

A Guide to Extreme Competition with China

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About This Report

The U.S.-China competitive dynamic has been evolving rapidly and is at a critical crossroads. Rather than fostering greater cooperation, the global COVID-19 pandemic escalated tensions and is driving calls to rethink, reframe, and strengthen the U.S. competitive position. Starting from an assessment of Chinese intentions exploring how the dynamic does—or could—play out across the diplomatic, informational, military, and economic elements of national power, this report offers a framework for thinking about the China challenge and realistic and actionable recommendations that are sensitive to the limits of U.S. competitiveness.

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Summary

I've said to him all along that we need to not have a conflict. But there's going to be extreme competition.

—President Joe Biden, speaking of China and its president, Xi Jinping, on CBS News *Face the Nation*, February 7, 2021

The United States might have the capacity and capability to counter China's influence for now, but China's rapid rise means that decisions about when and how to compete come with significant or even prohibitive costs. These decisions are also bounded by U.S. and international law, or even just the burden of upholding international norms and standards. China is opportunistic in exploiting these gaps. Volumes have been written on how best to compete with China. The purpose of this report is not to add to the overflowing catalog of policy guidance, strategic directions, and cautionary advice; it is, rather, to offer realistic, actionable policy options that align with U.S. interests but are mindful of the limits of U.S. influence.

Competing Across China's Elements of National Power

China takes an *all-of-society* approach to competition—one that does not separate government from civil society or private enterprise. All three belong to the same system run by and mobilized for the benefit of the party-state. This dynamic plays out across the diplomatic, informational, military, and economic domains, allowing China to bring all elements of its national power to compete or coerce.

We developed a taxonomy of Chinese behaviors that served as a starting point for considering what the United States can do preemptively, whether a U.S. response is warranted, and how that response should be delivered. Across its diplomatic, informational, military, and economic elements of power, China engages in *benign*, *normal competitive*, and clearly *transgressive* activities:

- *Benign* activities support the global good, although they are not necessarily free from Chinese benefit or opportunism. Examples include China's stepped-up role in international peacekeeping operations, which also provide an opportunity to collect intelligence and influence foreign populations; dissemination of technologies, infrastructure, and standards across the developing world, which are increasing access to information for these populations while also allowing China to corner the market and potentially saddle countries with unsustainable levels of debt; engaging in counterpiracy, counterterrorism, noncombatant evacuation, and medical assistance missions, allowing it to exercise its military capabilities on a large scale and further its military leaders' understanding of the systems used by other countries; and China's rise as a hub for manufacturing, which has raised living standards in China and benefited international export markets.
- *Normal competitive* activities cover a broad spectrum; they might be unfair to the United States because China is not beholden to the same rules and norms, but they do not diverge greatly from expectations when great powers pursue their interests in the world. Examples include China's drive to achieve greater influence within international bodies, such as the United Nations, reflecting a shifting global power balance but also eroding checks on China's diplomatic power; China's efforts to co-opt journalists, purchase media outlets, and mobilize diaspora populations to promote favorable views of China and its intentions; its investment in military capabilities and technologies, which are necessary to secure its place as a military power but also increase levels of risk in a potential military conflict; and China's investment in port infrastructure abroad, which has facilitated international trade while also opening the door to economic coercion where these investments have been made.
- *Transgressive* behavior involves the violation of clearly defined global norms and laws. Examples include China's human rights violations and enforcement of territorial claims that have no basis in international law, sometimes through state-sanctioned violence; coercion and censorship that restrict information flows,

including attempts to remove foreign journalists who report from China; and the theft of intellectual property (IP) that has facilitated China's development of innovative military capabilities and allowed it to undercut economic competition.

A Framework for U.S. Responses

The U.S. decision calculus should account for the level of transgression involved in China's behaviors, the degree of potential damage to U.S. interests, and the likely effectiveness of any response. Some of the greatest challenges to U.S. interests are the result of normal competitive Chinese behavior. If the United States wants to play the "long game," even the most benign Chinese activity represents a potential threat. And China's economy poses a particular challenge for all countries that depend on it for financing, manufacturing capacity, and exports—and the entire world falls into this category to one extent or another.

These are just a few of the factors that increase the risk involved in responding to Chinese coercion or aggression. Another is the importance of accounting for the equities of allies and potential partners, which might be reluctant to support U.S. action. Yet another is the political climate in the United States and trends that undercut U.S. competitive advantages.

With this understanding, we offer recommendations across the full spectrum of U.S. competition with China:

- Retaliate against, reciprocate, and, ideally, deter unacceptable Chinese behavior.
- Extend existing norms and promote new ones, set international rules and standards, and define and expose Chinese transgressive behavior.
- Compete more successfully in the benign and normal competitive spheres by sustaining U.S. leadership in providing for the global good.
- Support and build global coalitions and partnerships.
- Restore the health and vitality of the American system.

The following sections summarize areas in which China challenges U.S. national power and the global system and present high-level recommendations that prioritize near-term action.

Retaliation, Reciprocity, and Deterrence

Whether the United States opts to retaliate, enforce reciprocal arrangements around access or privileges, or merely deter Chinese coercion, policymakers must be prepared for Chinese countermeasures—and understand that they might be disproportionate to the initial U.S. action. In planning to retaliate, reciprocate, and deter, policymakers should consider the following:

- Countering or retaliating against Chinese malign behaviors as they occur demands clear decisions on what types of behaviors to respond to. Once there is agreement on whether and how forcefully to respond, policymakers should draw on capabilities across the elements of U.S. national power and build international consensus.
- International institutions can threaten or impose large-scale diplomatic, economic, and military costs on China, provided there is political will to act. These decisions to retaliate against China should be part of considered strategies, and those involved in developing such strategies should be prepared for a counter-response from China.
- Reciprocal responses should target Chinese IP theft, acquisition of dual-use technologies, and dominance of global supply chains to undercut these advantages.
- Military forces play a critical role in deterring Chinese aggression. To contribute to deterrence, the United States should continue to enhance the capacity and capability of its forces and invest in interoperability and improved capacity among regional partners and allies.

Norm and Rule Setting

In addition to establishing its own, often parallel systems of diplomatic and economic alliances, China has been ascending to leadership positions in existing international bodies such as the United Nations. Both moves give it greater authority to set norms and standards and to undercut those that are already in place.

There are several steps that policymakers could take immediately to curb China's ambitions:

- Sign on to treaties that enforce current norms and standards.
- Exercise similar leadership in cyberspace, including bringing it under international laws of armed conflict and encouraging the adoption of technical standards that prioritize security.
- Actively counter Chinese economic practices that give it an advantage in U.S.-China competition and open smaller economies to coercion. Provide alternatives to predatory financing practices and set international rules that benefit market economies rather than state-led ones.

Competing in the Benign and Normal Competitive Spheres

Just as the United States should look across all elements of its own national power for new ways to proactively compete, it should take a holistic view of scenarios that present competitive opportunities. Furthering national interests while doing good is certainly not a novel concept, and this is something that the United States already does, but it could improve how it broadcasts such efforts. When it comes to normal competitive activities, policymakers should assess what is currently working, what is not, and which opportunities remain unexplored.

Supporting and Building Global Coalitions and Partnerships

Coalitions and partnerships are featured across our recommendations, with some recurring themes:

- There is benefit to building partnerships, coalitions, and security cooperation arrangements that provide alternatives to collaboration with China, with or without U.S. leadership or involvement.
- These relationships help foster a shared appreciation of the threat that China poses, and they empower vulnerable states, the private sector, and members of China's diaspora to participate in collective responses or resistance. China is opportunistic, and there is strength in numbers and in the diversity of participants resisting China's coercion.
- One focus of this relationship building should be Chinese diaspora communities in the United States and elsewhere. The May 2021 bipartisan passage of a U.S. law addressing hate crimes against people of Asian ethnicity repudiates to some extent Chinese Communist Party (CCP) criticisms that the United States is anti-Asian. However, more outreach, support, and inclusivity to empower members of the Chinese diaspora to resist CCP silencing, surveillance, and coercion would be beneficial.

In all of these relationships the United States should be prepared to make compromises and sometimes defer leadership to other nations. The challenge will be doing so while ensuring that these arrangements remain productive and, on balance, beneficial to U.S. interests.

Restoring the Health and Vitality of the American System

Ongoing political polarization and the propagation of disinformation have done a great deal of damage to trust in U.S. democratic institutions and media. Here we highlight two key capabilities that would better prepare the United States to compete with China in the near term:

- Expand the organizational infrastructure to publicly disseminate messages of condemnation, to discredit Chinese propaganda and coercion among domestic and international audiences, and to target specific audiences with specific messages and shows of U.S. strength and support in resisting Chinese influence.

- Credible messages backed by a comprehensive understanding of Chinese influence activities would improve U.S. efforts in this area. Again, the United States would benefit from a coordinated, centralized mechanism to collect this type of intelligence and ensure that it can be acted on swiftly.

In the long term, societal and economic trends—from growing income inequality and shortfalls in education to crumbling infrastructure and a lack of bipartisanship—will put the United States at a disadvantage as the next generations of policymakers assume responsibility for the China challenge. Now is the time to revise federal spending priorities to address current and emerging barriers to growth, innovation, and cooperation. A domestic system that is in disarray and neglects the public good will diminish U.S. credibility and leave the United States, itself, increasingly vulnerable to Chinese coercion.

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What Does China Want, and What Will It Do to Get It?

A Profile of China's Behavior and a Guide for U.S. Responses

Shortly after taking office, President Joe Biden spoke of relations with China and its leader, Xi Jinping: “I’ve said to him all along that we need to not have a conflict. But there’s going to be extreme competition.” He went on to say, “I’m not going to do it the way Trump did. We’re going to focus on international rules of the road.”¹

China’s continued rise may be the most consequential geopolitical development of the twenty-first century. China is the only country with the potential to overtake and surpass the United States in many of the most critical dimensions of national power over the next few decades. This report explores the latest diplomatic, military, information, economic, and technological developments in U.S.-China competition and how the United States should respond and compete going forward.

A critical first step is an assessment of China’s *intentions*. In positioning China to compete with the United States, what do Chinese Communist Party (CCP) leaders seek to accomplish domestically and internationally? There are three basic sources for inferring China’s intentions: what these leaders say and write, what China does, and what China’s own history—and the past behavior of other rising powers—suggests regarding its future behavior, recognizing that China’s intentions may evolve as it accrues power.²

What China’s Leaders Say

China’s leaders have been speaking more candidly and expansively about their longer-term ambitions in recent years.³ Deng Xiaoping’s injunction for the country’s foreign policy—“Observe calmly; secure our position; cope with affairs calmly; hide our capabilities and bide our time; be good at maintaining a low profile; and never claim leadership”—has been supplemented and even overtaken.⁴ The first adjustment came in 2009, when General Secretary Hu Jintao added the phrase, “while actively getting something accomplished.”⁵ Hu’s successor, Xi Jinping, put his own stamp on policy, substituting the phrase “strive for achievement.”⁶ Xi has since expanded on this theme. In 2016 he called on China to “promote reform of the international system and global governance.”⁷ The

¹ Joe Biden, interview, *Face the Nation*, CBS News, February 7, 2021.

² Joel Wuthnow, “Deciphering China’s Intentions: What Can Open Sources Tell Us?” *ASAN Forum*, July 29, 2019b.

³ Aaron L. Friedberg, “The Sources of Chinese Conduct: Explaining Beijing’s Assertiveness,” *Washington Quarterly*, Vol. 37, No. 4, Winter 2014; Oriana Skylar Mastro, “Why Chinese Assertiveness Is Here to Stay,” *Washington Quarterly*, Vol. 37, No. 4, Winter 2014; Xuetong Yan, “From Keeping a Low Profile to Striving for Achievement,” *Chinese Journal of International Politics*, Vol. 7, No. 2, Summer 2014.

⁴ Bonnie S. Glaser and Benjamin Dooley, “China’s 11th Ambassadorial Conference Signals Continuity and Change in Foreign Policy,” *China Brief*, Vol. 9, No. 22, November 4, 2009.

⁵ Andrew Scobell and Scott W. Harold, “An ‘Assertive’ China? Insights from Interviews,” *Asian Security*, Vol. 9, No. 2, 2013.

⁶ Yan, 2014.

⁷ Masafumi Iida, “Xi Jinping’s Diplomacy and the Rise of His Political Authority,” *Journal of Contemporary East Asia Studies*, Vol. 9, No. 2, 2020.

following year Xi promised that China would be “a global leader in innovation” by 2035 and “a global leader in terms of composite national strength and international influence,” with a “world-class” military that can “fight and win” wars by 2049.⁸ In 2018 he said that China would “actively participate in leading the reform of the global governance system.”⁹ Other leadership messages have called for “national rejuvenation,” increasing China’s international norm-setting power, building a “community of common destiny,” recovering lost territories, and ensuring that each nation’s “choice” of sociopolitical and economic systems receives equal respect.¹⁰

What China Does

Reflecting on modern China’s remarkable accomplishments, Singapore’s elder statesman Lee Kuan Yew has remarked, “How could they not aspire to be number one in Asia, and in time the world?”¹¹ This perception is now widely shared and has become the basis for U.S. policy.¹² Beyond striving to have the largest and most technologically advanced economy in the world, China is likely to employ that capacity to expand its influence abroad at the expense of competing powers.

Chinese scholars invoke a concept of comprehensive national power (综合国家力量).¹³ This has been defined by the China Institutes of Contemporary International Relations, a think tank linked to China’s Ministry of State Security, as the “total of the powers or strengths of a country in economics, military affairs, science and technology, education, resources, and influence.”¹⁴ It is clear that China has become increasingly adept at marshaling these sources of power in pursuit of its international objectives. This effort amounts to more than the Western “whole-of-government” approach: It aspires to an *all-of-society* mobilization, exemplified by the CCP’s efforts to be present in all aspects of Chinese life and to pursue *military-civil fusion* (军民融合).¹⁵ For example, China fails to draw a sharp line between the private and public sectors; it controls the behavior of its citizens abroad, directs the activities of its private enterprises, and steals state and industrial secrets alike. It also seeks to mobilize ethnic Chinese around the world to influence the societies in which they reside.¹⁶

Hal Brands at the School of Advanced International Studies at Johns Hopkins University has observed that, in East Asia, “China is aiming for a fairly traditional sphere of influence,” employing trade and investment, as well as military power, to induce and coerce its neighbors. “These measures are meant to push Washington out of the region just as Washington once pushed its European rivals out of the Caribbean.” Beyond its immediate neighborhood, China is employing the Belt and Road Initiative (BRI), among other means, to create what Brands

⁸ Xi Jinping, “Full Text of Xi Jinping’s Report at 19th CPC National Congress,” *China Daily*, November 4, 2017.

⁹ [“Xi Jinping Attended the Central Foreign Affairs Working Conference and Delivered an Important Speech” [习近平出席中央外事工作会议并发表重要讲话], Xinhua, November 29, 2014. See also Michael D. Swaine, “Xi Jinping’s Address to the Central Conference on Work Relating to Foreign Affairs: Assessing and Advancing Major-Power Diplomacy with Chinese Characteristics,” *China Leadership Monitor*, No. 46, November 30, 2014; and Timothy R. Heath, “China Prepares for an International Order After U.S. Leadership,” *Lawfare*, August 1, 2018.

¹⁰ See, for example, Timothy R. Heath, *China’s New Governing Party Paradigm: Political Renewal and the Pursuit of National Rejuvenation*, New York: Routledge, 2014; and Jacob Mardell, “The ‘Community of Common Destiny’ in Xi Jinping’s New Era,” *The Diplomat*, October 25, 2017.

¹¹ Graham Allison and Robert D. Blackwill, *Lee Kuan Yew: The Grand Master’s Insights on China, the United States, and the World*, Cambridge, Mass.: MIT Press, 2013, p. 2.

¹² Executive Office of the President, *U.S. Strategic Framework for the Indo-Pacific*, Washington, D.C.: White House, February 2018, declassified January 5, 2021.

¹³ Qi Haixia, *The Griffith-Tsinghua: “How China Sees the World,”* Queensland, Australia, and Beijing: Griffith University/Tsinghua University, Working Paper Series, No. 7, 2017.

¹⁴ Cleo Paskal, “Protection from China’s Comprehensive National Power Requires Comprehensive National Defence,” Kalinga Institute of Indo-Pacific Studies, September 2, 2020b.

¹⁵ Alex Stone and Peter Wood, *China’s Military-Civil Fusion Strategy: A View from Chinese Strategists*, Montgomery, Ala.: China Aerospace Studies Institute, Air University, 2020.

¹⁶ James Jiann Hua To, *Qiaowu: Extra-Territorial Policies for the Overseas Chinese*, London: Brill, 2014; Oscar Almén, *The Chinese Communist Party and the Diaspora: Beijing’s Extraterritorial Authoritarian Rule*, Stockholm: Swedish Defense Research Agency/FOI, 2020.

characterizes as a “sphere of technological influence, meant to provide geopolitical leverage via technological centrality rather than physical domination.” Chinese protestations to the contrary, he argues that Beijing is following “a path well-trod by its great-power predecessors.”¹⁷

The CCP’s core interest is to retain its leading role—that is to say, its control over all of China.¹⁸ The party has based its claim to leadership largely on its purported success in bringing China military and political victories (against Japan in World War II; against its political rival the Kuomintang, or Chinese Nationalist Party, in 1949; and against the United States on the Korean Peninsula in 1953), along with stability, reintegration of purported “lost” territories, prosperity, and international respect. The CCP sustains its leadership through enforced social conformity and intrusive surveillance taken to technologically enhanced extremes.

