased the mainland's political and economic control over Hong Kong by banning a pro-independence political party, buying up the island's bookstores and purging them of any books critical of the mainland, and calling on the Hong Kong media to resist pressure from "external forces" to criticize or challenge Beijing."[12] A vast economic development plan that was announced in February 2019—the Greater Bay Area—will integrate Hong Kong even more closely to the mainland.[13]

In addition, Beijing has adopted a range of coercive economic and political policies to advance its sovereignty claims over Taiwan, including: successfully persuading multinationals to avoid recognizing Taiwan as a separate entity, convincing five countries to switch their diplomatic recognition from Taiwan to the mainland, cancelling cross-straits dialogue since the 2016 election of Taiwan president Tsai Ing-wen, reducing tourism to the island, and, reportedly, meddling in Taiwan's local elections in December to help ensure the victory of their preferred candidates. At the same time, Beijing has also offered incentives to Taiwanese students and businesses to encourage them to move to the mainland.[14]

The Chinese leadership has also sought to extend its political, economic, and security influence beyond its immediate neighborhood. This is understandable. Ensuring supply lines for natural resources and other goods requires not only a well-organized trade and development agenda but also an ability to protect those supply routes. The Chinese also no longer want to be passive recipients of information from the outside world; they want to shape that information for consumption at home and abroad. Xi's most noticeable gambit, in this regard, is his Belt and Road Initiative (BRI), a modern incarnation of the ancient Silk Road and maritime spice routes. Launched

[9] Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era," October 18, 2017, http://www.xinhuanet.com/english/download/Xi_Jinping%27s_report_at_19th_CPC_National_Congress.pdf/.

[10] Christopher Bodeen, "Why a Chinese Officer Said South China Sea Island Fortification is Driven By 'Threats,'" *Navy Times,* January 9, 2019, https://www.navytimes.com/news/your-navy/2019/01/09/why-a-chinese-officer-said-south-china-sea-island-fortification-is-driven-by-threats/.

[11] Ankit Srivastava, "ASEAN to Devise Code of Conduct on South China Sea," *The New Delhi Times,* February 4, 2019, https://www.newdelhitimes.com/asean-to-devise-code-of-conduct-on-south-china-sea/.

[12] David Tweed, "China Urges Hong Kong Media to Work Against 'External Forces'," *Bloomberg*, October 19, 2018, https://www.bloomberg.com/news/articles/2018-10-19/china-urges-hong-kong-media-to-work-against-external-forces.

[13] Tony Cheung and He Huifeng, "China's State Council Reveals Details of Greater Bay Area Plan to Turn Hong Kong and 10 Neighbouring Cities into Economic Hub," *South China Moring Post*, February 19, 2019, https://www.scmp.com/news/hong-kong/politics/article/2186569/chinas-state-council-reveals-details-greater-bay-area-plan.

[14] Russell Hsiao, "China's Intensifying Pressure Campaign against Taiwan," *Jamestown China Brief,* June 19, 2018, https://jamestown.org/program/chinas-intensifying-pressure-campaign-against-taiwan/.

in 2013, the undertaking is a grand-scale connectivity plan that now encompasses as many as 1,500 projects—more than 80 percent of which are contracted to Chinese firms—and extends beyond Asia, Europe, and Africa to include Latin America. In addition to constructing hard infrastructure—ports, railroads, highways, and pipelines—China is pursuing a digital BRI, including fiber optic cables, satellite systems, and e-commerce. Although it has yet to realize success, Beijing also hopes that the BRI will encourage greater adoption of the Chinese currency in global trade.[15]

There is also a security component to the BRI. Beijing maintains control or has controlling stakes in at least 76 ports and terminals in 34 countries. And despite Beijing's claims that the ports are for commercial purposes only, in Greece, Pakistan, and Sri Lanka, Chinese port control has been followed by high-profile visits from Chinese naval vessels.[16] The People's Liberation Army has established a logistics base in Djibouti, and according to one military official, expects as many as one hundred overseas bases in the future. Indeed, across a number of metrics, China is rapidly enhancing its position as a leading security power: China has developed extensive training programs for foreign military officers, is the third largest source of global arms sales after the United States and Russia; and conducted 20 bilateral or multilateral military exercises in 2017.[17]

Strikingly, Xi Jinping has also suggested that the "China model" might offer a different path forward for countries disenchanted with the western model of market democracy. In 2018, Beijing conducted two and three-week courses on censorship and surveillance for officials from dozens of countries, and sent officials to countries such as Uganda and Tanzania to train their counterparts on how to control the media and manage civil society.[18] Overall China has exported its surveillance system to eighteen countries and assisted thirty-six countries in developing the capacity to repress free speech.[19] In a less overt form, China also extends political and cultural influence globally through its Confucius Institutes, Chinese Students and Scholars Associations, and think tanks. While nominally cultural and educational organizations, all these institutions must be responsive to Beijing's political priorities.

Finally, Xi Jinping has sought to establish new institutions to support China's position as a regional and global leader and make international norms and institutions more directly reflect Chinese values and interests.[20] He has called explicitly for China

[15] "Belt and Road Tracker," *MERICS*, July 6, 2018, https://www.merics.org/en/bri-tracker/methodology.
[16] David Shullman, "Protect the Party: China's Growing Influence in the Developing World," *Brookings Institution,* January 22, 2019, https://www.brookings.edu/articles/protect-the-party-chinas-growing-influence-in-the-developing-world/.
[17] Steve Mollman, "China's Growing Power Is Bringing Military Drills Center Stage in Asia," *Defense One,* August 23, 2018, https://www.defenseone.com/threats/2018/08/chinas-growing-power-bringing-military-drills-center-stage-asia/150765/.
[18] Adrian Shahbaz, "Freedom on the Net 2018: The Rise of Digital Authoritarianism," *Freedom House,* https://freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism.
[19] Sheridan Prasso, "China's Digital Silk Road Is Looking More Like an Iron Curtain," *Bloomberg,* January 10, 2019, https://www.bloomberg.com/news/features/2019-01-10/china-s-digital-silk-road-is-looking-more-like-an-iron-curtain.
[20] On the financial front, China has helped create the New Development Bank as well as the Asian Infrastructure Investment Bank. In trade, it has pushed the Regional Comprehensive Economic Partnership, a trilateral free trade agreement with Japan and South Korea, and the Free Trade Area of the Asia Pacific. In addition to the already existing Shanghai cooperation Organization, a Chinese-led security institution that includes Russia, India, Iran, and the four Central Asian states, Xi has proposed a new Asia Pacific security structure that would exclude the United States. Speaking at a conference in 2014, Xi famously stated: "It is for the people of Asia to run the affairs of Asia, solve the problems of Asia, and uphold the security of Asia." Xi also places importance on institutions that place China in a leadership role within regions outside Asia, such as China's engagement with regions as a whole,

to "lead in the reform of global governance."[21] In some instances, such reform may be additive to the current international order, such as the establishment of the Asian Infrastructure Investment Bank, which operates according to existing international norms. In other arenas, such as human rights or Internet governance, China proposes ideas and arrangements that are antithetical to those of the United States. And China's promotion of a "community of common destiny" is at heart a call for the end of the U.S.-led system of alliances.

With Great Power, Comes Great Problems

Yet it may be that the Xi model—fully realized—is simply too much of a good thing. Too much party control—and perhaps consolidation of power into Xi's hands—has contributed to economic stagnation. The constant stream of often competing directives from Beijing has produced paralysis at the local level. When Beijing's demand for deleveraging, for example, was replaced with a demand for banks to boost lending and localities to boost spending, local leaders resisted. They borrowed but would not spend, afraid to deepen a credit burden, for which they ultimately would be held responsible. The Chinese economy is slowing: one Chinese professor reported that an internal government study concluded that it grew only 1.67 percent in 2018.[22] And the 2018 birthrate, which correlates closely with economic growth and consumer optimism, hit the lowest level since 1961.[23]

Societal discontent also continues to flare and new forms of protest are emerging. Traditional protests around the environment or inadequate wages or pensions have been supplemented by broad social movements that cross age, gender, and class, such as those advocating feminist and LGBTQ rights. Several multi-province strikes by workers, including those in food delivery, van delivery, and crane operations also speak to broad economic discontent.[24] And a nationwide trucker strike in summer 2018 hinted at the potentially enormous disruptive force of the emerging gig economy on the Chinese workforce.[25] Most troubling to Xi, however, was likely the news that Chinese university Marxist groups were converging on Shenzhen's Jasic Technology plant to stand beside workers and retired party cadres workers to support the workers' efforts to organize independent labor unions. The protest was quickly shut down, but the moral legitimacy of its demands remains to be addressed.[26]

The international community is also raising concerns over the excesses of the Xi model. The deepening penetration of the party into Chinese enterprises, for example, has caused all Chinese companies to be viewed as extended arms of the CCP. There

---

such as Forum on China-Africa Cooperation, 16+1 framework in Europe, and partnership with the Community of Latin America and Caribbean states (CELAC).

[21] "Xi Says China Must Lead Way In Reform of Global Governance," *Reuters*, June 23, 2018, "https://www.reuters.com/article/us-china-diplomacy/xi-says-china-must-lead-way-in-reform-of-global-governance-idUSKBN1JJ0GT."

[22] "Politics Watch: Xi's Reform Anniversary Speech Signals Political Crisis in China," *SinoInsider*, December 17, 2018, https://sinoinsider.com/2018/12/politics-watch-xis-reform-anniversary-speech-signals-political-crisis-in-china/.

[23] Echo Huang, "China in 2018 Saw Its Fewest Births in More than Half a Century," *Quartz*, January 21, 2019, https://qz.com/1529170/china-in-2018-saw-its-fewest-births-in-more-than-half-a-century/.

[24] Brian Hioe, "Trucker's Srike the Latest Multi-Province Strike in China?," *New Bloom*, June 19, 2018, https://newbloommag.net/2018/06/19/truckers-strike-china/.

[25] Viola Rothschild, "China's Gig Economy Is Driving Close to the Edge," *Foreign Policy,* September 7, 2018, https://foreignpolicy.com/2018/09/07/chinas-gig-economy-is-driving-close-to-the-edge/.

[26] Jenny Chan, "Shenzhen Jasic Technology: the birth of a worker-student coalition in China?," *Hong Kong Free Press*, September 1, 2018, https://www.hongkongfp.com/2018/09/01/shenzhen-jasic-technology-birth-worker-student-coalition-china/.

is no longer any confidence that a Chinese company—private or not—could resist a CCP directive. The current international debate around the adoption of technology by Chinese national champion Huawei in countries' critical infrastructure in part reflects such an assessment.[27] In addition, Chinese policies, including the enormous subsidies provided Chinese state-owned enterprises, widespread intellectual property theft, coerced technology transfer, and China's Made in China 2025 program have encouraged a number of countries to push back against an uneven playing field.

Xi's BRI ambitions are also encountering new roadblocks. Mounting levels of debt, as well as environmental, labor, and governance concerns, have caused Malaysia, Myanmar, Pakistan, Bangladesh, and Sierra Leone, among others countries, to reconsider previously arranged deals. Roughly one-third of the projects in terms of overall value have been stayed or cancelled. Even experts within China question the wisdom of the country's foreign investment operating principles; many of the large SOEs driving the BRI projects are dramatically increasing their debt to asset ratios—well beyond those incurred by other countries' firms.[28]

And Xi's efforts to project Chinese soft power have fallen flat. Xi's coercive approach to Taiwan has only contributed to alienate further the island's citizens; and Beijing's treatment of its Uighur Muslim population in Xinjiang[29] and abduction of foreign citizens in China, such as the Swedish citizen Gui Minhai or Canadians Michael Kovrig and Michael Spavor[30], undermine its efforts to shape a positive narrative of its international engagement and leadership. In addition, Beijing's mobilization of its overseas students globally to protest visits by the Dalai Lama, inform on Chinese studying abroad who do not follow the CCP line, vociferously represent the government's position on sensitive issues such as Hong Kong and Taiwan[31], and, in rare cases, steal technology from the university labs in which they work[32], has led to a backlash in a number of countries, including Australia, Canada, and the United States.

Xi 2.0

In his description of leadership, Xi Jinping is fond of using the analogy of a relay race: a baton is passed from one runner to the next and each runner builds upon what has come before but also delivers his own contribution. With the baton in Xi's hand, the Chinese government now possesses far more reach and influence at home and abroad. And Xi is playing a long game. Yet the externalities of Xi's model, such as local government paralysis, declining birthrates, weak soft power, and growing international economic backlash, among others, are also beginning to impinge on Xi's ability to cross the finish line. Xi may well be coming to the point

[27] Joe Panettier, "Huawei Banned in Which Countries?," Channel *E2E,* February 19, 2019, https://www.channele2e.com/business/enterprise/huawei-banned-in-which-countries/.
[28] James Kynge, "China's Belt and Road Projects Drive Overseas Debt Fears," *Financial Times,* August 7, 2018, https://www.ft.com/content/e7a08b54-9554-11e8-b747-fb1e803ee64e.
[29] "'Eradicating Ideological Viruses:' China's Campaign of Repression Against Xinjiang's Muslims," *Human Rights Watch*, Septemner 19, 2019, https://www.hrw.org/report/2018/09/09/eradicating-ideological-viruses/chinas-campaign-repression-against-xinjiangs#.
[30] Dan Bilefsky, "The Canadians Detained in China: An Ex-Diplomat and a Daring 'Fixer,'" *New York Times,* December 14, 2018, https://www.nytimes.com/2018/12/14/world/canada/china-detained-spavor-kovrig.html.
[31] "University Protests Raise CCP Influence Concerns," *China Digital Times*, February 15, 2019, https://chinadigitaltimes.net/2019/02/protests-at-canadian-universities-raise-concerns-about-chinese-government-involvement/.
[32] "Student accused of stealing research from Duke professor under Chinese government order," *WRAL.com,* July 24, 2018, https://www.wral.com/student-accused-of-stealing-research-from-duke-professor-under-chinese-government-order/17722099/.

where he must consider a course correction or perhaps pass the baton to the next runner.

U.S. Policy: Rethink, Reset, and Refine

Xi's ambitions (as well as the emerging challenges that he faces in achieving them) provide a significantly altered landscape for U.S. policy, and the Trump administration has already hit the rethink and reset buttons on the bilateral relationship. Talk of engagement is rare. Discussion of a "G-2," in which the United States and China would respond together to global challenges and shape the norms and institutions of global governance, has disappeared. Instead, China-focused conversations in Washington revolve around the challenge—even the threat—that China poses to the United States. As FBI director Christopher Wray famously testified before Congress in early 2018; "One of the things we're trying to do is view the China threat as not just a whole-of-government threat, but a whole-of-society threat."

The result has been a frenzy of activity. The President has focused overwhelmingly on the U.S.-China bilateral trade relationship and on advancing the denuclearization of North Korea and played a much smaller role—at least publicly—in addressing the larger context of the U.S.-China relationship and the U.S. role in Asia. To a significant extent, the broader foreign policy bureaucracy and Congress have filled the vacuum. They tout the concept of a "Free and Open Indo-Pacific," (FOIP) that is rooted in traditional principles of American foreign policy: freedom of navigation, good governance, and free (and now fair) trade and investment. The passage of the Asia Reassurance Initiative Act to help realize FOIP's objectives and the establishment of the International Development Finance Corporation, as well as enhanced security partnerships with both allies and partners, help give shape to an otherwise amorphous concept. At the same time, Congress has moved aggressively to try to address issues around Chinese human rights abuses, Taiwan, Chinese acquisition of core technologies, and Chinese influence operations.

The Missing Pieces

To date, the strength of Washington's response has been to acknowledge and confront quickly and directly many of the challenges that China presents to U.S. interests, particularly on the trade front. Somewhat surprisingly, among significant sectors of the Chinese elite, the tougher Trump administration policy is appreciated. Many Chinese now argue that President Trump provides an important bulwark against Xi Jinping's worst excesses. In light of this and the current challenges Xi now confronts, continued pressure by the United States is critical. Yet important pieces are still missing. Five priorities for the administration should be to:

- ***Strengthen the economic pillar of U.S. global engagement***. The United States often operates at a deficit relative to China because much of the region—and the world—believes that the United States is essential for security but China is indispensable for economic prosperity. Reframing this narrative to underscore the importance of U.S. economic contributions and leadership is essential. First, Washington should underscore how important U.S. companies actually are: For example, in 2018, U.S. corporations invested more in Africa than China (as they do most years). Second, the United States needs a

broader global strategy to compete more effectively with China, particularly in critical areas such as advancing digitalization. It is not enough simply to criticize Chinese technologies or companies, the United States needs to provide and support a credible alternative. And Washington should also consider using impending trade negotiations with Japan as a backdoor into joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

- ***Develop a long-term (thirty-year) strategic game plan.*** China is moving aggressively to solidify its control in areas it considers its sovereign territory. It is also developing regional arrangements and institutions in the Asia-Pacific that do not include the United States. The Trump administration has outlined the basic principles of a Free and Open Indo-Pacific, but its content has not been fully elaborated. Washington needs to look out over the next thirty years to determine its own place and role in the Asia Pacific, work with its allies and partners to develop an integrated plan, and ensure that all actors are husbanding the resources and developing the capabilities to achieve their aims. In addition, President Trump should offer his full-throated support for FOIP, as well as for the U.S. alliance system that will be essential to the U.S. maintaining a significant presence in the region.