The party’s aspirations can thus be summarized as unchallenged control of its self-defined homeland, predominant influence over the nations on its periphery, global economic leadership, technological superiority, and a leading role in shaping the international system. As Wu Xinbo of Fudan University argues, “China does not pose an existential threat to the United States, yet it does threaten to dilute U.S. hegemony, share its global leadership role, and demonstrate an alternative to its development and governance model.”¹⁹

“At its core,” the RAND Corporation’s Michael Mazarr maintains, “the United States and China are competing to shape the foundational global system—the essential ideas, habits, and expectations that govern international politics. It is ultimately a competition of norms, narratives, and legitimacy; a contest to have predominant influence over the reigning global paradigm.”²⁰ And it is the liberal features of the current order, in particular, that China would seek to diminish—not so much in favor of a specific authoritarian model as toward an absence of standards for judging the domestic governance arrangements of other states and, in particular, an absence of criticism of the Chinese system.

What Chinese History Foreshadows

China’s history and continuing behavior suggest that if it achieves hegemonic status, its realized form of primacy would differ from that of its recent predecessors. China’s territorial holdings have waxed and waned over its history, never so vast as under the Manchu’s Great Qing dynasty in the mid- to late 18th century. Since then, most of its wars have been (in the characterization of the China’s leadership, at least), defensive or civil ones. There is little evidence that China seeks geographic expansion beyond disputed territory in the East and South China Seas, the Himalayas, and Taiwan. On occasion, however, unofficial Chinese voices have cited historical claims to islands west of Hawaii, territories in Eastern Russia lost during the Qing dynasty, Korea, and Mongolia. A recent RAND report observed that both China and Russia seem “largely focused on status grievances or ambitions, economic prosperity, technological advantage, and regional influence rather than conquest or the conscious, intentional resort to large-scale war.”²¹

During the Maoist period from 1949 to 1976 China sought to spread communism; today, some charge that it seeks to export “digital authoritarianism.”²² Throughout most of its history, however, China has tended to seek deference rather than imitation from foreign states. Its relations with its communist neighbors North Korea and

¹⁷ Hal Brands, “China’s Foreign Policy Weapons: Technology, Coercion, Corruption,” Bloomberg, January 25, 2021.

¹⁸ Xiao Qiang, “Dai Bingguo (戴秉国): The Core Interests of the People’s Republic of China,” *China Digital Times*, August 7, 2009.

¹⁹ Wu Xinbo, “The China Challenge: Competitor or Order Transformer?” *Washington Quarterly*, Vol. 43, No. 3, Fall 2020.

²⁰ Michael J. Mazarr, “The Essence of the Strategic Competition with China,” *PRISM*, Vol. 9, No. 1, October 21, 2020.

²¹ Michael J. Mazarr, Jonathan S. Blake, Abigail Casey, Tim McDonald, Stephanie Pezard, and Michael Spirtas, *Understanding the Emerging Era of International Competition: Theoretical and Historical Perspectives*, Santa Monica, Calif.: RAND Corporation, RR-2726-AF, 2018, p. 34.

²² Democratic Staff of the U.S. Senate Committee on Foreign Relations, *The New Big Brother: China and Digital Authoritarianism*, Washington, D.C.: U.S. Senate Committee on Foreign Relations, July 21, 2020; Maya Wang, “China’s Techno-Authoritarianism Has Gone Global,” *Foreign Affairs*, April 8, 2021.

Vietnam have long been and remain among its most troubled, as was the case with the Soviet Union. Post-Mao China has also shied away from engaging in distant conflicts. This suggests that an ascendant China does not seek to develop cloned satellite states, as in the Soviet model, or a far-flung U.S.-style system of formal alliances and large military bases.²³

These restraints might, of course, be abandoned as Chinese capabilities grow and new opportunities present themselves. China certainly seeks partners that are susceptible to its influence, be they democracies or dictatorships. It will likely seek to subvert and supplant U.S. influence and alliances in Asia by acting to “undermine Asian nations’ confidence in U.S. credibility, reliability, and staying power” and through economic pressure and coercion.²⁴

Post-Mao China has exhibited a marked indifference to the ideologies of its neighbors, trading partners, and aid recipients, prioritizing its own direct benefit over altering the composition of foreign systems of government.²⁵ Its nearer neighbors are exposed to the full panoply of Chinese persuasion and coercion—sometimes intense and blatant, often both geopolitical and economic—but far beyond its land and maritime borders, it employs mostly economic means to mostly economic ends.²⁶

Chinese officials frequently compare their system of government favorably with that of the United States, citing, for instance, U.S. responsibility for the 2008 global recession and its comparative failure to contain COVID-19.²⁷ Rather than selling China’s unique system of government to other states, such messages are intended to undermine regard for “the American way” and to convince Chinese audiences that the CCP offers the best form of rule while attracting potential partners through its purported success, reliability, and trustworthiness.

A Taxonomy of Chinese Behavior

Designing U.S. strategies and prioritizing policy actions to counter and compete with China begins with an examination of its diplomatic, informational, military, and economic activity. A three-part framework of *benign*, *normal competitive*, and clearly *transgressive* behavior provides a starting point for understanding the nature of the Chinese challenge in each of these spheres and organizing U.S. responses.

Examples of seemingly benign Chinese behavior might include reducing greenhouse gases, supplying effective vaccines, participating in United Nations (UN) peacekeeping operations, discouraging nuclear proliferation, adopting expansionary economic policies in the midst of a global recession, or providing humanitarian aid and supporting disaster relief. These activities do not necessarily harm the United States or damage its credibility—quite the contrary, they can serve the global good. But in boosting China’s reputation and reach, they can also advantage China in its competition with the United States.

²³ Chinese officials used to decry foreign basing but now treat these as “not an idea we have to shun”; see Christopher D. Yung and Ross Rustici, *“Not an Idea We Have to Shun”: Chinese Overseas Basing Requirements in the 21st Century*, Washington, D.C.: National Defense University Press, 2014. For example, China continues to build out its base in Djibouti, which could be capable of hosting an aircraft carrier, and Chinese diplomats and military officers are believed to be exploring other basing and access rights arrangements. See Chad Peltier, Tate Nurkin, and Sean O’Connor, *China’s Logistics Capabilities for Expeditionary Operations*, Washington, D.C.: U.S.-China Economic and Security Review Commission, 2020.

²⁴ Robert D. Blackwill, *Implementing Grand Strategy Toward China: Twenty-Two U.S. Policy Prescriptions*, New York: Council on Foreign Relations, Council Special Report No. 85, January 2020, p. 4.

²⁵ Jonas Parello-Plesner and Belinda Li, *The Chinese Communist Party’s Foreign Interference Operations: How the U.S. and Other Democracies Should Respond*, Washington, D.C.: Hudson Institute, June 2018; Peter Mattis, “What We Talk About When We Talk About Chinese Communist Party Interference in the Public Square,” *War on the Rocks*, March 7, 2018; John Garnaut, “How China Interferes in Australia,” *Foreign Affairs*, March 19, 2018; Anne-Marie Brady, “Magic Weapons: China’s Political Influence Activities Under Xi Jinping,” Wilson Center, September 18, 2017.

²⁶ Adam P. Liff, “China and the U.S. Alliance System,” *China Quarterly*, April 24, 2017.

²⁷ See, for example, Chinese Foreign Ministry spokesperson Zhao Lijian’s claim that COVID-19 was brought to China by the U.S. Army; Zhao Lijian [@zlj517], “2/2 CDC was caught on the spot. When did patient zero begin in US? How many people are infected? What are the names of the hospitals? It might be US army who brought the epidemic to Wuhan. Be transparent! Make public your data! US owe us an explanation!” Twitter post, March 12, 2020; and Alice Ekman, “China and the ‘Definition Gap’: Shaping Global Governance in Words,” *ASAN Forum*, November 4, 2017.

Normal competitive behavior involves the quest for advantage within the boundaries of defined international norms where such exist. It also includes openly adversarial behavior where no defined norms exist. There are, for instance, few international standards for espionage, propaganda, and economic coercion (i.e., sanctions), nor for the use of the internet and other advanced technologies for these purposes.

Normal competitive behavior should not be equated with acceptable behavior; China is an aspirant superpower seeking to overtake and surpass the United States. But judged against the modern analogs of the Soviet Union and the United States, much of China's behavior in these unregulated domains is not so unusual, even if in some spheres it is increasingly adversarial.

Transgressive behavior involves the violation of clearly defined global norms. International rule making is perhaps most advanced in the areas of trade and finance. There are some well-defined international standards for human rights, of which China is in clear and widespread violation. This includes what Western officials have declared as genocide against its Uyghur Muslim population in Xinjiang. China has aggressively asserted maritime claims in the South China Sea that have no basis in international law, and it has ignored an international court ruling on its actions.²⁸

How Does Sino-American Extreme Competition Compare with the Soviet-American Cold War?

The United States once again, after a hiatus of 30 years, sees itself in a competition for global influence with another superpower. The Cold War analogy is revealing, but as much for the contrasts as the similarities it offers.

Both contests proceeded below the level of direct armed conflict. Many of China's espionage, subversion, and coercion techniques are the digital age counterparts of Soviet behaviors. But the Cold War was almost exclusively a zero-sum or even lose-lose contest: What little cooperation existed focused principally on avoiding mutual destruction. While there is still the potential for negative-sum interactions, much U.S.-China competition occurs in benign or positive sum domains from which both sides can benefit, albeit perhaps not equally.

During the Cold War, the United States enjoyed a clear advantage in soft power and a corresponding ability to inspire regard, affection, and even emulation. The "American way" epitomized both freedom and prosperity. Moscow offered a revolutionary ideology that appealed to anticolonial revolutionaries and provided the weapons to back it up. With the dissolution of the colonial empires, however, the United States and its Western allies had far more to offer in terms of an economic model, technical expertise, and concrete assistance.

Today the U.S. soft power advantage is much diminished as a result of growing polarization, legislative gridlock, and rising income inequality.²⁹ Sustained social and political susceptibility to foreign interference and impressions of U.S. democracy's fragility position China as a potentially attractive development model that is ready to provide large-scale investment and assistance. The Soviet economy was autarkic, a closed system incapable of helping others develop a modern economy or of being helped. In contrast, trade with China is generally mutually beneficial, even when those benefits flow unequally. China thus has more to offer the world than the Soviet Union ever did.

Perhaps the most destructive aspect of the Cold War was the many proxy hot wars it nurtured throughout Africa, Asia, and Latin America. Fortunately, post-Mao China has turned away from picking sides in local battles or backing revolutionary movements of any stripe. For the past 50 years, East Asia has been relatively free from serious civil wars, in contrast to the Middle East, Africa, Latin America, and even Europe.

²⁸ Euan Graham, "The Hague Tribunal's South China Sea Ruling: Empty Provocation or Slow-Burning Influence?" Council on Foreign Relations, August 18, 2016.

²⁹ James Dobbins, Gabrielle Tarini, and Ali Wyne, *The Lost Generation in American Foreign Policy: How American Influence Has Declined, and What Can Be Done About It*, Santa Monica, Calif.: RAND Corporation, PE-A232-1, 2020.

How Should the United States Respond?

America's grand strategy for the Cold War was based on deterrence, containment, and the expectation that the Soviet empire would eventually disintegrate from its own weight and internal contradictions. Deterrence and containment have continuing application as regards China's relations with its East Asian neighbors, but China's economic power and consequent political influence has long since transcended any geographic limits.

The Sino-American competition is a race with no clearly discernible finish line. The CCP, like its Soviet counterpart, may one day lose its hold on power. Alternately, if frustrated long enough in its quest for hegemony, China might eventually choose to become a responsible stakeholder in the international system. While it is difficult at this distance to predict the ultimate outcome of Sino-American competition, our recommendations are intended to ensure that the United States and its partners retain the ability to forestall unfavorable outcomes and steer events toward more favorable ones.

It would be a mistake for the United States to focus its response to China's challenge solely on containing China's geopolitical influence or on punishing Chinese misbehavior, because such defensive efforts can at best postpone the day when China displaces the United States as the world's leading power. China's economy has been growing at more than double the rate of the United States for several decades. The country is on a trajectory similar to that experienced earlier by Japan and the Asian "tigers." If China eventually reaches those nations' levels of productivity—an achievement that is certainly not inevitable—its gross domestic product (GDP) could be three to four times that of the United States. Already Chinese products and services are displacing American ones in major markets around the world by "beating the U.S. in some combination of price, quality, financing, and delivery."³⁰ Fostering America's network of formal alliances and partnerships will be essential to counterbalance China's growing weight. But U.S. competition with China should also have a major domestic component involving new investments in education, science, technology, and infrastructure.

Penalizing Chinese transgressive behavior and leveling the playing field are critical components of an effective competitive strategy, but normative considerations are just one factor that should inform U.S. reactions to Chinese behavior. The United States should be proactive in competition and identify competitive objectives beyond simply curbing the worst excesses of China's efforts. Some of the greatest challenges to U.S. interests are the result of normal competitive Chinese behavior. And even the most benign Chinese activity represents a challenge. A world in which the CCP's influence predominates would, at a minimum, be uncomfortable for the United States. Rivalry in the provision of global goods is, therefore, one element in the Sino-American competition.

This does not mean that benign sources of Chinese influence should be resisted or denigrated. Rather, they should be encouraged but also matched by comparable U.S. contributions. Normal competitive Chinese efforts to gain advantage should be resisted and, where likely to be productive, reciprocated. Transgressive Chinese behavior should be stigmatized and penalized by the widest coalition of nations that can be assembled.

To compete successfully, the United States should adopt a strategy that addresses the full spectrum of China's challenge and the full range of its behavior. Accordingly, throughout the succeeding chapters we recommend measures that would give the United States options to respond in one or more of the following ways:

- Retaliate against, reciprocate, and, ideally, deter unacceptable Chinese behavior.
- Extend existing norms and promote new ones, set international rules and standards, and define and expose Chinese transgressive behavior with the goal of sustaining the international order while welcoming China if it plays by the same rules as everyone else.³¹

³⁰ James Dobbins, Howard J. Shatz, and Ali Wyne, *Russia Is a Rogue, Not a Peer; China Is a Peer, Not a Rogue: Different Challenges, Different Responses*, Santa Monica, Calif.: RAND Corporation, PE-310-A, 2019.

³¹ Similar treatments focusing on China as a competitor that the U.S. must shape, often by pushing back on, sometimes by engaging, and occasionally by making space for, include Michael J. Mazarr, Timothy R. Heath, and Astrid Stuth Cevallos, *China and the International Order*, Santa Monica, Calif.: RAND Corporation, RR-2423-OSD, 2019.

- Compete more successfully in the benign and normal competitive spheres by sustaining U.S. leadership in providing for the global good.
- Support and build global coalitions and partnerships so as to counter claims that the current era is defined by U.S.-China rivalry, instead ensuring that if China seeks to challenge the United States, it will also be challenging a broad network of powerful countries.³²
- Restore the health and vitality of the American system.³³

Organization of This Report

The following chapters examine Chinese competitive behavior and recommend American responses. Chapter Two illustrates how this dynamic plays out in a geopolitical context, examining the increasingly undiplomatic conduct of Chinese diplomacy. Chapter Three exposes the present and potential future consequences of U.S. limitations in countering China's extraordinary ability to dominate the information environment for the purposes of domestic control and foreign influence. Chapter Four explores how China has invested in military power for both military and nonmilitary ends. Chapter Five details China's rapidly expanding economic profile, which has helped it grow its influence in nearly every corner of the world. In Chapter Six we provide an overall assessment of the China challenge and some recommendations that span the elements of national power.

³² G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs*, Vol. 87, No. 1, 2008.

³³ Ryan Hass, *Stronger: Adapting America's China Strategy in an Age of Competitive Interdependence*, New Haven, Conn.: Yale University Press, 2021.

Chinese Diplomacy: Soft Power with Sharp Edges

One of the ways the CCP pursues its objectives is through *diplomacy*. When it comes to this element of national power, China's activities span the full range from benign to transgressive. This chapter explores the contours and distinctions of China's diplomatic efforts, highlighting what should be points of concern for the United States, what responses it could mount, and where there is a risk that it could be called to act in the future.

China's contemporary diplomatic efforts take three general forms. First, it uses diplomacy in pursuit of its interests—foremost among them being the preservation of the CCP's internal hold on power. Second, it engages in what can be characterized as bullying: leveraging Chinese economic, military, and political power to coerce, threaten, or impose punitive costs. One intent (or, at a minimum, one consequence) of this approach is that China incentivizes individuals, organizations, and even countries to avoid its ire by self-censoring or choosing policy pathways that are acceptable to China. Third, China's use of diplomacy is part of an integrated application of national power to achieve influence. Its *all-of-society* approach does not separate government from civil society or private enterprise; all belong to the same system run by and mobilized for the benefit of the party-state. These latter two uses of diplomatic power (China's inclination to throw its weight around with the backing of its entire national system) pose the greatest threat to U.S. interests.