- ***Engage allies and partners at the highest level around top-priority issues.*** International concern over the Xi model is widespread. In the spring 2018 Pew polls, a 25-country median of 63 percent said they preferred a world in which the U.S. was the leading power, while 19 percent favored China (although President Trump, himself, fared worse in the polls than Xi Jinping).[33] As countries take sides over the adoption of Huawei's 5G technology, however, the United States appears poised to suffer a diplomatic defeat along the same lines as it experienced previously with the Asian Infrastructure Investment Bank (AIIB). If Washington is going to precipitate a showdown with Beijing, it needs to do more quiet diplomatic work up-front to ensure that it does not lose. Given that many such issues are also debated in local parliaments or other representative bodies, Congress should also consider playing a more active role in engaging its counterparts.

- ***Reach out to communities within the United States on issues of Chinese influence and investment.*** Chinese influence operations, theft of intellectual property, and aggressive investment in U.S. technological capabilities—from university labs to start-ups to large corporations—have all triggered alarm bells in Washington over the past few years. Yet much of the rest of the country has not caught up to such concerns. U.S. universities, labs, Chinese diaspora

[33] "Trump's International Ratings Remain Low, Especially Among Key Allies," *Pew Research Center,* October 1, 2018, http://www.pewglobal.org/2018/10/01/trumps-international-ratings-remain-low-especially-among-key-allies/.

communities, and multinationals have all operated for decades under a framework of engagement with China, and with an understanding that, in many respects, the deeper the engagement, the better. Washington's heavy-handed approach to addressing these sensitive issues risks a backlash. More and better education and engagement between Washington on the one hand and university presidents, CEOs, and heads of labs on the other are needed to prevent growing political divisiveness among the many disparate communities involved in the U.S.-China relationship.

- ***Seek out areas of cooperation with China.*** Vice President Pence's October 2018 speech on China, which many commentators have hailed as the Trump Administration's defining China moment, was little more than a recitation of Chinese vices and an inflated assessment of America's role in shaping Chinese history. Instead of providing fodder for hardline elements within China to bolster their containment narrative, the United States should be establishing new areas of cooperation, while at the same time pursuing competition with China and containment of its harmful behaviors. Some potential areas of cooperation include: establishing best practices for infrastructure development, ramping up the collective efforts on drug trafficking, and developing norms around artificial intelligence.

The policy of the United States toward China is a reflection of a changing China, as well as the Trump Administration's assessment and understanding of the opportunities and challenges Xi's China presents to U.S. interests. Given both the current fractured nature of foreign policymaking in the United States, as well as the dramatic changes ushered in by Xi Jinping, it is not surprising that an overarching strategy to advance American interests in the face of a changed China continues to elude the administration.

In the meantime, however, it should, at the very least, take steps to reassure its allies, partners, and even China, that its policy is coherent, cohesive, and ultimately constructive.

COUNTERING GRAY ZONE MARITIME COERCION IN ASIA

Bonnie S. Glaser

Director, China Power Project,
Center for Strategic and International Studies

In the past decade, tensions in Asia have risen as Beijing has become more assertive in maritime disputes with its neighbors and the United States.[1] Regional leaders have expressed concern that Chinese "gray zone" coercion—attempts to achieve one's security objectives without resorting to direct and sizable use of force—threatens to destabilize the region by undermining the rules-based order and increasing the risk of conflict. Yet, despite the threat posed to regional security and prosperity, the United States and its allies and partners in East Asia have struggled to develop effective counters to maritime coercion. The inability of U.S. policymakers to deter coercive actions or to articulate a coherent gray zone strategy has raised questions about Washington's ability to protect U.S. interests, to integrate China into the international order, and to maintain existing alliance commitments. As a result, experts in the United States and in East Asia are searching for new approaches to counter coercion in the East and South China Seas.

Chinese Maritime Coercion and U.S. Interests

Beijing has employed gray zone tactics to advance its maritime claims and to challenge other actors operating in the seas and airspace near its coastline. Chinese activities appear explicitly designed to avoid triggering U.S. security commitments by exploiting ambiguity, asymmetry, and incrementalism. These efforts are slowly shifting the status quo by leveraging China's asymmetric strengths against U.S., ally, and partner weaknesses.

Arenas of Chinese gray zone actions in Asia include the East China Sea, the South China Sea and the Taiwan Strait, where China has territorial disputes. Chinese maritime coercion tools include the employment of paramilitary forces, along with law enforcement and naval ships, to gradually alter the status quo. All three are being used against Japan in the East China Sea, for example, where China seeks to advance its claim over the disputed Senkaku/Diaoyu Islands. Economic levers are increasingly being used by Beijing to coerce its neighbors, such as the quarantine of imported Philippines tropical fruit to punish Manila for challenging Chinese

[1] This short paper draws from the excellent work by my current and former CSIS colleagues Michael Green, Kathleen Hicks, Zack Cooper, John Schaus and Jake Douglas, *Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence.,* Rowman and Littlefield for the Center for Strategic and International Studies, Lanham, Boulder, New York and London, 2017, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/170505_GreenM_CounteringCoercionAsia_Web.pdf?OnoJXfWb4A5gw_n6G.8azgEd8zRIM4wq.

fishermen at disputed Scarborough Shoal in 2012.

Countering Chinese coercion in maritime Asia is vital to U.S. security and prosperity. U.S. interests in the region include: 1) protecting American citizens and U.S. allies; 2) expanding trade and economic opportunities; 3) supporting the rule of law and universal democratic norms that underpin the post-World War II liberal international order; and 4) preventing the rise of a hostile hegemon on the Eurasian continent.

To protect and advance those interests, the U.S. pursues several objectives, including 1) safeguarding freedom of the seas; 2) maintaining access to and ability to maneuver within Asia's maritime spaces; 3) deterring conflict and coercion; and 4) promoting adherence to international law and standards.

U.S. Allies and Public Opinion Polls

If the United States fails to develop an effective strategy for responding to coercion, the likelihood that it will be able to preserve American interests in the Asia-Pacific will decline. If U.S. allies and partners doubt U.S. commitment or resolve, they are more likely to adopt a neutral position between the U.S. and China, or even accommodate Chinese interests. China's pressure on U.S. allies and partners could undermine the hub-and-spokes system of bilateral regional relationships by demonstrating insufficient U.S. capacity and willpower, or the weakness of alliance solidarity.

Public opinion polls conducted by the Pew Research Center in the spring of 2018 showed that confidence in key countries that the U.S. considers the interests of their country has declined. Public confidence that "the U.S. takes into account the interests of countries like ours a great deal or fair amount" declined between 2013 and 2018 in the Philippines (85 to 74 percent), Indonesia (52 to 39 percent), South Korea (35 to 24 percent), and Japan (38 to 28 percent). In Australia, public confidence increased slightly (28 to 30 percent).[2]

A mid-2017 Gallop public opinion poll revealed a sharp drop in approval of U.S. leadership among adults in Australia (31 percent), the Philippines (12 percent), South Korea (14 percent), New Zealand (36 percent), Japan (16 percent), and Thailand (13 percent). Belief that the U.S. would *not* defend their country increased from 2016 to 2017 in New Zealand (11 percent), South Korea (6 percent), the Philippines (4 percent), Australia (2 percent) and Japan (1 percent). Confidence among adults in Singapore, not a U.S. ally, that the U.S. would defend their country fell 24 percent in that period.[3] Data collection for that poll took place in mid-2017, and therefore does not reflect many developments that occurred subsequently. It is likely that approval of U.S. leadership in allied countries has continued to decline, and beliefs that the U.S. would not defend their country may have increased.

In a November/December 2018 poll of elites in ASEAN member states, 59 percent of respondents believed that U.S. global power and influence has deteriorated or deteriorated substantially compared to one year ago. The same poll found that under 27 percent of respondents had full or some confidence in the United States as a

[2] Pew Research Center Global Attitudes Survey, http://www.pewglobal.org/2018/10/01/trumps-international-ratings-remain-low-especially-among-key-allies/.
[3] Stafford Nichols and Zacc Ritter, "U.S. Defense Promise Still Credible in Asia-Pacific," https://news.gallup.com/poll/237209/defense-promise-credible-asia-pacific.aspx, July 17,2018.

strategic partner and provider of regional security[4].

Free and Open Indo-Pacific Strategy

Building on the Obama administration's rebalance to Asia, President Trump launched the Free and Open Indo-Pacific (FOIP) strategy in his remarks to the Asia-Pacific Economic cooperation CEO Summit in Da Nang, Vietnam in November 2017. The strategy elevates the importance of the maritime domain, especially the trade and energy linkages between the Pacific and Indian Ocean regions. FOIP is also a normative concept imbued with the values, principles, and norms that the United States and its allies see as underpinning the regional order. Although the FOIP strategy focuses on setting out a positive vision for the region, it is undeniably aimed at competing more effectively with China in the Indo-Pacific zone.

According to a recent U.S. State Department fact sheet, the U.S. approach to the Indo-Pacific focuses on economics, governance and security. The Trump administration is "taking a whole-of-government approach to advance fair and reciprocal trade, promote economic and commercial engagement that adheres to high standards and respects local sovereignty and autonomy, and mobilize private sector investment into the Indo-Pacific."[5]

Congress has a substantial role in overseeing the FOIP strategy and setting resource levels for its policies. Questions for Congress to consider include:
1) Is the FOIP strategy adequate to protect and advance U.S. interests in the Indo-Pacific region?

2) Is the balance among diplomatic, economic, and military policies within the FOIP strategy correct?

3) Are U.S. Indo-Pacific military forces properly deployed to secure U.S. interests?

4) Is U.S. diplomacy for the Indo-Pacific adequately funded to implement the FOIP strategy?

5) Is future defense procurement adequately funded to protect U.S. interests?

6) Do American values play an appropriate role in the FOIP strategy?[6]

Congress has passed important pieces of legislation related to the FOIP strategy, which have established institutions and provided resources for implementation of Trump administration Indo-Pacific policies. These legislative initiatives and their passage into law have boosted confidence globally in the U.S. commitment to the Indo-Pacific region. Key pieces of legislation include: 1) the John S. McCain National Defense Authorization Act for FY2019; 2) the Better Utilization of Investments Leading to Development (BUILD) Act of 2018, which created the United States International Development Finance Corporation; and 3) the Asia Reassurance Initiative Act (ARIA) of 2018, which authorized $1.5 billion annually for five years to advance specific U.S. objectives in the Indo-Pacific. Several of these objectives pertain to the maritime realm, including to improve the defense capacity and resiliency of partner nations to resist coercion and deter and defend against security threats; to conduct regular

[4] ISEAS Yusof Ishak Institute, "State of Southeast Asia 2019 Survey Report," https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2019.pdf.
[5] "Advancing a Free and Open Indo-Pacific Region," Fact Sheet, Office of the Spokesperson, November 18, 2018, https://www.state.gov/r/pa/prs/ps/2018/11/287433.htm.
[6] "The Trump Administration's 'Free and Open Indo-Pacific': Issues for Congress, Congressional Research Service, October 3, 2018, https://www.everycrsreport.com/files/20181003_R45396_3b75f4bf108ab8d5ab4419b8e98d4edfc80c31ed.pdf.

bilateral and multilateral engagements, particularly with the United States most highly-capable allies and partners; and to increase maritime domain awareness programs in South Asia and Southeast Asia.[7]

Countering Maritime Coercion: Policy Recommendations

Thus far, the Trump administration's strategy to counter Chinese maritime coercion has focused primarily on two goals: building the capacity of partner nations to resist coercion and conducting regular freedom of navigation operations that challenge Chinese excessive maritime claims. While both of these policies are crucial, they are nevertheless insufficient to prevent Beijing from using gray zone pressure to enhance its influence over contested maritime spaces. A more effective strategy is needed to prevent Beijing from eroding the rules-based order and threatening the sovereignty and security of U.S. regional allies and partners.

Rather than acting defensively and reactively, the United States should develop a strategy that aims to shape the maritime environment. An essential part of a U.S. strategy must be willingness to impose costs on Beijing for its destabilizing behavior. In some cases, the U.S. will need to accept risk to deter a particular coercive action. Effectively countering Chinese coercion will require strengthening U.S. alliances and partnerships, and restoring regional confidence in U.S. commitment and resolve to regional security.

A CSIS study titled "Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence" examined several incidents of gray zone coercion in maritime Asia and analyzed deterrence theory. It drew the following five lessons:

- Lesson 1: Tailor deterrence strategies. Leaders should only draw red lines that they are willing to uphold. Tailoring gray zone deterrence therefore requires differentiation among four categories of coercion and only attempting deterrence when it can be done credibly. These four categories of coercion include: contesting physical control, contesting rules and norms, exploiting physical control, and exploiting rules and norms.

- Lesson 2: Clarify deterrence commitments. Although ambiguity can be useful, gray zone coercion can exploit ambiguity to undermine commitments. Increasingly, leaders will have to be clear about the actions they oppose and demonstrate how they may respond in order to credibly deter those actions.

- Lesson 3: Accept calculated risk. Too often, Washington has sought to eliminate rather than manage gray zone risks. Yet, risk avoidance encourages coercion by reassuring China that the likelihood of escalation in gray zones is minimal.

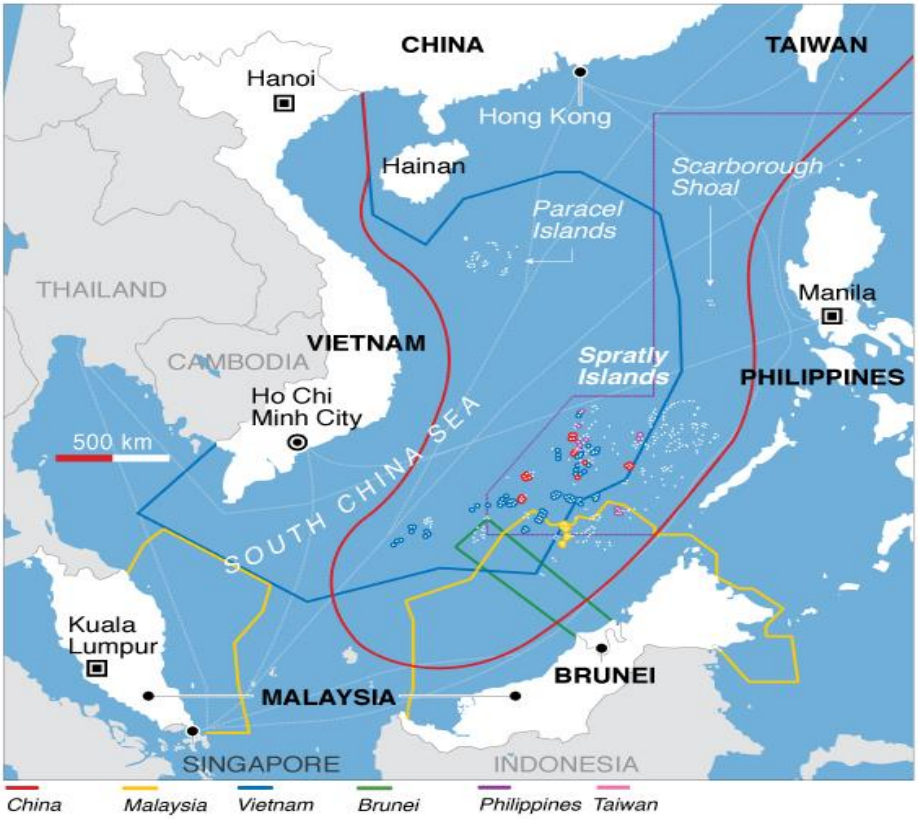
- Lesson 4: Tighten alliances and partnerships. If Washington clarifies its commitments and accepts more risk, then the United States should seek to deepen alliance cooperation. By ensuring that the United States is a constant participant in allied decisionmaking, Washington can dissipate both ally fears of abandonment and U.S. fears of entrapment.