It is useful to review the recent history of Chinese diplomacy, as well as the CCP's use of traditional diplomatic activities and how it integrates those activities with other forms of national power. In doing so, we identify opportunities for the United States to respond by offering alternatives to states on the receiving end of Chinese exploitation or coercion, promoting transparency in international bodies created or dominated by China, and exposing China's transgressions. Further, China's bullying can serve as a catalyst to motivate opposition and form coalitions, bolstering and enforcing the norms of the current rule-based order.

Principles and Recent History of Chinese Diplomacy

China's approach to diplomacy has gone through several phases, but all have been underpinned (at least notionally) by the Five Principles of Peaceful Coexistence, dating back to discussions in the 1950s between China, India, and Myanmar:

- mutual respect for sovereignty and territorial integrity
- mutual nonaggression, extending to declining to form alliances
- noninterference in others' internal affairs
- equality and mutual benefit
- peaceful coexistence.¹

¹ Sherif A. Elgebeily, "How China's Foreign Policy of Non-Intervention Is All About Selective Action," *South China Morning Post*, April 30, 2017. The Five Principles originally guided negotiations over a territorial dispute between China and India; they were formalized in the resulting 1954 treaty and subsequently became intertwined with China's diplomatic identity.

In practice, noninterference in others' internal affairs has meant a studied indifference to the form of government or the human rights record of international partners.² Under the rubric of noninterference, China has engaged with and supported regimes that have been subject to Western pressure to improve their governance or respect for human rights. However, China's respect for sovereignty and territorial integrity has always been applied highly selectively, with disregard for the principle of mutual nonaggression when other nations' territorial claims overlap with China's. Chinese claims of noninterference also overlook their active involvement in attempting to influence policy and politics in other countries.

Enshrined as they are in formal agreements, the Five Principles amount to little more than "what China's leaders say." The Chinese concept of "new diplomacy" dates to the early 1990s and has progressed through several distinct phases.³ There are few substantive differences between these phases; they similarly amounted to a branding (and rebranding) campaign presenting different slogans intended to promote the idea that China's development was peaceful and nonthreatening to the rest of the world. Beginning with "hide and bide," the phases have included "peaceful rise" and then "peaceful development," followed by "strive for achievement" and "achieve some results," before giving way to "neighborhood diplomacy."

China's diplomacy became much more assertive in the 2008–2010 time frame, however, and has grown even more so since Xi Jinping assumed power in 2013.⁴ Argumentative and unapologetic, China's "Wolf Warrior diplomacy" has alienated many of its national trading, investment, and research partners and damaged its reputation.⁵ Despite Xi's recent public statements,⁶ China is unlikely to change course for at least two reasons. First, the Wolf Warrior state, shouldering the burden of great-power responsibility and refusing to go down without a fight, plays very well with the Chinese domestic audience.⁷ After all, the CCP's paramount concern is the preservation of the goodwill of its citizens. Second, China's experience with coercive diplomacy is that it has worked; it is less that aggressive language has won concessions and more that it contributes to the hesitancy of others to act in ways that might anger Beijing.⁸

Unless this behavior is made more costly or becomes clearly counterproductive, China is unlikely to abandon a practice that is both effective and popular domestically. But its continued aggressiveness could create an opportunity for the United States to gather and mobilize other nations in opprobrium of China's bullying.

Traditional Diplomacy and Global Engagement

China maintains a robust apparatus for diplomacy and global engagement and undertakes the full range of traditional diplomatic activities. However, even here, it uses legitimate processes in ways that transgress established norms.

First among these is the Chinese habit of making illegitimate territorial claims or waging other forms of "lawfare," mobilizing international laws and courts for nefarious purposes—or it merely disregards international laws or court rulings to the same end. For example, despite a 2016 ruling by an international tribunal convened

² This indifference is not universal: China did eventually speak out against Muammar al-Qaddafi, ultimately felt compelled to sanction Omar al-Bashir in Sudan, and quite frequently points out racism in the United States.

³ Jacob Stokes, *China's Periphery Diplomacy: Implications for Peace and Security in Asia*, Washington, D.C.: United States Institute of Peace, Special Report No. 467, May 20, 2020.

⁴ See Scobell and Harold, 2013; Peter Jennings, "China's Wolf-Warrior Tactics Are Here to Stay," *Strategist*, September 12, 2020; Mastro, 2014; Yan, 2014; and Robert D. Blackwill and Curt M. Campbell, *Xi Jinping on the Global Stage: Chinese Foreign Policy Under a Powerful but Exposed Leader*, New York: Council on Foreign Relations, February 2016.

⁵ Jennings, 2020. In an epic illustration of China's all-of-society mobilization of national power, a popular action film spawned both a sequel and the nomenclature for this phase of China's diplomatic evolution.

⁶ Adam Ni, "Xi Jinping on External Propaganda and Discursive Power," *China Neican*, June 4, 2021.

⁷ Jennings, 2020.

⁸ Jennings, 2020; Mastro, 2014.

under the authority of the United Nations Convention on the Law of the Sea (UNCLOS), to which China is a party, it continues its “nine-dash line” claim in the South China Sea.⁹

Undeterred after losing its legal dispute with the Philippines, China has engaged in other chicanery based on a narrow reading of UNCLOS. Specifically, it has sought to extend territorial claims by constructing artificial islands (and fortifications) on shoals that are historically submerged during some phases of the tides, something the tribunal has also deemed illegal.¹⁰

China is aggressive in the content of its diplomatic relations as well. Wolf Warrior diplomats are quick to take umbrage and react to perceived slights with strongly worded public statements, signaling a willingness to (temporarily) sever diplomatic relations as a form of punishment. Indeed, in recent decades China has frequently reduced or suspended diplomatic communications with a variety of countries to signal its discontent, including Australia, Japan, and Norway.¹¹ These fits of retaliatory action have played out against the backdrop of China’s long-standing diplomatic position on Taiwan that is akin to the “silent treatment” accompanied by vigorous efforts to deny Taiwan membership in international forums or organizations.

In recent years China has shown increasing interest in growing its membership and influence in many of these same international institutions, as well as seeking to establish alternative institutions that might afford it still greater influence.¹² Figure 2.1 presents 13 examples of Chinese parallel structures. China now heads four of the UN’s 15 specialized agencies (more than any other nation), positioning Chinese diplomats to steer development goals in China’s favor, expand its access to valuable shipping routes, “spread misleading messages,” and “impede the work of the UN Human Rights Council.”¹³ Similarly, China has been accused of using the International Criminal Police Organization (INTERPOL) as an extension of its own state security apparatus, abusing the Red Notice system to harass and inconvenience dissidents outside China.¹⁴ The international community has long sought to involve China in international institutions, normalizing its participation as a responsible stakeholder in the global commons, but in doing so, it has given China agenda-setting access and the ability to leverage these institutions for its own ends.

China has also sought an increased role in international mediation and peacekeeping. While this might sound like a positive development (China acting as a responsible stakeholder and helping to resolve conflict), it also serves to enhance Chinese power and influence. Richard Gowan at the Brookings Institution has pointed out that China’s outlay for peacekeeping forces likely pales in comparison with the benefit it attains in terms of intelligence gathering, military training, and progress toward other strategic goals.¹⁵

The ambitious BRI is another important element of Chinese global engagement. China presents the initiative as a global development partnership from which all participants can gain, and to some extent it might be. However, it is also clearly meant to place China at the center of the global commons, lock in trade relationships, and

⁹ Ankit Panda, “International Court Issues Unanimous Award in *Philippines v. China* Case on South China Sea,” *The Diplomat*, July 12, 2016. China has gone so far as to include its version of the nine-dash line in Chinese passports so that foreign officials give it a “stamp of approval” when Chinese citizens travel abroad; see Ben Blanchard and Manuel Mogato, “China Decries Attempts to ‘Read Too Much into’ Passport Map Row,” Reuters, November 28, 2012.

¹⁰ Panda, 2016; Lyle J. Morris, Michael J. Mazarr, Jeffrey W. Hornung, Stephanie Pezard, Anika Binnendijk, and Marta Kepe, *Gaining Competitive Advantage in the Gray Zone: Response Options for Coercive Aggression Below the Threshold of Major War*, Santa Monica, Calif.: RAND Corporation, RR-2942-OSD, 2019.

¹¹ See, for example, “China Refuses to Take Australia’s Calls,” *Queensland Times*, January 30, 2021; “Vice Premier Cancels Meeting with Koizumi,” *China Daily*, May 23, 2005; and Jonathan Watts and Matthew Weaver, “China Cancels Meeting with Norwegian Minister After Nobel Peace Prize Row,” *The Guardian*, October 11, 2010.

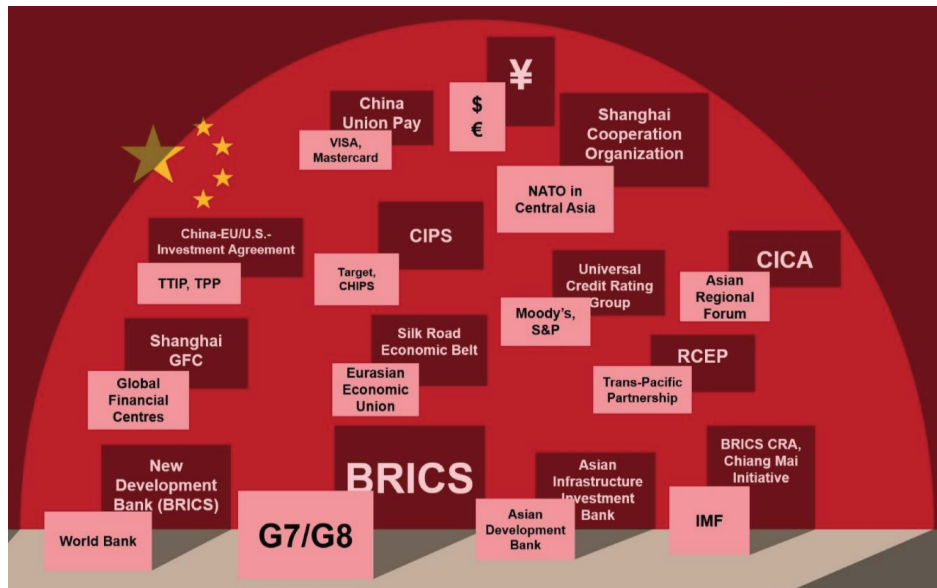
¹² Stokes, 2020. One such Chinese-led institution is the BRI-related Asian Infrastructure Investment Bank; see Andrew Scobell, *Something Old, Something New: Continuity and Change in China’s Foreign Policy*, Santa Monica, Calif.: RAND Corporation, CT-A774-1, September 9, 2020.

¹³ Tung Cheng-Chia and Alan H. Yang, “How China Is Remaking the UN in Its Own Image,” *The Diplomat*, April 9, 2020.

¹⁴ Masood Farivar, “How Authoritarian Governments Are Exploiting Interpol to Harass Political Enemies,” *Voice of America*, October 3, 2019.

¹⁵ Richard Gowan, “China’s Pragmatic Approach to UN Peacekeeping,” Brookings Institution, September 14, 2020.

FIGURE 2.1
Chinese-Created Parallel International Institutions



SOURCE: Sebastian Heilmann, Moritz Rudolf, Mikko Huotari, and Johannes Buckow, "China's Shadow Foreign Policy: Parallel Structures Challenge the Established International Order," *China Monitor*, No. 18, October 28, 2014, p. 2. Used with permission.

NOTES: Heilmann et al. meticulously catalog the purpose of each of these structures. BRICS = Brazil, Russia, India, China, and South Africa; CHIPS = Clearing House Interbank Payments System; CICA = Conference on Interaction and Confidence-Building Measures in Asia; CIPS = China International Payment System; GFC = global financial center; IMF = International Monetary Fund; NATO = North Atlantic Treaty Organization; RCEP = Regional Comprehensive Economic Partnership; TPP = Trans-Pacific Partnership; TTIP = Transatlantic Trade and Investment Partnership.

enhance Chinese financial and technological influence.¹⁶ The BRI brand recalls the Five Principles of Peaceful Coexistence, perhaps even downplaying China's share of the mutual benefit.

China's stated and actual ambitions aside, observers have raised four categories of concerns with respect to BRI. First, many of the projects are not economically viable. That would not be a problem if China's robust state-controlled economy absorbed these considerable losses, but it is likely that recipient nations will be left with debts they cannot repay, as was the case for Sri Lanka when it was forced to hand over its Hambantota International Port to China in 2017.¹⁷ This is why some refer to lending for BRI projects as a form of "debt-trap diplomacy."¹⁸ Second, Chinese technologies and standards become the default in BRI countries, promising long-term technological dependence on China. Third, with China acting as patron rather than partner, BRI could end up hampering free trade.¹⁹ Finally, China's generous BRI financing poses a significant threat to U.S. influence across large parts of Africa, Asia, Europe, and the Middle East by freeing recipient countries from the strict conditions that Western lenders demand.²⁰

¹⁶ Stokes, 2020.

¹⁷ Kai Schultz, "Sri Lanka, Struggling with Debt, Hands a Major Port to China," *New York Times*, December 12, 2017.

¹⁸ Mark Green, "China's Debt Diplomacy: How Belt and Road Threatens Countries' Ability to Achieve Self-Reliance," *Foreign Policy*, April 25, 2019. Note that others contest this characterization of the Hambantota case; see Ajit Singh, "The Myth of 'Debt-Trap Diplomacy' and Realities of Chinese Development Finance," *Third World Quarterly*, Vol. 42, No. 2, 2021.

¹⁹ Dana Heide, Till Hoppe, Stephan Scheuer, and Klaus Stratmann, "EU Ambassadors Band Together Against Silk Road," *Handelsblatt*, April 17, 2018.

²⁰ Dobbins, Shatz, and Wyne, 2019, p. 13.

Diplomacy's Integration with Other Forms of National Power

Part of the reason Wolf Warrior diplomacy has been effective is its ability to pose a credible threat of real consequences from other elements of Chinese national power. Thus, a state that interferes with China's diplomatic ambitions could find itself confronted militarily or economically (perhaps with a cyberattack in the mix) as part of a powerful campaign that employs every element of society in a coordinated fashion. For example, when Japan arrested the captain of a Chinese fishing trawler that deliberately rammed two Japan Coast Guard ships near the disputed Senkaku Islands in 2010, China retaliated with frequent patrols of Japanese waters and Chinese fishing vessels acting in a paramilitary capacity, alongside a deterioration in trade relations.²¹

To the extent that China leverages diplomatic power as part of comprehensive national power, it also leverages comprehensive national power as part of its diplomacy.²² Chinese diplomacy can present both sticks and carrots. Sticks might include military threats or economic coercion, such as calling in debts or other obligations. Carrots offered as part of Chinese diplomacy might include various financial incentives (up to and including actual bribery) or simply the opportunity to avoid costs by following policies acceptable to China.

The All-of-Society Underpinnings of Diplomatic Coercion

Much of Chinese diplomacy has a coercive undertone: Comply with our politely worded request, or else. The *or else* might be exclusion from massive Chinese markets, physical threats or harassment, or simply the mobilization of Chinese patriots to register their dissatisfaction online by the millions.²³

As we discuss in Chapter Four, China's military, the People's Liberation Army (PLA), continues to grow in size, strength, and technological sophistication, especially relative to the forces of its regional neighbors. Chinese threats of military retaliation over territorial disputes must be taken seriously. These threats might be explicit, such as when the Chinese Foreign Ministry warned Vietnam in 2017 to stop drilling in a contested corner of the South China Sea or face military action in the Spratly Islands.²⁴ Or coercion might be mixed with a vague threat, as when Chinese fishing vessels engage in a maritime version of street fighting while Chinese warships lurk on the horizon. This sort of coercive diplomacy—a threat of force that occasionally escalates to a limited actual use of force—has become increasingly common.²⁵

As will be illustrated in Chapter Five, China's integration of economic coercion and diplomatic power is even more prevalent, comprehensive, and systematic. China has learned “that access to its economy is a powerful lever for countries and businesses alike and threats to constrain access to the Chinese market can indeed force changes to behaviour that benefit China.”²⁶ For example, when Australia called for an independent investigation into the origins of COVID-19, China threatened to stop buying Australian agricultural products and to prevent Chinese travel to Australia; when Australia pressed the matter, China imposed an 80-percent tariff on Australian barley and took other punitive measures.²⁷ China's economy is large enough—and many regional partners are sufficiently dependent on Chinese trade—that such measures can be quite consequential.

China also uses trade policies and sanctions against a wide range of threats to its diplomatic interests. Of course, economic coercion is part of the tool kit when it comes to territorial disputes with neighbors, but it is also

²¹ Morris et al., 2019.

²² Paskal, 2020b.

²³ Scobell, 2020, p. 5, has remarked on the increased credibility of these warnings: “China has grown much stronger economically and militarily; consequently, other states perceive it as more threatening when Beijing acts assertively or provocatively.”

²⁴ Morris et al., 2019, pp. 31–32.

²⁵ Mastro, 2014; Stokes, 2020.

²⁶ Jennings, 2020.

²⁷ Robert C. O'Brien, “The Chinese Communist Party's Ideology and Global Ambitions: Remarks Delivered by National Security Advisor Robert C. O'Brien on June 24, 2020, in Phoenix, Arizona,” White House, June 26, 2020.

used against those who speak out against Chinese human rights policies in Tibet or Xinjiang or those who formally acknowledge Taiwan as anything other than a part of China.²⁸

Public diplomacy, influence, and interference provide additional levers of coercion. The United Front Work Department of the CCP's Central Committee works to ensure that Chinese populations regardless of residency accept CCP rule, endorse its legitimacy, and help achieve key aims.²⁹ Counting émigrés and students studying abroad, the worldwide Chinese diaspora is 50 million strong.