- Lesson 5: Exercise restraint while demonstrating resolve. If the United States takes a more robust approach to deterring gray zone coercion, then it should also engage Beijing to demonstrate that Washington still welcomes the rise of a peaceful and prosperous China.[8]

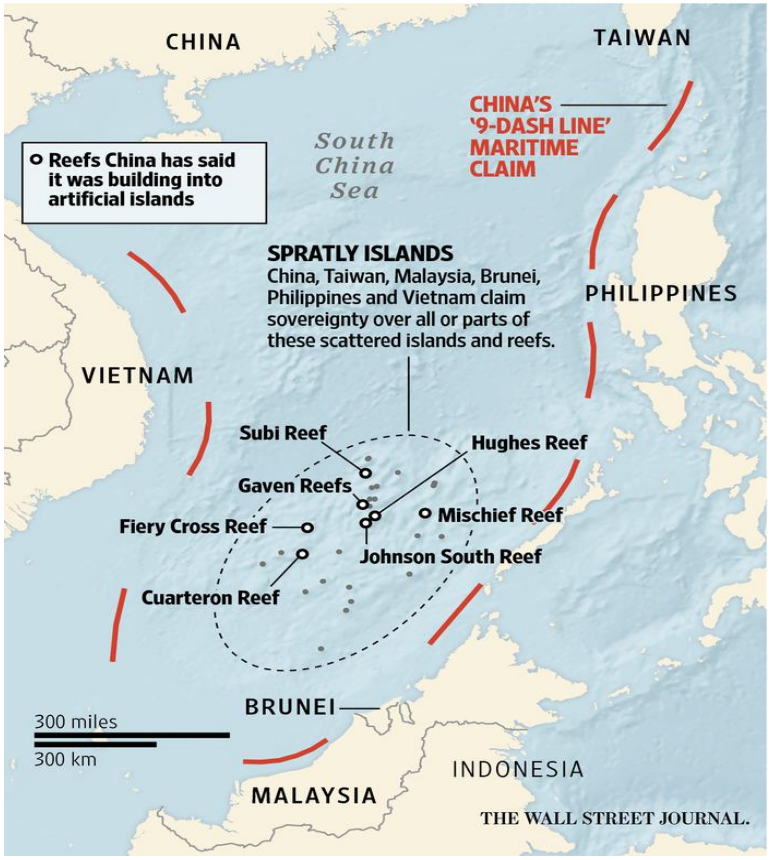
[7] S.2736 - The Asia Reassurance Initiative Act of 2018, https://www.congress.gov/bill/115th-congress/senate-bill/2736/text.
[8] *Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence*, pp. 266-278.

DISPUTE OVER EXCLUSIVE ECONOMIC ZONES (EEZ) IN THE EAST CHINA SEA

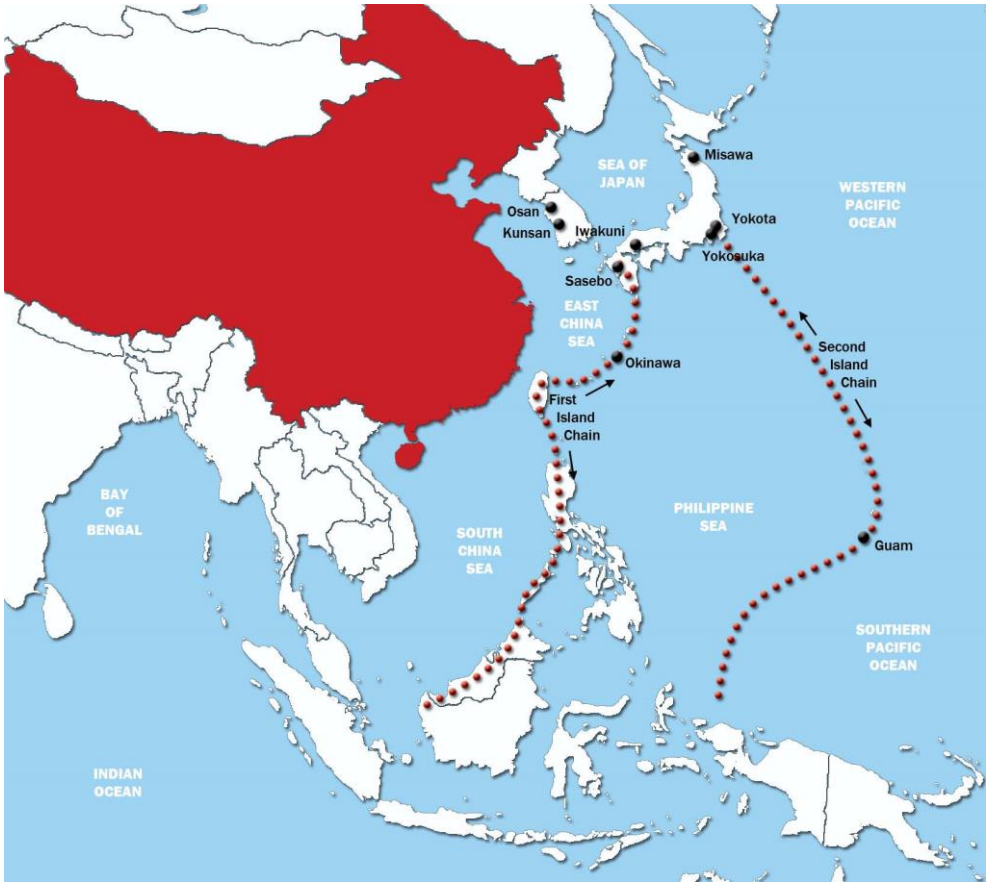
RIVAL CLAIMS IN THE SOUTH CHINA SEA



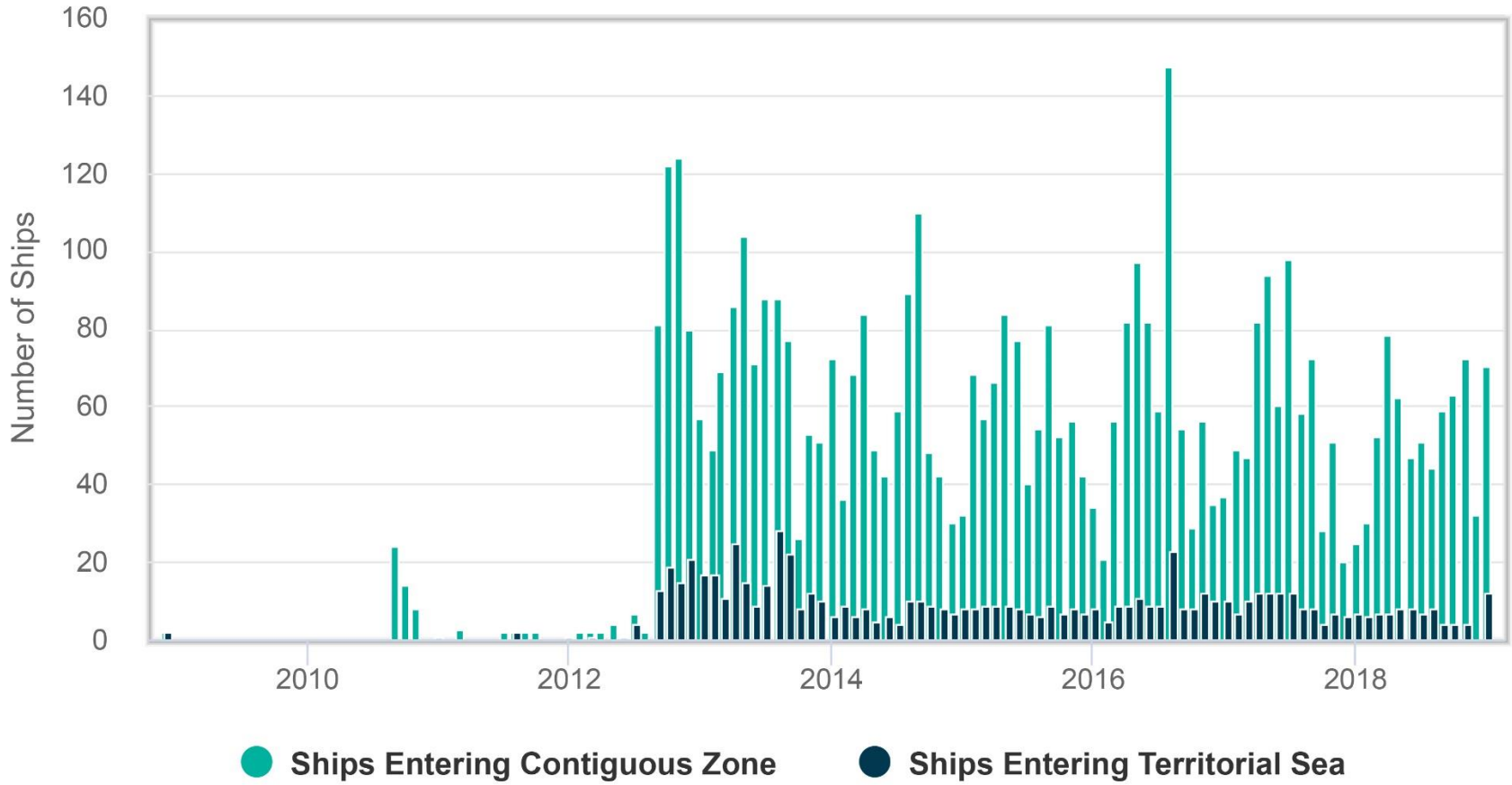
ISLAND BUILDING AND LAND RECLAMATION



FIRST AND SECOND ISLAND CHAINS



Number of Chinese Government Vessels in Senkakus' Contiguous Zone/Territorial Sea (2009-Present)



CSIS/Asia Maritime Transparency Initiative (Data from Japan Coast Guard)

IT'S TIME TO NORMALIZE U.S.-CHINA RIVALRY: AGREE TO DISAGREE, THEN COOPERATE ANYWAY

Robert Daly

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

It is now widely acknowledged that the United States and China have entered a new era of contentious relations. They are engaged in a competition to shape security architectures, trading regimes, technology development and regulation, norms and practices, and values systems worldwide. The outcome of this rivalry, if one may speak of outcomes, will probably not be known for decades.