Projecting a positive self-image is at the core of traditional public diplomacy, but the United Front has the power to mobilize the Chinese diaspora to echo the CCP's disapproval, a topic that will be addressed in detail in Chapter Three.³⁰ Confucius Institutes dot university campuses around the world, ostensibly serving as Chinese language and cultural centers and an innocuous component of traditional public diplomacy. But they have been accused of pressuring universities to cancel or avoid hosting events or speakers on topics that are viewed as controversial in Beijing.³¹

Incentives or Merely Cost Avoidance: Getting Others to Get Along by Going Along

In addition to imposing costs or threatening to impose costs, China also offers incentives (or carrots) for cooperation or compliance. This reward-based diplomacy takes all the traditional forms of “buying friends.” According to China scholar Oriana Skylar Mastro, “Chinese leaders are starting to think about how they can use the immense economic benefit of doing business with China in order to gain political influence.”³² Diplomatic quid pro quo is one way China uses incentives. For example, Kiribati switched its diplomatic allegiance from Taiwan to China after China built a fish processing plant there in 2019.³³ Chinese “vaccine diplomacy,” tying medical aid to unrelated requests, might have been successful at the height of the COVID-19 pandemic if its vaccines had been more effective.³⁴ The extension of favors or incentives is not confined to the national level, either; party officials or their proxies routinely reach out to U.S. and other corporate leaders whose firms have interests in China to suggest that their fortunes hinge on their responses to Chinese requests.³⁵ China similarly courts government officials. In what is referred to in the academic literature as elite capture, China has long sought to cultivate relationships with—and is willing to do favors for—politicians or other leaders whose views and statements are favorable to China.³⁶ As we discuss in Chapter Four, bribery and subversion are not always necessary.

One of the goals of China's coercive diplomacy is the creation of cost-free incentives: by simply going along with Chinese preferences, individuals, organizations, and countries can avoid the imposition of costs they would face by failing to do so. The effects are evident in the multiple cases of self-censorship in television and film, academia, politics, and elsewhere.³⁷ Chinese domestic internet censorship, described in Chapter Three, has become

²⁸ Morris et al., 2019.

²⁹ Gerald Groot, senior lecturer at the University of Adelaide, quoted in Mercy A. Kuo, “China's United Front Work: Propaganda as Policy,” *The Diplomat*, February 14, 2018.

³⁰ Alicia Fawcett, *Chinese Discourse Power: China's Use of Information Manipulation in Regional and Global Competition*, Washington, D.C.: Atlantic Council, December 2020; Josh Horwitz, “Australian Professors and Universities Are Being Shamed into Apologizing for Offending Chinese Students,” *Quartz*, August 29, 2017.

³¹ William Barr, “Transcript of Attorney General Barr's Remarks on China Policy at the Gerald R. Ford Presidential Museum, Grand Rapids, MI,” U.S. Department of Justice, July 17, 2020.

³² Mastro, 2014.

³³ Cleo Paskal, “How Kiribati Was Lost to China,” *Sunday Guardian Live*, August 29, 2020a.

³⁴ Sebastian Strangio, “China's Southeast Asian ‘Vaccine Diplomacy’ Comes into Relief,” *The Diplomat*, November 5, 2020; James Palmer, “China's Vaccine Diplomacy Has Mixed Results,” *Foreign Policy*, April 7, 2021.

³⁵ Barr, 2020.

³⁶ Jason Morgan, “Is Japan Putting Up a Good Enough Fight Against China's Propaganda Warfare?” *Japan Forward*, August 2, 2020.

³⁷ For a discussion of self-censorship in entertainment, see Josh Feldman, “Judd Apatow Calls Out Hollywood Censorship on Human Rights,” *Mediaite*, September 14, 2020.

normalized to such an extent that U.S. companies have been “indoctrinated . . . to believe in the necessity of self-censorship.”³⁸

The Accumulated Consequences of Chinese Coercive Diplomacy

Many of China’s uses of diplomatic power transgress international norms, but others are only normal competitive activities that exploit the power imbalance with weaker states. As noted, China employs the diplomatic element of national power to support—and *with support from*—other elements of national power. In the event of a U.S.-China military confrontation, China would no doubt employ coercive diplomacy against neighbors that might grant access or lend capabilities to the United States.³⁹

Simply tolerating such behavior and allowing it to continue perpetuates the normalization of the subsequent self-censorship that has taken hold in segments of the U.S. private sector that risk being cut off from Chinese markets or falling victim to smear campaigns. China’s neighbors expect and accept a certain level of harassment of their fishing fleets in their own territorial waters, and China avoids scrutiny of its human rights and other abuses through its leadership and influence in various international organizations. As Australia’s Peter Jennings has cautioned, “Making concessions to Beijing’s wolf-warrior behaviours will only encourage more coercion.”⁴⁰

By coercing nations, businesses, organizations, and individuals to comply with Beijing’s preferences (or worse, to have them preemptively *choose* to comply out of a desire to avoid such coercion), China gets what it wants. These behaviors serve as a damper on fair competition and the sovereignty of other nations. Getting what it wants in this way gives China unfair advantages in other forms of competition.

Recommended U.S. Responses

There have been several distinct phases in China’s approach to diplomacy since the 1950s, but it has evolved to serve three primary purposes:

1. to maintain the CCP’s internal hold on power and to otherwise protect its interests
2. to coerce, threaten, or impose punitive costs on others or to incentivize acceptable behavior
3. to function as part of an integrated application of national power to achieve influence.

China’s all-of-society model of diplomacy goes beyond U.S. conceptions of a whole-of-government approach, employing domestic and international strategies and all elements of national power toward these common goals. From seemingly benign arrangements that run the risk of debt-trap diplomacy to economic retaliation that crosses a line into coercion, countries in the region often have few alternatives but to cooperate with China or heed to China’s demands.

“Skepticism about China’s intentions has led many of its neighbors to start taking steps to balance against becoming overly dependent on Beijing,” notes Jacob Stokes.⁴¹ But this only works if these neighbors have legitimate alternative steps to take. In other words, even when there is interest in forming partnerships with others (including the United States), China’s looming regional presence can shut down opportunities for collaboration.

The following responses could provide opportunities for the United States to engage in ways that can shift the regional diplomatic balance, but it should also remain sensitive to the range of ways that China engages with its neighbors. Note that the United States is not limited to in-kind responses to China’s use of diplomatic power; responses to diplomatic aggression can be informational or economic, for example, or involve a blend of types of national power.

³⁸ Fawcett, 2020, p. 16.

³⁹ Mastro, 2014.

⁴⁰ Jennings, 2020.

⁴¹ Stokes, 2020, p. 16.

Retaliation, Reciprocity, and Deterrence

The United States should expose, condemn, and respond to Chinese coercion, aggression, and transgressive behavior:

- Educate the American people regarding the challenges and threats that China's actions pose to U.S. national interests.⁴²
- Develop a public messaging campaign to expose and discredit Chinese coercion. This will require systematic and ongoing intelligence collection and sharing to expose China's attempts to obscure its activities and to ensure alignment with other U.S., multilateral, and third-country responses to China's behavior.
- Retaliate against or impose costs in response to China's transgressive behaviors. After exposing them and declaring them as transgressions, respond, as appropriate, with sanctions, by offering support for World Trade Organization (WTO) filings or other legal action by international bodies, by proposing the removal of China from leadership in UN committees and agencies, and through other similar actions.
- Coordinate expulsions or declarations of *personae non grata* with allies against Chinese diplomats who engage in Wolf Warrior diplomacy, where possible barring them from service in an allied diplomatic post.

Norm and Rule Setting

The United States should compete for leadership, norms, and agenda setting in international bodies:

- Join, foster, or create treaties and organizations that support current international norms; ratify UNCLOS.
- Invest diplomatic capital to prioritize the selection of the United States, allied, or partner nations to leadership positions in the bureaucracies of UN committees and specialized agencies rather than allowing China's continued over-representation in such bodies.
- Demand strict reciprocity in all possible dimensions of U.S.-China relations. If China finds that it does not care to have others reciprocate certain actions, that might provide grounds to negotiate adherence to norms prohibiting such actions.⁴³

Competing in the Benign and Normal Competitive Spheres

The United States should seek strategic alternatives to regional dependence on China by providing alternatives to BRI (including the Digital Silk Road) and other sources of Chinese international investment. Monitor how these projects are implemented, including the transparency of their funding, the interoperability of the technologies involved, and adherence to safety standards.

Supporting and Building Global Coalitions and Partnerships

Many of these steps could be taken in the context of partnerships with or without direct U.S. involvement:

- Systematically strengthen bilateral and multilateral diplomatic, military, and economic cooperation, as well as intelligence sharing, law enforcement, and technological cooperation, with and between China's neighbors and trading partners.
- Mobilize willing partners to collectively condemn and respond to transgressive Chinese behavior, recognizing and accepting that these coalitions might not be the same for every issue. Emphasize the mutual benefits of cooperation and the risks of isolation in the face of Chinese coercion.

⁴² Paraphrased from the third recommendation in Blackwill, 2020.

⁴³ Paraphrased from the tenth recommendation in Blackwill, 2020.

The New World Media Order: How China Controls the Narrative

The CCP has grasped from its very inception that stability at home depends in part on control of the narrative, the stories told and accounts offered about domestic and international events as they unfold, the actors involved, and the motives of those actors. Ensuring that people talk about the things the CCP wants them to talk about and in the ways it wants them to supports progress toward CCP goals to “undermine liberal democratic norms and institutions, weaken cohesion among democratic allies and partners, and reduce U.S. global influence.”¹ An understanding of the broad range of means and methods at the CCP’s disposal will help clarify where and how the United States should respond.

The CCP has systematically worked to establish a “new world media order” under its control,² and it has spared no expense: “The emerging result is a multifaceted, adaptive, and complex set of tactics.”³ To fully appreciate the Chinese conception of a new world media order, it must be viewed in the context of Chinese domestic and international influence efforts under the United Front banner.

Conceptually, the United Front has Leninist origins.⁴ Its activities are overseen at the highest level of the CCP: At the top is the Central Leading Small Group headed by Secretary General Xi Jinping. Principal stakeholders include foreign affairs and propaganda bureaucracies, but CCP-wide participation is mandatory.⁵ Chapter Two outlined the general international goals of the United Front, which include leveraging ethnic Chinese communities abroad as agents of CCP influence and to quell opposition to CCP policies.⁶ It also works to co-opt foreigners to defend and advance CCP interests abroad while providing valuable know-how for operating within target countries, luring corporate executives with the promise of access to Chinese markets (or threatening to withhold that access). It has attempted to win over foreign journalists with often-luxurious “educational” trips to China.⁷ In certain industries, a willingness to self-censor might be enough. A more recent development is the management of a global strategic communication campaign dedicated to producing content for international audiences, such as the multilingual China Global Television Network programming available to satellite service subscribers and “local” publications in circulation across Africa and the Middle East.⁸ Finally, through the BRI, China is literally paving the way to greater control of the narrative through investments in infrastructure and communication networks optimized for Chinese technology.

¹ Daniel Kliman, Andrea Kendall-Taylor, Kristine Lee, Joshua Fitt, and Carisa Nietsche, *Dangerous Synergies: Countering Chinese and Russian Digital Influence Operations*, Washington, D.C.: Center for a New American Security, May 2020.

² Li Congjun, “Toward a New World Media Order,” *Wall Street Journal*, June 1, 2011.

³ Sarah Cook, *Beijing’s Global Megaphone*, Washington, D.C.: Freedom House, January 2020, p. 1.

⁴ Brady, 2017, pp. 2–3.

⁵ Alex Joske, “The Central United Front Work Leading Small Group: Institutionalising United Front Work,” *Sinopsis*, July 23, 2019; Anne-Marie Brady, “On the Correct Use of Terms,” *China Brief*, Vol. 19, No. 9, May 9, 2019. See also Martin Hála, “United Front Work by Other Means: China’s ‘Economic Diplomacy’ in Central and Eastern Europe,” *China Brief*, Vol. 19, No. 9, May 9, 2019.

⁶ See Gerry Groot, “The CCP’s Grand United Front Abroad,” *Sinopsis*, September 24, 2019.

⁷ Reporters Without Borders, *China’s Pursuit of a New World Media Order*, Paris: Reporters Without Borders, March 22, 2019.

⁸ Cook, 2020, p. 5.

State-controlled media has a lock on the Chinese domestic market, to the exclusion or heavy censorship of private social media platforms and other online sources of news and information. These controls are enforced through a massive surveillance system of online data harvesting tools, activity and location trackers, security cameras, and artificial intelligence (AI) and machine learning technologies.⁹

The principal architect of this new world media order is Li Congjun, former head of the state's Xinhua News Agency. In 2011 Li presented the concept in an op-ed published in the Wall Street Journal. All countries, he wrote, had the right to “participate in international communication on equal terms” and should “respect the unique cultures, customs, beliefs and values of different nations.”¹⁰ He was less circumspect in a 2013 interview: “If we cannot effectively rule new media, the ground will be taken by others, which will pose challenges to our dominant role in leading public opinion.”¹¹ Figure 3.1 illustrates the propaganda, censorship, and content delivery components of China's global media strategy.

FIGURE 3.1
A Three-Part Model of Chinese Global Media Influence



SOURCE: Sarah Cook, *Beijing's Global Megaphone*, Freedom House. Used with permission.

International Information (Dis)Order

Chinese global influence operations are based on the premise that the “Chinese dream” is a positive force for good in the world. Researchers have identified the basic principles of China's approach to international information manipulation as follows:¹²

⁹ Charlie Campbell, “‘The Entire System Is Designed to Suppress Us.’ What the Chinese Surveillance State Means for the Rest of the World,” *Time*, November 21, 2019.

¹⁰ Li, 2011. The article argues for “something like a ‘media U.N.’”

¹¹ Reuters, “Head of Xinhua Accuses Western Media of Pushing Revolution in China,” *South China Morning Post*, September 4, 2013.

¹² Jean-Baptiste Jeangène Vilmer, Alexandre Escorcía, Marine Guillaume, and Janaina Herrera, *Information Manipulation: A Challenge for Democracies*, Paris: Ministry for Europe and Foreign Affairs and Ministry for the Armed Forces, August 2018.

- Coordinate campaigns across information outlets.
- Spread intentionally false or distorted information wherever and however it would be most effective.
- Cause political harm.

There is an important distinction between China's national information strategy and the campaigns—official or not—that support and enable it.

China is able to establish itself as a geopolitical player by exploiting the openness of Western societies.¹³ CCP officials decry mainstream Western media bias, particularly among English-language outlets.¹⁴ To counter this perceived bias—or, more accurately, to manage its image abroad—the government employs native-English-speaking journalists and TV hosts and invests heavily in the English-language media market. At the same time, it works to eliminate or co-opt independent Chinese-language media sources in Western countries in a bid to maintain influence over the vast Chinese diaspora.

Previously limited to reaching audiences primarily through traditional media, the Chinese government has seized the opportunities presented by the immediacy of digital platforms and the ability to launch crowdsourced and grassroots-style information campaigns via social media. Social media, after all, is an increasingly popular source of news for Americans, and it is also the ideal tool to manipulate public opinion, especially at a time of declining trust in traditional media and government institutions.¹⁵ It is estimated that Americans spend an average of 11 hours a day “listening to, watching, reading, or generally interacting with media.”¹⁶ China is well aware of the opportunities inherent in U.S. media consumption habits, and it attempts to leverage them on multiple fronts.

Government-Sanctioned Civil Activity

The CCP leverages the nationalism of a vast unpaid workforce on a global scale through a variety of “good citizen” initiatives, encouraging volunteers to post messages that portray China in a positive light and “civilize” the internet.¹⁷ A more specialized approach enlists the “little pink” (小粉红) volunteer nationalist youth social media army. In addition to putting out positive messages about China, “little pinks” bombard public figures’ social media accounts with intimidating posts. Typical targets include Taiwanese pro-independence politicians, international airlines accused of mistreating Chinese customers, and international celebrities who cross CCP red lines (such as when Lady Gaga was harassed on Instagram after meeting with the Dalai Lama). “Little pinks” also share tips on how to access Facebook, Twitter, and other platforms that are blocked by Chinese censors so they can carry out coordinated attacks abroad, reportedly armed with CCP-supplied memes.¹⁸ The CCP uses these volunteer nationalist virtual armies to inspire domestic unity and patriotism, but when it loses control of the narrative, it cracks down on campaigns that it has not, itself, spawned.¹⁹

¹³ Larry Diamond and Orville Schell, eds., *China's Influence and American Interests: Promoting Constructive Vigilance*, Stanford, Calif.: Hoover Institution Press, 2018.

¹⁴ Insikt Group, “Beyond Hybrid War: How China Exploits Social Media to Sway American Opinion,” Recorded Future, March 6, 2019.

¹⁵ Elisa Shearer, “Social Media Outpaces Print Newspapers in the U.S. as a News Source,” Pew Research Center, December 10, 2018; Alice Huguét, Jennifer Kavanagh, Garrett Baker, and Marjory S. Blumenthal, *Exploring Media Literacy as a Tool for Mitigating Truth Decay*, Santa Monica, Calif.: RAND Corporation, RR-3050-RC, 2020.