Overreach and Overreaction

Although the roots of rivalry predated the advent of Donald Trump and Xi Jinping, the realization that the relationship had changed—that our respective fears now outweigh our hopes, to adapt a phrase from David Lampton[1]—came suddenly to policymakers in Washington and Beijing. When China built artificial islands in the South China Sea, militarized them, and flouted the findings of the Permanent Court of Arbitration in 2016, its regional ambitions and disdain for international law and opinion were laid bare. The American response was offered in late 2017, when the new National Security Strategy stated that China was America's primary long-term security challenge and (together with Russia) was a greater threat to the U.S. than terrorism. In rolling out the new National Defense Strategy on January 19, 2018, Secretary of Defense Mattis said that the U.S. must prevail over China "if the values that grew out of the Enlightenment are to survive." In his 2018 State of the Union address, President Trump called China a "horrible danger" to American interests, economic well-being, and values.

Neither power has responded to declining relations effectively. Under Xi Jinping, China has overreached in its quest for comprehensive national power—its term for the kind of pre-eminence the United States has enjoyed since the end of the Cold War. Facing multinational blowback to its economic policies and global lending practices and influence operations, Beijing is recalibrating its relationship with the U.S., its *Belt and Road Initiative*, and the framing of its *Made in China 2025* program.

For its part, the United States has overreacted. While American concerns about China's intentions and behavior are merited, Washington's failure to address them within a strategic framework creates the impression—even among nations that share American anxiety over Chinese power—that the U.S. is simply flailing. Name-calling and uncoordinated, short-lived attacks on a variety of Chinese policies have been the order of the day.

[1] https://www.uscnpm.org/blog/2015/05/11/a-tipping-point-in-u-s-china-relations-is-upon-us-part-i/

Vice President Mike Pence's October 4, 2018 speech at the Hudson Institute was the starkest example to date of the limitations of this approach. In a blanket declaration of hostility, Pence called China a bad actor at home, where it is repressing religion and building a surveillance state, abroad, where it practices debt-trap diplomacy, and within the United States itself, where the Chinese Communist Party (CCP) is attempting to influence American communities and institutions. This litany was largely accurate, but the speech was a declaration of an *attitude*, not an outline of *strategy*. The elements of a sustainable strategy that were absent from the Pence speech have not been raised by the administration in the intervening months. The major omissions, phrased below as questions for policymakers, were these:

Do the American people support the bipartisan Beltway consensus on the China challenge? Without such support, the United States cannot meet China's "whole-of-society threat" with "a whole-of-society response," as FBI Director Christopher Wray recommends.[2] In a February 2017 Gallup poll, 50% of Americans expressed positive views of China[3]—the highest rate of approval since the 1989 Tiananmen Massacre. The onset of the U.S.-China trade war seems to have tempered enthusiasm, however: in a July 2018 Gallup poll, 62% of Americans said China's trade practices were unfair[4] and, in an August 2018 Pew poll, only 38% of Americans had a positive view of China.[5]

Even if Americans think the relationship is fundamentally competitive, what costs are they willing to bear? It is far from clear that Americans will tolerate harm to their incomes, industries, and communities as the trade war drags on. China has a long tradition of personal suffering (*eating bitterness*) for the good of the nation and China's party media can control national discourse and hide the costs of competition while American citizens complain freely. The Chinese believe they can outlast the U.S. if real privation is called for. China believes, in other words, that it has an **advantage of *will***, as rising powers often do over status quo nations.

How much competition can the United States afford? China has the world's largest consumer class, is the major trading partner of most countries in the Indo-Pacific, and is improving its ability to fight an asymmetrical Asian war with the United States. Although its economy is still smaller than that of the U.S., China's authoritarian government can place a higher percentage of national wealth at the service of strategic objectives than can Washington. The United States, meanwhile, is lowering taxes, expanding deficits, faces a possible recession in the short term and a certain long-term structural budget deficit, and cannot even afford to modernize its own infrastructure. Where will the resources for great power competition be found?

Even if the U.S. can afford competition with China, as a moral matter, how much harm are Americans willing to inflict? At the personal and cultural levels, Chinese and Americans have always been at least as fascinated as frustrated by their mutual engagement. Many Americans have been to China and know Chinese and Chinese-Americans personally as friends, neighbors, colleagues,

[2] https://www.businessinsider.com/china-threat-to-america-fbi-director-warns-2018-2
[3] https://news.gallup.com/poll/204227/china-image-positive-three-decades.aspx
[4] https://news.gallup.com/poll/236843/americans-say-china-trade-unfair-trade-canada-fair.aspx
[5] http://www.pewglobal.org/2018/08/28/as-trade-tensions-rise-fewer-americans-see-china-favorably/

classmates, teammates, and co-parishioners. They are aware of the essential contributions that Chinese Americans have made to every aspect of American life. This familiarity and interdependence will make it hard to convince Americans that they should inflict suffering on one-fifth of humankind in order to protect an American pre-eminence that many of them no longer believe in.

Are official American assessments of the PRC founded in a full understanding of China's development? As noted above, the view of China on which Vice President Pence based his 2018 speech was largely accurate, but it was wholly negative. It is true that China is becoming a techno-surveillance state, that the CCP is locking Uighurs in re-education camps, persecuting faith communities, free thinkers, and human rights lawyers, and further restricting the always limited freedoms of journalists, NGOs, universities, think tanks, artists, and any group that organizes outside of CCP auspices, including Marxist university students advocating for labor rights. But the story of repression in China is not straightforward. Few people skulk in the streets. Energy, ambition, and entrepreneurialism percolate up through the sidewalks. Most Chinese report a high degree of satisfaction with the country's direction and with their own prospects and those of their children. Chinese who do not challenge Party authority enjoy a high degree of personal freedom. An American strategy that does not comprise these realities—that doesn't comprehend China in its totality and complexity—will be unrealistic by definition and will have scant chance of success. If Chinese achievements are not recognized, moreover, American critiques of the CCP will be unconvincing even to Chinese citizens who might otherwise give the U.S. a fair hearing.

What is the *specific* China threat? What's the worst China could do? Despite Xi Jinping's confidence and China's assertive foreign policy and growing financial and military might, China is constrained. Its debt, demographics, corruption, pollution, growing economic inequality, water shortage, and sclerotic politics make China a fragile superpower, as Susan Shirk[6] pointed out in 2007. China is also constrained by geography. It is ringed in by narrow straits and American allies in the Western Pacific and has land borders with fourteen nations, four of which are nuclear and nearly all of which are wary of Chinese power. According to a 2018 Pew survey, 73% of people in the Asia-Pacific region prefer American to Chinese leadership.[7] As China's economy slows, these factors will weigh more heavily on the decisions of China's leaders. Beijing may have to dial back its ambitions, no matter what course the U.S. adopts. The strategic question, then, is not, *What does China want?* (we know: it wants a Sino-centric eastern hemisphere), but *What will China settle for?* This, of course, is also the question for the United States.

Last, and most importantly, **What is the best the United States can hope for in its competition with China? What is America's vision for a stable relationship between a powerful, prosperous U.S. and a powerful, prosperous, China?** Because no such strategic vision has been proposed, there is no floor to prevent this increasingly

[6] Susan Shirk, Chair of the 21st Century China Center at the University of California at San Diego , wrote the book *China: Fragile Superpower* (2008)
[7] http://www.pewglobal.org/2018/10/01/most-prefer-that-u-s-not-china-be-the-worlds-leading-power/

contentious relationship from descending into conflict.