¹⁶ Nielsen Company, *The Nielsen Total Audience Report, Q1 2018*, New York: Nielsen Company, 2018.

¹⁷ Guobin Yang, “Demobilizing the Emotions of Online Activism in China: A Civilizing Process,” *International Journal of Communication*, Vol. 11, 2017.

¹⁸ Samantha Bradshaw and Philip N. Howard, *The Global Disinformation Order: 2019 Global Inventory of Organised Social Media Manipulation*, Oxford: Computational Propaganda Project, University of Oxford, 2019.

¹⁹ Kinling Lo, “China Battles to Control Nationalist Narrative on Social Media,” *South China Morning Post*, May 30, 2020.

Co-Opting Foreign Journalists

The UN-organized World Summit on the Information Society, held in 2003 and 2005, represented a global “commitment to bridging digital and knowledge divides” between developed and developing countries and upholding press freedom, cultural diversity, technology access, public-private partnerships for local capability and capacity building, media literacy, and more.²⁰ The United States was the dominant force behind the summit and its resulting plan of action. To counter this influence, Xinhua first convened its World Media Summit in 2009; partners and participants included major Western and global media outlets and other knowledge brokers, such as the Associated Press, the BBC, Google, Russian news agency ITAR-TASS, and Japan’s Kyodo News. The annual meetings draw hundreds of delegates from around the world and allow China to claim that it respects the freedom of foreign media outlets to report on what happens in the country and that it supports transparency and public access to information.²¹ Since 2015 Xinhua has also organized the annual BRICS Media Summit, which brings together representatives from these emerging media markets. The themes of these meetings include building trust in the media among the populations of BRICS countries, opportunities for cooperation and exchanges, and the interplay of traditional and new media. But they also potentially give China a platform to influence media practices and policies of these countries and to build a coalition to resist international media influence and control the narrative when it comes to Western reporting on BRICS countries.

The Chinese government has numerous programs that bring foreign journalists to China in an attempt to impress them and promote a positive image of China. Through the China-Africa Press Center, China-Asia Pacific Press Center, China-Latin America and Caribbean Press Center, and other regional outreach programs that offer similar opportunities to journalists from those regions, it has arranged short- and long-term visits and seminars for at least 3,400 journalists from 146 countries.²² Some of the programs treat journalists like visiting dignitaries, providing luxury accommodations, opportunities to travel throughout China, Chinese-language courses, and stipends. They can even get a diploma in foreign relations from a Chinese university. At least one of those programs has brought journalists from Africa, India, and Southeast Asia to China on ten-month, all-expenses-paid visits.²³

Illustrating the potential effectiveness of this approach is the local press coverage that followed an all-expenses-paid visit to China by a group of 22 Zambian journalists in December 2018. The visit included events highlighting shared priorities and opportunities for cooperation between China and Zambia, and the journalists reported on the visit in the most glowing terms threaded with conspicuous Chinese propaganda messages.²⁴

That visit was organized by a department within the National Radio and Television Administration known, at the time, as the Research and Training Institute of the State Administration of Press, Publication, Radio, Film and Television. These sit in stark contrast to American exchange programs for journalists, such as the Hubert H. Humphrey Fellowship Program or the Edward R. Murrow Program for Journalists (part of the International Visitor Leadership Program), which emphasize a genuine professional enrichment experience and have a focus on independence and other journalistic principles.

Global Communication Infrastructure

Beyond co-opting journalists—along with academics, politicians, and others—to help spread its messages, China is also making extensive investments to either directly control or heavily influence global communication infrastructure standards. The Digital Silk Road, first introduced as part of the BRI in 2015, is the designation for all

²⁰ United Nations Educational, Scientific, and Cultural Organization, “World Summit on the Information Society (WSIS),” webpage, undated.

²¹ Julia Boorstein, “China’s World Media Summit,” CNBC, October 9, 2009.

²² Reporters Without Borders, 2019; Andrew McCormick, “Even If You Don’t Think You Have a Relationship with China, China Has a Big Relationship with You,” *Columbia Journalism Review*, June 20, 2019.

²³ Ananth Krishnan, “China Is Buying Good Press Around the World, One Paid Journalist at a Time,” *The Print*, November 24, 2018.

²⁴ Chimwemwe Mwale, “Chinese Media Leapfrogs,” *Zambia Daily Mail Limited*, December 3, 2018.

Chinese telecommunications or data-related business operations in Africa, Asia, the Caribbean, Europe, and Latin America.²⁵ Through this initiative, Chinese technology firms have launched television satellites and have been laying fiber-optic cable across large parts of Africa.²⁶ One such firm, StarTimes, which provides digital and satellite television services, operated in 30 countries as of 2018.²⁷ Its holdings are so extensive that the Ghana Independent Broadcasters Association cautioned that if StarTimes were allowed to continue its dominance in the domestic market, Ghana “would have virtually submitted its broadcast space to Chinese control and content.”²⁸

One outgrowth of the CCP’s domestic efforts to implement fully automated techniques for social management has been the development of public-facing technologies for human-facilitated data collection. Among its main tools are increasingly sophisticated social media platforms that provide rich fodder for social media analytics. One seemingly benign example with global reach is WeChat, a comprehensive multipurpose mobile app for instant messaging, social media, payments, and service delivery. Since its initial release in 2011, it has been characterized as a “lifeline” between Chinese diaspora communities and their social networks in China, hosting more than one billion active users per month.²⁹

Exporting Digital Authoritarianism or Making the World Safe for Autocracy

China is also exporting a vision of digital authoritarianism through its cybersecurity legal framework, requiring countries that want access to Chinese domestic audiences to adopt certain security standards and allow CCP monitoring of content and traffic.³⁰ For example, a Vietnamese cybersecurity law passed in June 2018 closely resembles Chinese law and was developed in close consultation with Chinese authorities.³¹ China also offers training seminars to foreign government officials in Africa and Asia who are responsible for developing cybersecurity regulations. In a move that is similar to its programs to co-opt foreign journalists, China has established a luxurious training facility where these officials can learn principles and techniques for managing public opinion.³²

Technological innovation also plays an import role in the export of digital authoritarianism. As Rep. Adam Smith noted at a May 2019 congressional committee hearing, “China’s Digital Authoritarianism . . . gives countries the technological tools they need to emulate Beijing’s model of social and political control.” At the same meeting, the ranking member, Rep. Devin Nunes, added that “Chinese adoption and exportation of invasive surveillance measures designed to optimize political control.”³³

AI and machine learning have proven to be a boon to authoritarian and repressive regimes around the world, and China has been one of the major drivers of the spread and adoption of these technologies for intelligence collection, surveillance, and social control.³⁴ One way it does so is in the name of safety and security. Huawei’s Safe City technology is a class of custom-engineered platforms that collect, integrate, and analyze data from criminal records, government databases, extensive networks of surveillance cameras, and facial and license plate recogni-

²⁵ Robert Greene and Paul Triolo, “Will China Control the Internet via Its Digital Silk Road?” Carnegie Endowment for International Peace, May 8, 2020; Andrew Chatzky and James McBride, “China’s Massive Belt and Road Initiative,” Council on Foreign Relations, January 28, 2020.

²⁶ Olatunji Saliu and Zhang Baoping, “China Initiates Satellite TV Project in Rural Africa,” Xinhua, August 11, 2017.

²⁷ Li Zhihui and Cao Pengyuan, “New Chinese TV ‘Star’ Rises Across Africa,” *China Daily*, September 7, 2018.

²⁸ Louisa Lim and Julia Bergin, “Inside China’s Audacious Global Propaganda Campaign,” *The Guardian*, December 7, 2018.

²⁹ See Yaqiu Wang, “WeChat Is a Trap for China’s Diaspora,” Human Rights Watch, August 14, 2020.

³⁰ Steve Dickinson, “China Cybersecurity: No Place to Hide,” *China Law Blog*, October 11, 2020.

³¹ Justin Sherman, “Vietnam’s Internet Control: Following in China’s Footsteps?” *The Diplomat*, December 11, 2019.

³² He Huifeng, “In a Remote Corner of China, Beijing Is Trying to Export Its Model by Training Foreign Officials the Chinese Way,” *South China Morning Post*, July 14, 2018; Samuel Woodhams, “How China Exports Repression to Africa,” *The Diplomat*, February 23, 2019.

³³ U.S. House of Representatives, Permanent Select Committee on Intelligence, “Hearing: China’s Digital Authoritarianism: Surveillance, Influence, and Social Control (Open),” Washington, D.C., May 16, 2019.

³⁴ Steven Feldstein, “The Road to Digital Unfreedom: How Artificial Intelligence is Reshaping Repression,” *Journal of Democracy*, Vol. 30, No. 1, January 2019a.

tion. According to Huawei, these technologies “help governments reduce crime rates and prevent and respond to crises more effectively, ensuring a safer environment for all.”³⁵

Where countries have attempted to implement Safe City, it has occasionally been met with concerns about the risk of human rights violations and the security of the Chinese technology. However, such resistance has generally not deterred Safe City implementation, which has occurred in 700 cities, primarily in Africa and Asia but also in such countries as Brazil, Mexico, and Serbia.³⁶ The Safe Philippines Project, authorized during Xi Jinping’s visit to Manila in November 2018, includes a 12,000-camera surveillance system ostensibly to promote public safety and security.³⁷ The Philippine Senate’s president pro tempore demanded an investigation into the project, citing hacking and espionage allegations against Huawei, but was overruled.³⁸

The U.S. Department of Defense has recognized that Safe City could greatly expand Chinese access to foreign data and engineering talent in ways that are disadvantageous to the United States.³⁹ Huawei also reportedly has an annual research fund of \$500 million to commission studies by institutions worldwide and secure agreements with clients to use their data to improve its products.⁴⁰

It is important to recognize that China does not have a monopoly on supplying surveillance technology that could support authoritarian and repressive governments. U.S. companies are also active in this field, exporting AI surveillance technology to at least 32 countries.⁴¹ Major U.S. players include Cisco, IBM, and Palantir, but they are joined by several other French, German, Israeli, and Japanese firms.

However, in other areas, the United States is much less competitive. For example, it has lagged behind China in establishing international standards for 5G and AI; China has dedicated multiple government ministries to developing and promoting these standards and shaping the international regulatory environment alongside Chinese companies, both as part of its Digital Silk Road initiative and globally.⁴² Since 2016 the only submissions to the UN’s International Telecommunications Union for international standards in surveillance technology have been made by Chinese companies, and half of those proposals have been approved.⁴³

Influence Operations

The CCP employs overt and covert influence techniques as everyday foreign policy tools.⁴⁴ The purpose of these *active measures* is to “influence the policies of other governments, undermine confidence in the leaders and institutions of these states, disrupt the relations between various nations, and discredit and weaken major opponents.”⁴⁵ An important element is the deception and distortion of a target’s perception of reality. This con-

³⁵ Huawei Investment and Holding Co., Ltd., 2017 Annual Report, Shenzhen, China: Huawei Investment and Holding Co., Ltd., 2018.

³⁶ Jonathan E. Hillman and Maesea McCalpin, “Watching Huawei’s ‘Safe Cities,’” Center for Strategic and International Studies, November 4, 2019; Huawei Investment and Holding Co., Ltd., 2018 Annual Report, 2019.

³⁷ Camille Elemia, “Senators Sound Alarm over China-Funded DILG Surveillance Project,” *Rappler*, December 13, 2018.

³⁸ Elemia, 2018; Loreben Tuquero, “Año Says China-Funded Safe Philippines Project Will Be ‘All-Filipino,’” *Rappler*, November 22, 2019.

³⁹ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2019*, Washington, D.C.: Office of the Secretary of Defense, May 2, 2019, p. 101. Mechanisms that Huawei uses to recruit engineering and tech-sector talent and to foster collaboration with foreign academic and industrial researchers include its Seeds of the Future Program and ICT Academy Program 2.0.

⁴⁰ Personal communication during a study visit to Huawei offices in Beijing, June 2019.

⁴¹ Steve Feldstein, *The Global Expansion of AI Surveillance*, Washington, D.C.: Carnegie Endowment for International Peace, September 17, 2019b.

⁴² Tarun Chhabra, *The China Challenge, Democracy, and US Grand Strategy*, Washington, D.C.: Brookings Institution, February 2019; Elsa Kania, “China’s Play for Global 5G Dominance: Standards and the ‘Digital Silk Road,’” *Strategist*, June 27, 2018.

⁴³ Anna Gross and Madhumita Murgia, “China Shows Its Dominance in Surveillance Technology,” *Financial Times*, December 26, 2019.

⁴⁴ Peter Mattis, “Contrasting China’s and Russia’s Influence Operations,” *War on the Rocks*, January 16, 2018a.

⁴⁵ Roy Godson and Richard Shultz, “Soviet Active Measures: Distinctions and Definitions,” *Defense Analysis*, Vol. 1, No. 2, 1985.

cept has deep historical roots in Chinese culture. For example, Sun Tzu's *The Art of War*, written in the fifth century BCE, emphasizes the importance of undermining the enemy's will by creating internal divisions within its ranks and "leak[ing] information which is actually false."⁴⁶ In contrast, active measures and covert operations are not an integral part of U.S. foreign policy; when they are employed, they require special authorities and strict oversight.⁴⁷

China's concept of the Three Warfares (public opinion warfare, psychological warfare, and legal warfare) is part of a larger class of political warfare activities. From a Western perspective, warfare is probably a misnomer, but for China, political warfare serves as one of the sharpest forms of soft power.⁴⁸ In China's view, it is in a perpetual state of political warfare; and its influence campaigns span its diplomatic, military, and economic elements of national power. Reflecting this, Chinese global influence operations are carried out by numerous organizations, including the Ministry of Education (which oversees Chinese university students abroad), the Ministry of Foreign Affairs, the Ministry of State Security (which supports a number of think tanks), the United Front, propaganda agencies, intelligence services, and business entities that work in collaboration with the CCP.⁴⁹ The PLA, acting as an enforcer of CCP political power, is another important piece of this influence puzzle.

CCP influence activities in Taiwan provide a good indication of the type of techniques the party could use elsewhere.⁵⁰ Features of its interference in Taiwan's 2018 elections included disinformation campaigns and other efforts to undermine democratic processes, discredit politicians and agendas, and rally support for the CCP's strategic interests.⁵¹ The tactics employed in this and other disinformation campaigns in Taiwan date to the 1950s and so-called cognitive domain operations of the PLA unit known as Base 311.⁵²

Perhaps consolidating efforts in its immediate neighborhood, the Chinese government used events in Hong Kong as a basis for disinformation campaigns directed at Taiwan, pushing narratives that Taiwan's government was secretly funding Hong Kong protestors at Taiwanese taxpayer expense.⁵³ This prompted Facebook and Twitter to disclose evidence that directly linked the Chinese government to multiple Facebook accounts, pages, and groups and 936 Twitter accounts that had spread these messages.⁵⁴ An examination of 3.5 million messages from the Twitter accounts also uncovered a cross-platform spam network that ran a smear campaign against the protest movement and such opposition figures as Guo Wengui.⁵⁵

⁴⁶ Sun Tzu, *The Art of War*, translated by Samuel B. Griffith, London: Oxford University Press, 1963, pp. 144–149.

⁴⁷ Richard A. Best, Jr., *Covert Action: An Effective Instrument of U. S. Foreign Policy?* Washington, D.C.: Congressional Research Service, 96-844 F, October 21, 1996.

⁴⁸ Peter Mattis, "China's 'Three Warfares' in Perspective," *War on the Rocks*, January 30, 2018b.

⁴⁹ Koh Gui Qing and John Shiffman, "Beijing's Covert Radio Network Airs China-Friendly News Across Washington, and the World," Reuters, November 2, 2015; Bethany Allen-Ebrahimian, "This Beijing-Linked Billionaire Is Funding Policy Research at Washington's Most Influential Institutions," *Foreign Policy*, November 28, 2017.

⁵⁰ Gary Schmitt and Michael Mazza, *Blinding the Enemy: CCP Interference in Taiwan's Democracy*, Washington, D.C.: Global Taiwan Institute, October 2019.

⁵¹ Nick Monaco, Melanie Smith, and Amy Studdart, *Detecting Digital Fingerprints: Tracing Chinese Disinformation in Taiwan*, New York: Graphika/Institute for the Future's Digital Intelligence Lab / International Republican Institute, August 2020.

⁵² Michael Raska, *Hybrid Warfare with Chinese Characteristics*, Singapore: Nanyang Technological University, RSIS Commentaries No. 262, December 2, 2015; J. Michael Cole, "Chinese Disinformation in Taiwan," *Taiwan Sentinel*, December 30, 2019b. Base 311 is known formally as the Public Opinion, Psychological Operations and Legal Warfare Base.

⁵³ K. G. Chan, "Taiwan Hits Back at Claim It's Funding HK Rallies," *Asia Times*, July 29, 2019.

⁵⁴ Twitter Safety, "Information Operations Directed at Hong Kong," blog post, August 19, 2019; Nathaniel Gleicher, "Removing Coordinated Inauthentic Behavior from China," Facebook, August 19, 2019.