In his Hudson Institute speech, Vice President Pence moved directly from a list of China's many sins to a declaration that, "We're modernizing our nuclear arsenal, we're fielding and developing new cutting-edge fighters and bombers, we're building a new generation of aircraft carriers and warships, and we're investing as never before in our Armed Forces."[8] None of the questions raised above seems to have been considered as the United States leapt from an enhanced threat perception to a new arms race.

But the China challenge is unfolding more gradually and uncertainly than many headlines suggest. The U.S. still has time to develop a comprehensive, effective, China strategy.

Normalizing Rivalry

The task is to move beyond the freak-out of 2017-2018 and normalize Sino-U.S. rivalry. During the Cold War, the U.S. and the Soviet Union normalized adversity based on a (roughly) common understanding of each other's goals and means. Because they understood the dangers and limits of their competition, they were able to exercise restraint and found ways to cooperate when necessary. Neither side hid behind *win-win* bromides, nor were they inclined, as the relationship matured, to make broad threats and accusations without strategic direction, as the United States has been doing since 2017.

American China experts have already taken the first steps toward normalizing competition. In the past few months, scholars have turned their attention from describing the decline of U.S.-China relations to prescribing frameworks for the peaceful management of rivalry. Notable recent publications include *Course Correction: Toward an Effective and Sustainable China Policy,* by an Asia Society and University of California San Diego task force, [9] Andrew Erickson's *Competitive Coexistence: An American Concept for Managing U.S.-China Relations*,[10] and *After the Responsible Stakeholder, What? Debating America's China Strategy*, by Hal Brands and Zack Cooper.[11] The authors of these balanced assessments are in broad agreement with each other. Their work could form the basis of an American diplomatic effort to define and limit a Sino-U.S. competition that otherwise threatens the prosperity of both nations.

To normalize contentious relations, each nation must define its interests as clearly and narrowly as possible. This traditional feature of foreign policy has been strikingly absent from both nations' diplomacy over the past several years. Under Xi Jinping, China has had more to say about its rights and ambitions than interests, while the United States under Donald Trump has focused on outrage and fear.

The U.S. has three major interests vis-à-vis China:

- **To prevent Chinese dominance of the Indo-Pacific, and the Western Pacific in particular**, as Chinese dominance would cripple America's alliance system, undermine international law, and precipitate a regional nuclear

[8] https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018
[9] https://asiasociety.org/center-us-china-relations/course-correction-toward-effective-and-sustainable-china-policy
[10] https://nationalinterest.org/feature/competitive-coexistence-american-concept-managing-us-china-relations-42852
[11] https://tnsr.org/2019/02/after-the-responsible-stakeholder-what-debating-americas-china-strategy-2/

arms race. Yet even as the U.S. opposes China's dominance, it must accept increased Chinese influence in the region, as greater Chinese influence is inevitable and in order to lower China's threat perceptions. Striking the balance between preventing Chinese dominance and accommodating its increased influence will try, but should not overtax, the military and diplomatic capabilities of the U.S. and its allies.

- **To prevent the spread of Chinese illiberalism beyond China's borders.** The goal of PRC foreign policy is to shape a world that is highly integrated *and* wholly accepting of CCP prerogatives and practices. Many of those practices are noxious to free societies. The United States should continue to call China out and to oppose illiberalism with all of the vigor that its investments, traditional and public diplomacy, civil society organizations, and soft power resources can muster. At the same time, the United States must recognize that China is increasingly able to provide genuine international public goods and should recognize and welcome Chinese contributions to global welfare. Like preventing Chinese dominance of the Indo Pacific, this goal is within America's ken.
- **To avoid a new arms race with China that comprises nuclear, cyber, and space-based weapons**, which will require new dialogue mechanisms and treaties between the United States, China, and third countries.

Pursuit of American interests does not preclude engagement with China; it *demands* it. In contrast to the engagement of the first forty years of U.S.-China relations, which often (and necessarily) emphasized mutual understanding and Chinese economic and social development, engagement in the new era must be more self-interested and reciprocal. The focus will be on negotiations, confidence building measures, joint and multilateral rulemaking, and cooperation on combatting climate change, fisheries management, promoting global health, poverty alleviation, peacekeeping, setting international safety standards for food, pharmaceuticals, and consumer products, and reaching technical and ethical understandings to regulate new technologies and medical procedures. Because competition and cooperation are not mutually exclusive, and in many cases are hopelessly intermingled, there will be rivalry between the U.S. and China even when they are collaborating. It can't be helped, but it can be done if it is a strategic priority.

Objections

American interests are often stated in positive, universal terms which emphasize what the United States should build and promote worldwide rather than, as I have done, what it should prevent and avoid with reference to a single country. It is true that the U.S should counter Chinese attempts to dominate the Indo-Pacific because America has a constructive interest in upholding a balance of power conducive to global peace and prosperity. *Prevent the spread of Chinese illiberalism* sounds defensive and petty compared to *maintain a liberal world order*. I support positive and non-exclusive formulations in principle. But in the context of the high stakes U.S.-China competition, high-minded descriptions of national intent can take on a self-righteous, disingenuous tone that prevents frank discussion. This is the problem with Xi Jinping's constant, meaningless advocacy of a *Community of Common Destiny*. Given how far and fast U.S.-China relations have

fallen, it will be more productive for the U.S. and China to tell each other, dispassionately but precisely, which of each other's behaviors they object to, and then to work together in certainty that both countries know where they stand.

There are leaders and public figures in the United States (and in China) who believe that the bilateral relationship is irredeemable and that the time for cooperation has passed. In this view, engagement was a forty year sucker's game won by China, which is now a monolith moving inexorably "to supplant us as the world's superpower."[12] China is a grave challenge to the United States in many respects, but it is not as confident, as competent, or as certain of its domestic and international course as Xi Jinping and his more hawkish American opponents would have the world believe. China is still crossing the river by feeling for stones—Deng Xiaoping's way of saying the PRC is making things up as it goes along. The story of modern China remains a story of change. Since 1979, the United States has been a foremost catalyst of China's ongoing evolution. Disengaging from China will reduce that impact and make the U.S. less secure.

There are no easy answers in U.S.-China relations. Normalizing rivalry by defining American interests is not a panacea. It is, however, the urgent next step if the two powers are to avoid conflict.

[12] https://www.washingtonpost.com/world/national-security/top-fbi-official-warns-of-strategic-threat-from-china-through-economic-and-other-forms-of-espionage/2018/12/12/38067ee2-fe36-11e8-83c0-b06139e540e5_story.html?utm_term=.8ea7834fdd65

COMPETING WITH A RISING CHINA: POLICIES FOR AMERICAN INTERESTS

THE ASPEN INSTITUTE CONGRESSIONAL PROGRAM
March 15-18, 2019 San Diego, California

CONFERENCE PARTICIPANTS

MEMBERS OF CONGRESS:

Representative Brendan Boyle
and Jennifer Boyle

Representative Salud Carbajal

Representative Judy Chu

Representative Lou Correa
and Esther Reynoso

Representative Mark DeSaulnier

Representative Ted Deutch
and Cole Deutch

Senator Cory Gardner

Representative Billy Long
and Barbara Long

Representative Alan Lowenthal
and Deborah Malumed

Representative Jimmy Panetta

Representative Scott Peters
and Lynn Gorguze

Representative Kathleen Rice

Representative Tom Rice
and Wrenzie Rice

Representative Dutch Ruppersberger
and Kay Ruppersberger

Representative Dina Titus
and Tom Wright

Senator Chris Van Hollen
and Katherine Wilkens

Representative Peter Welch

Senator Roger Wicker
and Gayle Wicker

SCHOLARS AND SPEAKERS:

Dean Cheng	Senior Research Fellow, Asia Studies Center, the Heritage Foundation
Peter Cowhey	Dean, School of Global Policy and Strategy, University of California at San Diego
Robert Daly	Director, The Kissinger Institute, The Wilson Center
Elizabeth Economy	Director for Asia Studies, Council on Foreign Relations

Gordon Hanson	Director, Center on Global Transformation, University of California at San Diego
Bonnie Glaser	Director, China Power Project, Center for Strategic & International Studies
Daniel Rosen	Founding Partner, The Rhodium Group
Orville Schell	Director, Center on U.S.-China Relations, Asia Society
Yun Sun	Director, China Program, The Stimson Center