⁵⁵ Ben Nimmo, C. Shawn Eib, and L. Tamora, *Cross-Platform Spam Network Targeted Hong Kong Protests*, New York: Graphika, October 2019.

Recommended U.S. Responses

The CCP's new world media order reflects intertwined international and domestic efforts to control the narrative about China's activities and motivations. Under the United Front banner, the CCP disseminates propaganda, censors dissenting messages (or encourages self-censorship), and controls modes of delivery. The CCP has worked diligently to maintain strong connections to Chinese diaspora communities through media and social media content and by controlling access to friends and family at home. It is also expanding its media penetration and the means to disseminate pro-China messages abroad. Policymakers should take a more active role to counter China's influence, but they should tread carefully. A 2021 survey assessing trust in traditional media ranked the United States last out of 46 countries, finding that more than half of Americans believed journalists intentionally misled the public and that news organizations prioritize political positions or ideology over objective reporting.⁵⁶ The United States needs to work to rebuild trust in the media among its own public and internationally, but it lacks the CCP's ability to control media outlets and social media platforms.

Retaliation and Reciprocity

U.S. policymakers should eliminate China's privileged media access to the U.S. market by enacting legislation that requires total reciprocity, including in traditional news media, social media, and the entertainment industry. No CCP-affiliated entity or person should be allowed to buy media assets or engage in news media, business, education, or entertainment activities in the United States unless U.S. citizens are permitted the same access in China.

Competing in the Benign and Normal Competitive Spheres

The United States should actively support and defend the free press. Distrust in the media is an ongoing problem in the United States, and Russian disinformation and election interference have made clear that the U.S. information ecosystem is vulnerable to foreign influence campaigns. To be effective, strategies to prevent such interference will need private- and public-sector buy-in; for example, tools to identify disinformation on social media platforms will not make a difference if companies do not invest in them and if the public does not heed them (or believe in their legitimacy). Rebuilding the credibility of U.S. institutions, promoting objective reporting, and preventing the further erosion of trust thus requires as much transparency as possible. The United States should partner with international press freedom organizations to support independent reporting and truth in journalism (in contrast to China's domestic media climate) and should expose and stigmatize the strategies China uses to infiltrate local markets and co-opt foreign journalists.

Supporting and Building Global Coalitions and Partnerships

The United States should take advantage of opportunities to empower both Chinese diaspora communities and U.S. allies and partners in defusing threats in the information space:

- The CCP views Chinese diaspora communities as owing their loyalty to the CCP and goes to great lengths to enforce this expected loyalty. These communities should be supported in their efforts to resist CCP coercion. Such support should extend to independent media outlets broadcasting in Mandarin, as well as other dialects and languages spoken in China. Radio Free Asia's reporting should extensively cover and expose United Front activities for the diaspora communities in China's near abroad. Worldwide, the United States should work with international democratic partners to support independent journalism by members of the Chinese diaspora through a combination of public and private funding.

⁵⁶ Nic Newman, Richard Fletcher, Anne Schulz, Simge Andi, Craig T. Robinson, and Rasmus Kleis Nielsen, *Digital News Report 2021*, Oxford: Reuters Institute for the Study of Journalism/University of Oxford, 2021.

- The United States should enhance cybersecurity cooperation with countries that are targets of Chinese political interference. Public-sector efforts could include ramped-up intelligence sharing to facilitate early detection of Chinese political interference, hacking attempts, and espionage activities. These efforts would be enhanced by high-level collaboration on messages that expose and discredit these campaigns.

Restoring the Health and Vitality of the American System

The U.S. Information Agency was abolished after the Cold War, a move that decentralized U.S. counterpropaganda and messaging activities. Unifying these efforts once again would allow the United States to effectively compete with the scope and scale of CCP media and social media interference. The Active Measures Working Group was an interagency government group set up to expose Soviet active measures.⁵⁷ A new organization or entity that combines the objectives of the Active Measures Working Group and the U.S. Information Agency to coordinate the work of the U.S. Agency for Global Media (formerly the Broadcasting Board of Governors), the U.S. State Department and its Global Engagement Center, and other cabinet-level strategic communication and public affairs structures would fill an important gap.

Potential modern analogs do exist: A foreign malign influence coordinator position on the National Security Council staff was authorized in the National Defense Authorization Act (NDAA) for fiscal year (FY) 2019, a social media threat analysis center was authorized in the FY 2020 and FY 2021 NDAA, and a provision in the FY 2020 NDAA directed the Office of the Director of National Intelligence to establish the Foreign Malign Influence Response Center.⁵⁸ These changes could provide the groundwork for a centralized U.S. capability to map and track United Front influence activities. In the meantime, there are other policy options that can achieve similar results:

- Coordinate with interagency partners, think tanks, journalists, academic institutions, and other stakeholders to build a United Front tracker. Given the extent of the United Front's efforts to exert influence around the world, any approach to countering its operations requires mapping and tracking of its activities. And because of the dynamic nature of United Front activities, such a mapping effort would need to be continuous and ongoing. A public-private partnership would provide the most robust coverage as policymakers consider whether to follow through on establishing a centralized mechanism for this purpose.
- Name and shame United Front operations. An effective mapping and tracking program should inform the relentless exposure of United Front influence operations. To be effective, this type of exposure must be approached with care. A one-size-fits-all model will not work. It is not sufficient to expose influence operations and discredit the disinformation that is being spread. True and accurate information must be provided as a replacement—and presented in a format that audiences can relate to. Technologies associated with the modern information environment provide tools for community segmentation at scale to support the mass customization of messaging.
- Raise awareness among the U.S. public by combining legislation and other government measures with education and awareness campaigns. Media literacy campaigns in schools are critical to mounting a successful defense against malign influence operations.

⁵⁷ Fletcher Schoen and Christopher J. Lamb, *Deception, Disinformation, and Strategic Communications: How One Interagency Group Made a Major Difference*, Washington, D.C.: National Defense University Press, June 2012.

⁵⁸ Public Law 115-232, National Defense Authorization Act for Fiscal Year 2019, August 13, 2018; Public Law 116-92, National Defense Authorization Act for Fiscal Year 2020, December 20, 2019; Public Law 116-283, National Defense Authorization Act for Fiscal Year 2021, January 1, 2021.

China's Use of Military Power, Espionage, Cyberattacks, Subversion, and Gray Zone Coercion

Although China has been willing to use force throughout its history, it has avoided major armed conflict since its invasion of Vietnam in 1979.¹ Instead, China's leaders have been focused on modernizing and synchronizing the elements of its national power, including its military. However, throughout the 1980s, the PLA's modernization was the lowest priority for the CCP, below investments in China's agricultural, industrial, and science and technology sectors. With the end of the Cold War and an era of U.S. military preeminence, China focused on competing from a position of backwardness, exploring "how the weak can overcome the strong" through cost-imposing strategies, asymmetric approaches to deterrence and compellence, and coercion below the threshold that would trigger armed conflict. But in the wake of the Tiananmen Square Massacre, the First Gulf War, and, especially, the Third Taiwan Strait Crisis of the mid-1990s—limited as it was to competing shows of force—PLA modernization took on greater priority and urgency.

Given the risk that an overt focus on building military power might prompt the emergence of a U.S.-led balancing coalition, China's leaders had a difficult tightrope to walk. On the one hand, they denied any possibility that the country's growing power and rising military budgets could constitute a "China threat," arguing that such assessments reflected a misunderstanding, anti-China bias, or "Cold War thinking." Unlike the Soviet Union, which strengthened its military to the detriment of its economy, China has focused on economic growth first and military spending second. Specifically, it devotes only about 2 percent of its GDP to defense, but its overall economic expansion over the past 30 years has permitted prodigious improvements in its military capabilities. Although it remains substantially inferior to the U.S. military in many respects, the PLA is poised to overtake the United States in a handful of capability areas (such as the size of its surface fleet). China also has the geographic advantage in the Indo-Pacific region, where the United States can quickly mobilize only a fraction of its globally distributed force.

In targeting large and growing investments toward military power, dual-use (military-civilian) technologies, cyber tools, subversion tactics, and traditional and corporate/industrial espionage, the CCP is drawing on lessons from its history as an underground, insurgent organization. But this agility in exploiting all available opportunities to gain the advantage is backed by broader-based strategic traditions of deception, intimidation, psychological warfare, risk manipulation, and other activities that are not overtly military in nature or do not cross the threshold of constituting a legally defined armed attack—so-called gray zone activities. Overall, the CCP's goal is to be capable of "winning without fighting," even as it seeks, under Xi Jinping, to be able to fight and win wars if conflict proves impossible to avoid.

Globally Integrated Espionage, Political Subversion, and Cyberspace Capabilities

For China, espionage, political subversion, and cyberattacks join covert influence campaigns (discussed in Chapter Three) as regular tools of statecraft. These activities have flourished in the post-Mao era as China has estab-

¹ Since 1949, China has engaged in seven major conflicts: the Korean War (1950–1953), the First and Second Taiwan Strait Crises (1954 and 1958), border clashes with India (1962) and the Soviet Union (1969), the Vietnam War (1950–1975), and its 1979 invasion of Vietnam.

lished diplomatic ties with more countries around the world. They also act in service to all elements of national power by influencing foreign political systems, delegitimizing and intimidating dissidents abroad, influencing diaspora communities, and advancing China's economic interests. Such tools have the advantage of being low-cost, deniable, and challenging to counter; they also allow the CCP to achieve its policy goals without resorting to costly and risky coercion tactics.

China is widely regarded as one of the world's leading espionage threats. Speaking in July 2020, Federal Bureau of Investigation director Christopher Wray stated, "The greatest long-term threat to our nation's information and intellectual property, and to our economic vitality, is the counterintelligence and economic espionage threat from China," adding that the bureau opens a new case on China approximately every ten hours, amounting to almost 2,500 ongoing investigations at that time.² Ken McCallum, director general of the United Kingdom's MI5, similarly characterized the challenges posed by Chinese espionage as "growing in severity and complexity," noting that UK counterintelligence officials detected hacks of "commercially sensitive information or commercially sensitive data," as well as intellectual property (IP) theft and attempts to influence British politics.³ For its part, in 2019, Belgium shuttered one university's Confucius Institute after accusing its director, a Chinese national, of espionage. Later—apparently acting on information from the United Kingdom—it opened an investigation into charges that China was spying on the European Union from within Malta's embassy in Brussels.⁴

Australian Security Intelligence Organization director general Mike Burgess has described the foreign espionage threat to Australia as "unprecedented . . . higher now than it was at the height of the Cold War." These comments were widely understood to refer to China, which Australian intelligence agencies concluded had both implanted sleeper agents and carried out a massive cyberattack on the Parliament of Australia and three of the country's largest political parties just ahead of a 2019 general election.⁵ The former head of the German Federal Intelligence Service, Gerhard Schindler, has commented that China is "close to world domination" and has urged Berlin to curb Germany's economic and technological dependence on China, particularly the 5G architecture that could put privacy, proprietary information, and IP at risk.⁶ And, for its part, Japan has dedicated a new intelligence unit to countering Chinese economic espionage and efforts to target the country's vulnerable academic and research institutions.⁷

Indeed, one of the defining features of Chinese espionage is its focus beyond traditional espionage targets, primarily through the United Front.⁸ It also engages in surveillance and intimidation campaigns—most notoriously, Operation Skynet and Operation Fox Hunt—that it publicly describes as anticorruption efforts targeting officials who have fled abroad. And through surveillance, infiltration, wooing, and coercion, often by threatening family members who remain in China, it has sought to control or silence overseas dissident, minority, and ethnic Chinese communities.⁹ China has regularly recruited ethnic minorities overseas to spy on their own communities, including the case of a New York City police officer who was arrested on charges of acting as an illegal agent of the Chinese state to spy on other Tibetan exiles.¹⁰ As was discussed in Chapter Three, the CCP recruits inform-

² Christopher Wray, "The Threat Posed by the Chinese Government and the Chinese Communist Party to the Economic and National Security of the United States (Remarks as Delivered)," speech at the Hudson Institute, Washington, D.C., July 7, 2020b.

³ Helen Warrell, "UK Will Do More to Counter Chinese Spying Threat, Says MI5 Chief," *Financial Times*, October 14, 2020.

⁴ Jonas Ekblom, "Chinese Academic Suspected of Espionage Banned from Belgium," Reuters, October 30, 2019; Daniel Boffey, "Belgium Confirms Inquiry into Malta-China Spy Threat," *The Guardian*, May 19, 2020.

⁵ Colin Packham, "Australia Spy Chief Warns of 'Unprecedented' Foreign Espionage Threat," Reuters, February 24, 2020.

⁶ Oliver Moody, "German Spy Chief Gerhard Schindler: China Is Poised to Dominate the World," *Times* (London), October 25, 2020.

⁷ Yusuke Takeuchi, "Japan to Establish Intel Unit to Counter Economic Espionage," *Nikkei Asian Review*, August 27, 2020.

⁸ Peter Mattis, "An American Lens on China's Interference and Influence-Building Abroad," *ASAN Forum*, April 30, 2018d.

⁹ Paul Mooney and David Lague, "Holding the Fate of Families in Its Hands, China Controls Refugees Abroad," Reuters, December 30, 2015; To, 2014.

¹⁰ Nicole Hong, "NYPD Officer Is Accused of Spying on Tibetans for China," *New York Times*, September 21, 2020.

ers among overseas students and visiting scholars, disseminates Chinese-language media abroad in an effort to reach diaspora audiences, and develops multilingual programming for international audiences to compete with Western media outlets.¹¹

Xi Jinping has described the United Front's work and political influence activities as "magic weapons" that can allow China to achieve its goals by working within foreign political systems.¹² There is a wealth of data pointing to such efforts in Australia, Europe, New Zealand, and North America.¹³ Of course, it is Taiwan that is most exposed to China's interference operations; and it has served as a kind of testing ground for new concepts, tools, and techniques. There China has attempted to shape public opinion, interfere in elections, and affect morale through elite capture, rewards, punishments, media purchases, social media disinformation campaigns, and other techniques.¹⁴ China's leaders appear to have adopted a strategy of attempting to infiltrate foreign political systems through the global Chinese diaspora, a community that it also leverages for disinformation campaigns, as discussed in Chapter Three; its corporate and industrial espionage activities have similarly benefited from Chinese nationals' employment in Western businesses, as will be discussed in Chapter Five.¹⁵

These activities can create or aggravate existing social tensions in countries where members of Chinese diaspora communities have settled. As a former top Australian official has noted, Western government engagement with ethnic Chinese communities could help detect and counter such pressures.¹⁶ In light of the explosive growth in violent acts of anti-Asian discrimination in the United States since the start of the COVID-19 pandemic in 2020, this need for engagement has taken on even greater importance.

Although China's leaders have sought to influence global political outcomes through espionage and subversion, they have also sought to leverage cyberspace to steal business and national security secrets, surveil dissident groups overseas, and conduct cyberattacks.¹⁷ As discussed in Chapter Three, China has been building up its network of surveillance capabilities domestically, regionally through the Digital Silk Road, and globally through such initiatives as Smart Cities.¹⁸ China has supplemented these efforts by increasing its influence within international bodies, as mentioned in Chapter Two. One of the outcomes has been China's contributions to shaping international norms and laws to promote the idea of "cybersovereignty" and justify its domestic censorship activities while rejecting the notion that the International Laws of Armed Conflict apply to cyberspace. At the same time, as we explain in Chapter Five, it has been working through the BRI to control the standards, infrastructure, and regulatory bodies on a national and regional level.¹⁹

¹¹ Bethany Allen-Ebrahimian, "China's Long Arm Reaches into American Campuses," *Foreign Policy*, March 7, 2018; Cook, 2020.

¹² Brady, 2017.

¹³ Clive Hamilton, *Silent Invasion: China's Influence in Australia*, Melbourne: HardyGrant, 2018; Clive Hamilton and Mareike Ohlberg, *Hidden Hand: Exposing How the Chinese Communist Party Is Reshaping the World*, Minneapolis: OneWorld, 2020.

¹⁴ J. Michael Cole, "Taiwan and CCP Political Warfare: A Blueprint," *Sinopsis*, December 27, 2019a. See Chapter Two for more on elite capture, and Chapter Three for more on China's international social media campaigns.

¹⁵ Xu Mei, "The Driving Force and Restraining Factors of Southeast Asian Chinese in the Promotion of Chinese Soft Power," *Southeast Asian Studies*, Vol. 6, 2010; Liu Juntao, "Overseas Chinese and Chinese Soft Power from the Economic Perspective: The Case of Indonesia," *Science-Economy-Society*, No. 3, December 2012; Diamond and Schell, 2018.

¹⁶ Garnaut, 2018. With government backing, Chinese Australians have taken the lead in exposing Beijing's attempts to co-opt their communities, propagate disinformation, and stifle opposition to its activities in the country.

¹⁷ Amy Chang, *Warring State: China's Cybersecurity Strategy*, Washington, D.C.: Center for a New American Security, 2014; Nigel Inkster, *China's Cyber Power*, New York: Routledge, 2016; Dean Cheng, *Cyber Dragon: Inside China's Information Warfare and Cyber Operations*, Denver, Colo.: Praeger, 2017.

¹⁸ Democratic Staff of the U.S. Senate Committee on Foreign Relations, 2020.

¹⁹ Kimberly Hsu and Craig Murray, *China and International Law in Cyberspace*, Washington, D.C.: U.S.-China Economic and Security Review Commission, May 6, 2014; Scott W. Harold, Martin S. Libicki, and Astrid Stuth Cevallos, *Getting to Yes with China in Cyberspace*, Santa Monica, Calif.: RAND Corporation, RR-1335-RC, 2016.

China's Gray Zone Coercion and Military Power

Recognizing that espionage, subversion, and nonkinetic means, such as cyber intrusions, have inherent limitations, China has also focused substantial effort on developing the physical means to achieve its leaders' ambitions. Examples include the use of maritime law enforcement forces, irregular or paramilitary auxiliaries, and the uniformed conventional and strategic capabilities of the PLA. Chinese leaders have tended to employ risk manipulation strategies with an eye toward achieving a highly granular degree of escalation management and "war control" that many observers regard as unrealistic and dangerous.²⁰ However, such assertive approaches are likely here to stay because Chinese elites appear to believe they work, producing outcomes that are favorable to China at acceptably low costs and in ways that are difficult for its adversaries to challenge.²¹

Chinese operations in the gray zone have been most troublesome to Western observers in the maritime and cyber domains.²² Whether via its use of its nominally commercial fishing fleet, its coast guard, or its maritime militia—all backstopped by the PLA Navy—China has sought to incrementally advance its interests in maritime Asia.²³ The Chinese Coast Guard has been expanding and now operates several former PLA Navy vessels that substantially outmatch other countries' coast guard vessels. China recently passed a law authorizing its coast guard to use force to defend its sovereignty claims,²⁴ and Chinese paramilitary forces have also been used to threaten and attempt to provoke U.S. and other naval vessels, putting them at risk, driving them away, or forcing them to contemplate escalation.

In the cyber domain, China has employed a mix of "patriotic" or "red" hackers to harass targets ranging from individuals to companies and national governments.²⁵ Since roughly 2009, it has increasingly targeted U.S. national security networks, including military and government systems, manufacturers, research labs, private-sector supply chain providers, and academic institutions that conduct dual-use research. These institutions have suffered a three-pronged assault via cyberattacks, insider threats, and infiltration of suspect parts into supply chains.

An emerging concern is China's burgeoning capabilities in outer space. Beyond launching and operating satellites for various purposes, it has tested direct-ascent kinetic kill vehicles, lasers, jamming, dazzling, space-based cyber capabilities, robotic arms, and co-orbital satellites that could threaten an adversary's space systems—all in a manner that would allow for plausible deniability on the part of China.²⁶

These gray zone activities are less risky and less costly than using the PLA as a conventional warfighting force. Indeed, even when it has used its military, China has often employed it in a gray zone fashion—for example, by flying fighter jets, bombers, and unmanned aerial vehicles near other countries' airspace and over disputed maritime territories, allowing the PLA to exercise its power-projection capabilities, intimidate neighbors, provoke

²⁰ Alison A. Kaufman and Daniel M. Hartnett, *Managing Conflict: Examining Recent PLA Writings on Escalation Control*, Arlington, Va.: CNA, 2016; Burgess Laird, *War Control: PLA Writings on the Control of Escalation in Crisis and Conflict*, Washington, D.C.: Center for a New American Security, 2017.

²¹ Mastro, 2014.

²² Scott W. Harold, Yoshiaki Nakagawa, Junichi Fukuda, John A. Davis, Keiko Kono, Dean Cheng, and Kazuto Suzuki, *The U.S.-Japan Alliance and Detering Coercion in the Maritime, Cyber, and Space Domains*, Santa Monica, Calif.: RAND Corporation, CT-379-GOJ, 2017.

²³ Michael Green, Kathleen Hicks, Zack Cooper, John Schaus, and Jake Douglas, *Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence*, Washington, D.C.: Center for Strategic and International Studies, 2017. See Chapter Two for examples of how China has used its maritime capabilities to antagonize other countries that it has perceived as infringing on its territorial and commercial fishing interests. Chapter Five describes PLA military exercises in the vicinity of important maritime trade routes.

²⁴ "U.S. Concerned China's New Coast Guard Law Could Escalate Maritime Disputes," Reuters, February 19, 2021.

²⁵ Zack Cooper, *Understanding the Chinese Communist Party's Approach to Cyber-Enabled Economic Warfare*, Washington, D.C.: Foundation for the Defense of Democracies, 2018.

²⁶ Mark Stokes, Gabriel Alvarado, Emily Weinstein, and Ian Easton, *China's Space and Counterspace Capabilities and Activities*, Washington, D.C.: U.S.-China Economic and Security Review Commission, 2020.

adversaries and observe their responses, and reinforce China's claims if these actions go unchallenged.²⁷ Should an adversary respond to these gray zone activities by escalating hostilities, China would further its lawfare and public opinion warfare by claiming that it is conducting justified defensive operations.

Other PLA activities in the gray zone harness the power of disinformation campaigns. Chapter Three introduced the concept of the Three Warfares (public opinion warfare, psychological warfare, and legal warfare) as part of a larger class of political warfare activities, calling it one of the sharpest forms of soft power. Peter Mattis cautions that viewing the PLA according to Western conceptions of *warfare* risks failing to appreciate China's emphasis on what has been referred to as "peacetime-wartime integration," in which gray zone activities serve potential future military ends and strategies or, in the event of war, help ensure China's victory.²⁸ A classic example is China's ongoing political interference in Taiwan, through disinformation campaigns to rally support for the CCP's strategic interests and other efforts to undermine democratic processes. These efforts seek to legitimize China's territorial claims by laying the groundwork for pro-Chinese public sentiment that could facilitate the eventual military enforcement of those claims.

China's Integration of Peacetime and Wartime Military Capabilities to Sharpen Its Competitive Edge

The CCP's substantial investments in PLA modernization and reform have boosted its conventional and strategic military capabilities, serve as a backstop for coercive activities in the gray zone, allow it to deter potential threats, and constitute the ultimate guarantor of the CCP's hold on power.²⁹

A round of major military reforms in 2015 enhanced the PLA's ability to pursue integrated, system-of-systems operations that are based on joint information systems.³⁰ Training and exercises increasingly have focused on preparing for military struggle at night, in bad weather, over water, and in complex electromagnetic environments and/or under conditions of contested or degraded communications. While still inferior in some areas, the PLA increasingly has the ability to fight and win wars against technologically advanced opponents.³¹ To compensate for the inferiority of its conventional platforms and lack of operational experience relative to the United States, the PLA has been developing a suite of "trump card" technologies—assassin's mace in Chinese vernacular (杀手锏). Examples include anti-access/area denial or "counterintervention" (反介入) capabilities, such as antiship cruise and ballistic missiles, unmanned aerial vehicles, "smart" sea mines, submarines, advanced surface vessels, stealth fighter aircraft, electronic warfare capabilities, and space and counterspace assets.³² As we will discuss in Chapter Five, state-based private-sector investment in overseas port infrastructure offers the potential to further expand China's regional zone of control. Alongside these investments, the PLA has sought to recruit, train, retain, and improve the quality of its personnel. If China's military priorities were not clear from its technology and infrastructure acquisition, they became so when the PLA reduced the size of its ground forces by 300,000 to free up resources in the air and naval domains. The PLA has also established new services for cyber, electronic, space, and psychological warfare (in the form of the Strategic Support Force) and logistics (through the Joint Logistics Support Force). It has carried out other reforms to improve discipline, political reliability, joint interoperability,

²⁷ Nathan Beauchamp-Mustafaga, Derek S. Grossman, and Logan Ma, "Chinese Bomber Flights Around Taiwan: For What Purpose?" *War on the Rocks*, September 13, 2017; Green et al., 2017.

²⁸ Mattis, 2018b.

²⁹ Office of the Secretary of Defense, 2019; Joel Wuthnow, *China's Other Army: The People's Armed Police in an Era of Reform*, Washington, D.C.: National Defense University Press, 2019a.

³⁰ Kevin McCauley, *PLA System of Systems Operations: Enabling Joint Operations*, Washington, D.C.: Jamestown Foundation, 2017; Jeffrey Engstrom, *Systems Confrontation and System Destruction Warfare: How the Chinese People's Liberation Army Seeks to Wage Modern Warfare*, Santa Monica, Calif.: RAND Corporation, RR-1708-OSD, 2018.

³¹ Defense Intelligence Agency, *China Military Power: Modernizing a Force to Fight and Win*, Washington, D.C.: Defense Intelligence Agency, 2019.

³² Stokes et al., 2020.

and command and control.³³ Today's PLA is poised to take on operationally challenging missions and to operate farther afield than ever before.

Although these capabilities are primarily designed for combat, since 2004 the PLA has also been ordered to focus on mastering “new historic missions” or “diversified tasks.”³⁴ These include activities such as garnering prestige domestically and shaping China's image abroad by participating in multilateral exercises and military diplomacy, engaging in counterpiracy efforts and providing commercial shipping escorts, conducting noncombatant evacuation operations, supporting counterterrorism operations, providing military medical assistance to foreigners, contributing to humanitarian assistance and disaster relief missions, engaging in polar exploration and rescue, pursuing space exploration, and ensuring global peace and stability.³⁵ Such activities serve to justify distant operations that can earn the PLA accolades at home and abroad while enabling it to test its power projection capabilities and concepts.

Finally, in terms of strategic capabilities and weapons of mass destruction, China has focused on enhancing the resilience of its command and control by constructing deeply buried and hardened underground facilities and continuing to develop and modernize its nuclear arsenal as a key aspect of its approach to “integrated, strategic deterrence.”³⁶ Some data suggest that China may be moving toward relaxing its declaratory “no-first-use” policy and shifting from a minimum deterrent to a limited deterrent posture that might imply greater possibility of using nuclear weapons during a crisis.³⁷ China has refused to enter into serious dialogue on arms limitation or arms control with respect to nuclear technology until the Russian and U.S. nuclear stockpiles are reduced to the size of China's arsenal, effectively foreclosing such talks even as the regime is estimated to have quadrupled its nuclear arsenal since 2000 and is projected to double it again by 2030.³⁸ In addition, Beijing has also sought to develop numerous military technologies that may redefine the future of warfare, including hypersonic glide vehicles, directed energy weapons (lasers), rail guns, electromagnetic pulse weapons, nanotechnology and biotechnology, unmanned systems, and advanced AI. Many of these technologies could undermine strategic stability, are capable of producing broad-area effects (and hence do not discriminate between military targets and civilians), and potentially even pose substantial risks to humanity as a whole.

Military Activities That Conflict with International Norms

Many of China's capabilities and activities might be worrisome to U.S. policymakers but do not violate international norms, such as human espionage against traditional government targets, the hacking of U.S. government databases, its buildup of long-range strike systems and a general modernization and expansion of the PLA's conventional military capabilities. By contrast, however, several other of China's capabilities or actions do diverge significantly from international norms and are quite concerning to the United States and its like-minded allies and partners. China's efforts to achieve an extraterritorial capacity to spy on, cultivate, intimidate, or control communities of ethnic Chinese, non-Han minorities, dissidents, and critics beyond China's shores through

³³ Joel Wuthnow and Phillip C. Saunders, *Chinese Military Reforms in the Age of Xi Jinping: Drivers, Challenges, and Implications*, Washington, D.C.: National Defense University Press, 2017; John Costello and Joe McReynolds, *China's Strategic Support Force: A Force for a New Era*, Washington, D.C.: National Defense University Press, 2018.

³⁴ James Mulvenon, “Chairman Hu and the PLA's ‘New Historic Missions,’” *China Leadership Monitor*, No. 27, Winter 2009.

³⁵ Fan Gaoyue and James Char, *Introduction to China's Military Operations Other Than War*, Singapore: Nanyang Technological Institute S. Rajaratnam School of International Studies, 2019.

³⁶ Stephen Chen, “Where China's Leaders Will Hide to Survive Nuclear Fallout,” *South China Morning Post*, January 6, 2018; Michael S. Chase and Arthur Chan, *China's Evolving Approach to “Integrated, Strategic Deterrence,”* Santa Monica, Calif.: RAND Corporation, RR-1366-TI, 2016.

³⁷ Eric Heginbotham, Michael S. Chase, Jacob L. Heim, Bonny Lin, Mark R. Cozad, Lyle J. Morris, Christopher P. Twomey, Forrest E. Morgan, Michael Nixon, Cristina L. Garafola, and Samuel K. Berkowitz, *China's Evolving Nuclear Deterrent: Major Drivers and Issues for the United States*, Santa Monica, Calif.: RAND Corporation, RR-1629-AF, 2017.

³⁸ Philip Davidson, testimony before the U.S. Senate Committee on Armed Services, Washington, D.C., March 9, 2021.

infiltration of local community organizations, its Operation Fox Hunt/Skynet, or use of state agents overseas are another such activity.³⁹ The upper-bound estimate of the cost to the United States of IP theft, according to the Commission on the Theft of American Intellectual Property, amounts to 3 percent of GDP.⁴⁰ The *National Review* contextualized the commission's estimates—attributing the equivalent of up to 2.61 percent of U.S. GDP to Chinese IP theft—with a comparison of the costs of various U.S. wars, as shown in Table 4.1. China's weaponization of disinformation on social media platforms—first against Taiwan, but more recently in accusing the U.S. Army of causing the COVID-19 pandemic—is yet another breach of traditional norms.

Turning to the kinetic realm, China's use of risk manipulation strategies and gray zone coercion via its “commercial” fishing fleet and maritime militia are tantamount to employing illegal or paramilitary combatants. It is also exploring approaches to sealift and airlift in a Taiwan contingency conflict that would introduce illegal combatants by leveraging its civilian shipping fleet and commercial air fleet as a form of “people's war.” China's emphasis on military-civil fusion (军民融合) also seeks to leverage China's civilian economy and broader societal assets prior to and even during a conflict, much as it is believed to have employed patriotic “red hackers” to employ civilian volunteers for military operations through cyberspace.

China's unilateral announcement of an Air Defense Identification Zone over features in the East China Sea that it claims was another norm-violating development. Similarly, its seizure of contested features from the Philippines and Vietnam and its construction and militarization of artificial islands in the South China Sea also constitute actions that violate the normal practice of international relations, including its own commitments under the 2002 Declaration on the Conduct of Parties in the South China Sea and Xi Jinping's personal promise to President Barack Obama that China would not militarize the artificial islands.⁴¹

Additionally, its intrusions into air and maritime spaces around features occupied by Japan or around Taiwan, its uses of drones to test Japanese responses, and other forms of provocative activity that do not rise to the level

TABLE 4.1
Estimated Annual Cost of Chinese IP Theft Versus Annual Cost of Major Wars as a Share of U.S. GDP

Major U.S. War (peak year)	% of Annual U.S. GDP
Korea (1952)	4.2
China IP theft (upper bound)	2.6
Vietnam (1968)	2.3
Iraq (2008)	1.0
China IP theft (lower bound)	0.9
Afghanistan (2010)	0.7
Persian Gulf War (1991)	0.3

SOURCE: Data are from Joseph W. Sullivan, “From the Chartroom: The Cost of China's Intellectual-Property Theft,” *National Review*, July 10, 2020.

³⁹ Operation Fox Hunt (also known as Operation Skynet), which China characterizes as an anticorruption initiative, compels the return of Chinese nationals living abroad to face criminal charges in China. See Amanda Macias, “FBI Arrests Five in Alleged ‘Operation Fox Hunt’ Plot to Stalk and Pressure Citizens to Return to China,” CNBC, October 28, 2020.

⁴⁰ Commission on the Theft of American Intellectual Property, *Update to the IP Commission Report*, Washington, D.C.: National Bureau of Asian Research, 2017.

⁴¹ See, in particular, article 5 of the Declaration on the Conduct of the Parties in the South China Sea, which notes, “The Parties undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability.” On Xi Jinping's 2015 promise to President Obama not to militarize artificial islands that China had constructed in the South China Sea, see Jeremy Page, Carol E. Lee, and Gordon Lubold, “China's President Pledges No Militarization in Disputed Islands,” *Wall Street Journal*, September 25, 2015.

of armed attack but nonetheless seek to employ “salami slicing” tactics are highly risk acceptant and provocative. With respect to escalation, Chinese observers appear to be excessively confident in their ability to manage signaling, escalation risks, and control over the course of a conflict at a far more granular level than U.S. strategic thinkers assess is plausible.⁴² Perhaps reflecting this, many Chinese actions—ranging from attempts to grab or cut the towed array sonar of U.S. naval vessels like the USNS *Impeccable* in 2009 to the theft of a U.S. Navy unmanned underwater vehicle in 2016, the large number of unsafe and unprofessional intercepts of U.S. maritime patrol craft in international airspace, and the lasering of U.S. military aircraft in the South China Sea in 2020—reflect a willingness to operate in ways that the United States regards as normatively unacceptable.⁴³

Finally, at the highest end of conflict, China’s approach to strategic capabilities and associated delivery systems is alarming for several reasons. First, China was not a party to the Intermediate-Range Nuclear Forces Treaty, leaving it free to develop ballistic and cruise missiles with ranges between 500 and 5,500 kilometers, a development that ultimately helped doom the treaty. This development undermined strategic stability in the Indo-Pacific, calling into question the U.S. ability to provide credible commitments to allies and partners. Second, China may be considering moving to a launch-on-warning posture, increasing the risks of misperception and accidental nuclear war.⁴⁴ From the lowest end of the escalation ladder to the highest rung, Beijing has tended to design its paramilitary and military operations with an eye toward retaining escalation dominance, achieving its aims of winning without fighting by retaining either an operational military advantage or a perceived higher degree of willingness to accept risk.