UNIVERSITY OF CALIFORNIA-SAN DIEGO FACULTY

Tai Ming Cheng	Director, Institute on Global Conflict and Cooperation
Lei Guang	Director, 21st Century China Center
Barry Naughton	Sokwanlok Chair of Chinese International Affairs
Molly Roberts	Assistant Professor of Political Science
Weiyi Shi	Assistant Professor of Political Science

FOUNDATION REPRESENTATIVES:

Elizabeth Knup	China Country Director, The Ford Foundation
Daniel Stid	Director, The Madison Initiative, The Hewlett Foundation
Nancy Yuan	Vice President, The Asia Foundation

RAPPORTEUR:

Charlie Vest	Master's Candidate, School of Global Policy and Strategy, UCSD

ASPEN INSTITUTE:

Dan Glickman	Executive Director, Congressional Program
Lauren Kennedy	Manager of Congressional Engagement
Bill Nell	Deputy Director, Congressional Program
Carrie Rowell	Conference Director, Congressional Program

COMPETING WITH A RISING CHINA: POLICIES FOR AMERICAN INTERESTS

THE ASPEN INSTITUTE CONGRESSIONAL PROGRAM
March 15-18, 2019 San Diego, California

CONFERENCE AGENDA

FRIDAY, MARCH 15

Pre-Dinner Speaker

U.S.-CHINA GLOBAL COMPETITORS: PROSPECTS FOR THE FUTURE

China's rise to a major economic and strategic player on the global stage over the last three decades has been a phenomenal story that now positions it as a major competitor to the U.S. The prospects for the future direction of this dynamic relationship is the foundation for the weekend's discussions.

***Peter Cowhey**, Dean, School of Global Policy and Strategy, University of California at San Diego*

Working Dinner

Seating is arranged to expose participants to a diverse range of views and provide the opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges, and potential solutions regarding the economic dimensions of U.S.-China relations.

SATURDAY, MARCH 16

INTRODUCTION AND FRAMEWORK OF THE CONFERENCE

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

***Dan Glickman**, Executive Director, Aspen Institute Congressional Program*

Roundtable Discussion

AN OVERVIEW OF GLOBAL RIVALRY

As peer or near-peer competitors, China and the U.S. are striving to shape security architectures, trading regimes, norms and practices, and values systems worldwide. Few of the issues they face are merely bilateral. The measure of the relationship will be taken not only in

Beijing and Washington, but in Africa, the Arctic, the Antarctic, Southeast Asia, outer space, and cyberspace.

- Do the U.S. and China understand the terms and costs of their unprecedented global rivalry?
- What assets and liabilities does each nation bring to the competition?
- How are the superpowers' global ambitions related to their domestic politics?
- Which global perceptions and attitudes shape Sino-U.S. competition?

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

Roundtable Discussion

FROM ENGAGEMENT TO ADVERSITY: BILATERAL TRADE AND INVESTMENT, AND CHINA'S BELT AND ROAD INITIATIVE

After 40 years of engagement in which economics served, in China's President Xi Jinping's phrase, as the "ballast" of the relationship, American dissatisfaction with China's trade and investment policies became the fuse that ignited a comprehensive competition. China is unwilling to restructure its economy to meet American demands, however, and it is learning to leverage its wealth to build influence worldwide and within the U.S.

- Which of China's trade and investment policies pose the greatest threat to the U.S., and what are the chances of altering them?
- Is the Belt and Road Initiative, China's global expansion plan, simply a program for "predatory lending," or is China providing global public goods and rewriting rules that may be accepted?
- Should the U.S. view China's economy as developing and reforming, or as a static, mercantilist menace?
- To what degree does each country's development depend on economic engagement with the other?

***Daniel Rosen**, Founding Partner, The Rhodium Group*

Roundtable Discussion

EMERGING THEATERS OF COMPETITION:
CYBERSPACE AND ESPIONAGE, WEAPONIZATION OF SPACE, AND THE RACE TO DOMINATE ARTIFICIAL INTELLIGENCE

Beijing and Washington agree that innovation is now the key to economic, military, and soft power. A key feature of their competition is the race to master and marketize emergent technologies, and Artificial Intelligence in particular, which has the capacity to accelerate and integrate other innovations. If one side gains a clear advantage in AI, the other may never catch up.

- Is China still an imitative nation, or has it developed the ability to innovate at the American scale?
- Is the American regulatory environment a spur to AI innovation, or a drag on the growth of this emerging industry?
- Which nation will likely prevail in the AI competition, and what are the global implications of dominance?

***Dean Cheng**, Senior Research Fellow, Asia Studies Center, the Heritage Foundation*

Individual Discussions
Members of Congress and scholars meet individually to discuss U.S. policy toward China. Scholars available to meet for in-depth discussion of ideas raised in previous sessions that day include Orville Schell, Daniel Rosen, and Dean Cheng.

Pre-Dinner Remarks
THE QUEST FOR FAIR TRADE BETWEEN THE U.S. AND CHINA
The terms of trade between the U.S. and China is a central factor impacting the relationship between these two superpowers. Professor Hanson will discuss costs and gains from expanded trade with China, which he first articulated in his piece, *The China Shock.*

***Gordon Hanson**, Director, Center on Global Transformation, University of California at San Diego*

Working Dinner
Seating is arranged to expose participants to a diverse range of views and provide the opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges, and potential solutions regarding the economic dimensions of U.S.-China relations.

SUNDAY, MARCH 17, 2019

Breakfast Remarks
A CHINESE PERSPECTIVE ON U.S.-CHINA RELATIONS
China sees its exponential development over the last few decades as a restoration of its destiny as a major power. China's relationship with the U.S. has been a significant factor in its dramatic growth. What is China's perspective on the U.S.-China relationship?

***Yun Sun**, Director, China Program, The Stimson Center*

Roundtable Discussion
UNDERSTANDING CHINA'S QUEST FOR POWER ON CHINA'S TERMS
Under Xi Jinping, the Chinese Communist Party has aggressively used clout to fulfill an ambition to rise its stature on the global stage irrespective of its competition with the U.S. Xi's rejuvenation of a strong Chinese global presence has implications for issues of sovereignty, political, security and economic concerns as well as changing global rules in the realms of human rights and governance of internet space. China's attempt to shape global narratives and to influence investment serve its historic aspirations.
- What are the primary methods by which Beijing influences American institutions?
- What specific harms have resulted from Chinese influence operations? How widespread are they?
- What is the relationship between China's influence campaigns and its public diplomacy, espionage, and interference operations?
- How do China's actions differentiate from legitimate "soft power" activities?

***Elizabeth Economy**, Director for Asia, Council on Foreign Relations*

Roundtable Discussion

STANDOFF OR STATUS QUO IN THE WESTERN PACIFIC?

It appears that China has succeeded in establishing a "new normal" in the Western Pacific; its constant patrols near the Senkaku Islands are barely mentioned by Western media and, in the South China Sea, it has militarized artificial islands and flouted the findings of the Permanent Court of Arbitration with impunity. American Freedom of Navigation operations have not altered Chinese behavior or ambitions.

- Does the "Indo-Pacific" strategy offer realistic hope of countering China's growing power in the region?
- What are the implications of China's growing power in the Western Pacific for U.S. alliances with Japan and South Korea, Thailand, and the Philippines?
- How do Southeast Asian nations view the relative power of the U.S. and China in the region?
- How is China's more assertive stance toward Taiwan related to its policies in the Western Pacific?

***Bonnie Glaser**, Director, China Power Project, Center for Strategic & International Studies*

Roundtable Discussion

TOWARD AN EFFECTIVE STRATEGY:
POLICY IMPLICATIONS FOR THE U.S.

The U.S. has informed China of its grievances and offered a stark declaration of its attitude toward the People's Republic of China: We are rivals. Washington has not yet articulated policies to deal with the China threat, however, much less has it integrated its policies in light of American capabilities, constraints, and national will. In sum, the U.S. does not have a strategy for managing its greatest security challenge.

- What are America's primary interests vis-à-vis China?
- What costs are the U.S. government and the American people willing to bear over the long run in competition with China?
- What does the U.S. envision as the stable end point of the China rivalry?
- What specific policies can best address American interests?

***Robert Daly**, Director, The Kissinger Institute, The Wilson Center*

Individual Discussions

Members of Congress and scholars meet individually to discuss U.S. policy toward China. Scholars available to meet for in depth discussion of ideas raised in previous sessions that day include Elizabeth Economy, Bonnie Glaser, and Robert Daly.

Working Dinner

Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges, and potential solutions regarding the economic dimensions of U.S.-China relations.