Recommended U.S. Responses

Many of China’s investments in military capabilities are aimed at attacking perceived vulnerabilities in the U.S. approach to generating and deploying military power. While those capabilities remain untested in major combat scenarios, China’s growing portfolio of military tools is already forcing the United States to adapt how it would seek to deter and fight a conflict with the PLA, accelerating a shift toward smaller, more resilient and lethal forces operating with reduced communication signatures from relatively austere bases, often in partnership with disposable unmanned systems. At the lower end of the spectrum of conflict, the United States may have opportunities to counter China’s advantages in the gray zone by increasing intelligence sharing, maritime law enforcement, and cooperation with regional actors to build partner capacity. At the same time, U.S. responses must take into account the limited military capabilities of most of China’s neighbors, which means designing strategies that are cost-effective and that fit with such partners’ risk appetites. At the high end of military deterrence and warfighting, no regional actor has the ability to meet China as a peer on the battlefield. U.S. forces need to operate in support of national defense and military strategies that should be designed with China’s weaknesses and strengths in mind, fully resourced, and adaptive.

Retaliation, Reciprocity, and Deterrence

U.S. forces play a critical role in deterring any Chinese aggression in the region. To maximize their effect, the United States should take the following steps:

- Maintain a capacity to resist, retaliate against, and defeat threats, coercion, and conflict.

⁴² Laird, 2017.

⁴³ “U.S. Accuses the Chinese of Harassing Naval Vessel,” *New York Times*, March 9, 2009; Christopher P. Cavas, “China Grabs Underwater Drone Operated by US Navy in South China Sea,” *Defense News*, December 16, 2016; Ankit Panda, “2 Chinese Fighters Conduct ‘Unprofessional’ Intercept of US Airforce WC-135,” *The Diplomat*, May 19, 2017; and Ryan Brown, “US Says Chinese Warship Fired Military Laser at US Aircraft,” CBS46, February 28, 2020.

⁴⁴ Heginbotham et al., 2017; Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2020*, Washington, D.C.: Office of the Secretary of Defense, 2020, p. 85.

- Conduct wargames and large-scale exercises involving international and regional partners and allies to field-test U.S. operational constructs.
- Develop and field area-denial capabilities to hold PLA platforms at risk and field unmanned systems that will enable U.S. commanders to accept greater risk to fielded forces.
- Improve the number, range, and lethality of legacy U.S. weapon systems, and pre-position a deep magazine of critical munitions in theater.
- Enhance the resilience of command, control, communications, computers, intelligence, surveillance, and reconnaissance systems, including reconstitution capacity and the ability to operate in complex electromagnetic environments, and environments in which cyberspace is compromised or degraded.
- Develop and diversify U.S. basing, access, and force posture to be geographically distributed, operationally resilient, and politically sustainable with the intent of preparing for close-in operations, as well as those outside the range of most Chinese munitions.
- Build capacity among China's neighbors to pose as counterweights to China's Coast Guard and the People's Armed Forces Maritime Militia.
- Counter China's Military-Civil Fusion strategy and talent recruitment programs by sharing intelligence with regional allies and partners to expose efforts to steal IP for dual-use technologies. Offer to assist such countries in enhancing scrutiny of visiting scholar and student visa applications from China.
- Share insights into how to counter disinformation on social media; track and regulate foreign funding of think tanks; and improve the cyberdefenses and cyberintelligence competencies of academic institutions, private-sector firms, and other key research institutions.⁴⁵ Tighten investment and export controls on sensitive and dual-use technologies and data, and consider employing focused, proportionate offensive cyber tools along with stiff economic sanctions to punish Chinese IP theft.
- Collect information and conduct research and analysis on all aspects of the PLA, including its capabilities, activities, and evolving concepts of operation, and develop and evolve concepts to counter its approaches.

Norm and Rule Setting

The United States should work to set norms in key areas of current and emerging competition:

- Stigmatize efforts to use blue (commercial) and white (maritime law enforcement) hulls to advance claims to disputed features through gray zone coercion.
- Promote norms in cyberspace, including those that bring it under the international laws of armed conflict, stigmatize the use of military cyber tools against private-sector firms or individuals, and push back on the notion of "cyber sovereignty."
- Use, expand to new services/domains, and encourage China to extend to allies the crisis communication and risk-reduction mechanisms that have already been established for the maritime and air domains.

Competing in the Benign and Normal Competitive Spheres

Recognizing that the military is a key tool of overall U.S. influence, especially in peacetime through cooperative ventures advancing shared regional interests that strengthen U.S. influence in the Indo-Pacific, the United States should continue to pursue the following:

⁴⁵ Ely Ratner, Daniel Kliman, Susanna V. Blume, Rush Doshi, Chris Dougherty, Richard Fontaine, Peter Harrell, Martijn Rasser, Elizabeth Rosenberg, Eric Sayers, Daleep Singh, Paul Scharre, Loren DeJonge Schulman, Neil Bhatiya, Ashley Feng, Joshua Fitt, Megan Lamberth, Kristine Lee, and Ainikki Riikonen, *Rising to the China Challenge: Renewing American Competitiveness in the Indo-Pacific*, Washington, D.C.: Center for a New American Security, 2020.

- Provide for the public good through activities such as supporting freedom of navigation along sea lines of communication; humanitarian assistance and disaster relief; counterpiracy; preventing poaching and illegal fishing, human smuggling, arms trafficking, organized criminal activities, and terrorism; military medical and at-sea search-and-rescue missions; submarine recovery; and polar and space research.
- Use security cooperation, professional military educational assistance programs, and regular contacts with foreign armed forces to shape and promote the healthy development of bilateral cooperation, as well as advancing the norm of democratic civilian control over the military.

Supporting and Building Global Coalitions and Partnerships

Given that U.S. allies and partners are the key asymmetric advantage in competing with China, the United States should undertake the following:

- Ensure that the U.S.-Japan alliance remains fully supported. Encourage Japan to continue to build greater jointness and interoperability with U.S. forces, adequately resource its Self-Defense Forces, and liberalize the restrictions they operate under so they can wholly partner in any U.S. operation.
- Protect and advance other key U.S. alliances, including those with Australia, the Republic of Korea, Thailand, and the Philippines, including working to put the U.S.-Philippines Enhanced Defense Cooperation Agreement into effect.
- Advance security cooperation with key partners India, Singapore, Taiwan, Vietnam, and the island nations of the Southwest Pacific.
- Work to encourage U.S. allies and partners elsewhere, and especially those in Europe and North America, to support U.S. positions aimed at deterring and defeating Chinese coercion in the Indo-Pacific.
- Promote tri-, quadri-, and minilateral forms of defense cooperation, including the development and possible expansion of the Quadrilateral Security Dialogue and the Australia–United Kingdom–United States (AUKUS) Agreement.

Restoring the Health and Vitality of the American System

U.S. military strength, deterrence, resilience, and warfighting capacity ultimately derive from the health and technological dynamism of the U.S. economy; efficient and considered resource allocation by U.S. policymakers and approvers; establishing and maintaining trust between a resourced counterintelligence and law enforcement community and the U.S. social institutions that China has targeted for co-optation and exploitation; and, ultimately, the understanding and support of the American people and their global network of allies and partners of the challenges of defending the liberal international order from China's attempts to degrade and destroy it. To compete effectively with China, the United States should engage in

- building domestic consensus on the importance of a dynamic, sustainable, and revitalized postpandemic U.S. economy that works for everyone
- ensuring that U.S. educational institutions are preparing the next generation of economic, government, and military leaders
- rebuilding traditions of democratic cooperation across party lines in recognition that the United States will not be able to meet the China challenge if U.S. political leaders are more focused on fighting each other than on competing with China.

The Unprecedented Rise and Long Shadow of China's Economic Power

China's economic ascendance has arguably been the most consequential geopolitical development of the past four decades. Starting with small steps in 1978 to reform its economy, China has experienced the most rapid, sustained growth of any major economy in modern times and possibly in history. And it has not been the only beneficiary; its rise has driven economic growth on a global scale. The United States and China are now the world's two dominant national economies, even trading positions at the top depending on the choice of metric. But some of China's behaviors could damage U.S. growth potential and the global economic system.

From 1980 to 2019, China's real GDP grew at an average annual rate of 9.5 percent, compared with 2.9 percent for the global economy. Real per capita GDP, a measure of how much income is produced per person, grew 8.5 percent, the fastest of any economy with available data, compared with a global 1.5 percent. During the same period, China's share of global nominal GDP ballooned from 1.7 percent to 16.4 percent, behind only the 24.4-percent share of the United States.¹

While China has benefited from the global market economy, it is not just another market economy operating within the international rule-based order, governed by the WTO and other economic agreements. Its economy is highly politicized and is the most important element of its integrated approach to national power. Certainly China relies on the market for many of its economic interactions. A September 2020 United Front document reiterated the CCP's policy of giving the market the decisive role in resource allocation, emphasized the importance of cultivating a market-oriented internationalized business environment, and expressed a desire for the great rejuvenation of China to benefit the business community. But it also made clear that the CCP leads the Chinese economy, and private-sector participants are to "unswervingly listen to and follow the Party."² Such goals are highly uncharacteristic for most economies, let alone market-oriented ones.

The international economic system has brought an improved standard of living to billions because it has basic rules that countries generally follow.³ Developing countries are sometimes permitted to deviate from the rules under the so-called special and differential treatment provisions of the WTO.⁴ But choosing not to follow global rules *can* bring advantages. Some countries maintain a separate set of rules in areas not covered by international disciplines, applying separate rules for domestic companies in domestic markets while adhering to international rules abroad. Or countries can gain an advantage simply by breaking the rules and threatening the growth and prosperity of others, such as China does through its state-involved theft of private IP.

¹ Data are from World Bank, "World Development Indicators," web database, undated. GDP growth variables are GDP (constant 2010 U.S. dollars), Series Code NY.GDP.MKTP.KD; and GDP per capita (constant 2010 U.S. dollars), Series Code NY.GDP.PCAP.KD. GDP share variable is GDP (current U.S. dollars), Series Code NY.GDP.MKTP.CD.

² Communist Party of China, "The General Office of the CPC Central Committee Issued the 'Opinions on Strengthening the United Front Work of Private Economy in the New Era,'" Xinhua, September 15, 2020.

³ These rules include national treatment, under which a country that receives investment or trade treats its foreign and domestic investors and businesses equally, and most-favored-nation status, under which a country provides benefits to international trade and investment partners that equal the benefits to the country with the most favorable terms.

⁴ WTO, "Special and Differential Treatment Provisions," webpage, undated.

The Shared Benefits of a Rising China

Credit for China's rapid growth goes in large part to policy changes that allowed market forces to operate.⁵ Despite a highly complicated business environment, China is an attractive market for U.S. goods. Although nominal global exports of U.S. goods and services grew an average of 3.4 percent each year from 2000 to 2020, U.S. exports to China increased 10.6 percent annually—the fastest rate for any major trading partner.⁶ Likewise, recent improvements in IP protection in China have benefited Chinese companies and foreign investors alike.⁷ And efforts to end extreme poverty could allow China to meet its goal of elevating household consumption as a share of its economy, which could boost demand for imports.⁸

China has brought much benefit to the world through its economic transformation and its shift to a more market-friendly economy and away from the strange but fashionable-for-their-time policies of Mao Zedong. But other aspects of China's economic ascent have been less benign, with mixed outcomes and implications for the United States and the international economic order.

Chinese Competition Within and Around International Economic Rules

As the second-largest economy and the largest manufacturer in the world, China mostly conforms to the expected behavior of a major economic power: It provides opportunities for Chinese companies, ensures the security of its resources and supply chains, and lowers its own trading costs when possible, such as by building or improving ports and other infrastructure.⁹ For the most part, China's activities fall within the scope of normal competitive behavior, but sometimes by adhering more to the letter of the rules than their spirit:

- China offers export financing to its companies through its export-import bank—just like every member of the Organisation for Economic Co-operation and Development (OECD). However, because China is not a member of the OECD, its export credit agencies do not have to follow OECD rules, giving it an advantage.¹⁰
- China strives to secure its access to the resources that fuel its economy. In 2019, 52 percent of oil consumed in China came from Africa and the Middle East.¹¹ Much of it passed through the narrow Strait of Malacca, leading China to seek alternative shipping routes. Securing resource supplies can take the form of resource-backed loans from a state institution such as the China Development Bank.¹² This could disadvantage the United States if China's efforts result in policies that limit access to these commodities.
- Many of China's BRI-related activities exemplify business as usual for a regional economic leader. In 2017, Asia had an infrastructure investment gap of \$800 billion annually (projected through 2030), thus jeopardizing

⁵ These are the kinds of reforms that the United States has advocated for since the end of World War II.

⁶ U.S. Bureau of Economic Analysis, "U.S. Trade in Goods and Services by Selected Countries and Areas, 1999–Present," spreadsheet, last updated March 5, 2021.

⁷ William Weightman, "China's Progress on Intellectual Property Rights (Yes, Really)," *The Diplomat*, January 20, 2018.

⁸ "China's Xi Declares Victory in Ending Extreme Poverty," BBC, February 25, 2021; Alice Su, "China Fulfills a Dream to End Poverty. Not All Poor People Are Feeling Better Off," *Los Angeles Times*, November 27, 2020; Indermit Gill, "Deep-Sixing Poverty in China," Brookings Institution, January 25, 2021.

⁹ Regarding resources, for example, see Eric Olander, "China's 'Cobalt Empire,'" China Africa Project, October 20, 2020.

¹⁰ Howard J. Shatz, *Economic Competition in the 21st Century*, Santa Monica, Calif.: RAND Corporation, RR-4188-AF, 2020b; Isabella Massa, *Export Finance Activities by the Chinese Government*, Brussels: Policy Department, Directorate-General for External Policies, European Parliament, PE 433.862, EXPO/B/INTA/FWC/2009-01/Lot7/15, September 2011. The OECD is made up primarily of economically advanced Western countries.

¹¹ One purpose of the BRI, for example, is the diversification of energy import routes. Daniel R. Russel and Blake Berger, *Navigating the Belt and Road Initiative*, Hong Kong: Asia Society Policy Institute, June 2019, p. 7; BP, PLC, *Statistical Review of World Energy 2020*, 69th ed., London: BP, PLC, 2020.

¹² Yongzhong Wang, *The Sustainable Infrastructure Finance of China Development Bank: Composition, Experience and Policy Implications*, Boston, Mass.: Global Economic Governance Initiative, Boston University, July 2016; Frank Tang, "China Puts Supply Chain Security at Forefront to Avoid Being 'Strangled' by Sanctions, Analysts Say," *South China Morning Post*, November 9, 2020.

dizing regional development goals.¹³ China can quickly deploy large amounts of financing without the conditions required by development banks and Western donor countries, like the United States.¹⁴

- Other BRI-related activities include Chinese lending for technology infrastructure, and that could ultimately facilitate the adoption of Chinese standards and technologies in BRI countries. China is financing the infrastructure and building long-term relationships in relatively untapped markets where its goods and services will have the advantage of technological compatibility.¹⁵ It is difficult to say that European countries, Japan, and the United States would not want the same benefits for their tech companies.
- China's *Made in China 2025* plan, issued in 2015 with the aim of achieving technological advancement within ten years, was not without precedent. The United States introduced plans aimed at technology leadership in both 2011 and 2017 to boost its advanced manufacturing and semiconductor industries.¹⁶ However, some observers have charged that China's plan would have the effect of limiting competition in the Chinese market.¹⁷
- Other high-profile (and normal competitive) economic activities include China's involvement in port development, ownership, and management worldwide. Often, these contracts include investments in business parks and other associated infrastructure.¹⁸ All port users stand to benefit from these additions and enhancements to China's global logistics network. However, as with many normal competitive activities, this port involvement could disadvantage the United States. Under Chinese law, civilian infrastructure, including infrastructure built as part of the BRI, must conform to military specifications.¹⁹ This suggests that port projects will be able to function in a military context as well as the intended civilian context, such as being used for resupply of PLA ships and serve as forward support bases for the Chinese armed forces.

China's activities that can be judged normally competitive may disadvantage the United States, but for the most part they are within the acceptable actions that any major economy might exercise. It is when China seizes opportunities that are outside the bounds of the rule-based international economic system that the United States faces a disproportionate disadvantage.

Crossing a Threshold Through State-Enabled Competition

State control of China's economy enables transgressive behavior and harms competition internationally. Such behavior includes the range of subsidies available in a state-led economy, economic espionage, forced technology transfer, coercive acquisition, and IP theft. One analyst has concluded that with its variety of policies, China is essentially an economic predator.²⁰ As Figure 5.1 shows, a handful of countries owe China the equivalent of a

¹³ Asian Development Bank, *Meeting Asia's Infrastructure Needs*, Manila: Asian Development Bank, February 2017.

¹⁴ Russel and Berger, 2019.

¹⁵ Daniel R. Russel and Blake H. Berger, *Weaponizing the Belt and Road Initiative*, Hong Kong: Asia Society Policy Institute, September 2020, pp. 8, 21.

¹⁶ Shatz, 2020b, pp. 21–23. The European Union similarly launched a strategy in 2017 to position it as a leader in next-generation digital technologies.

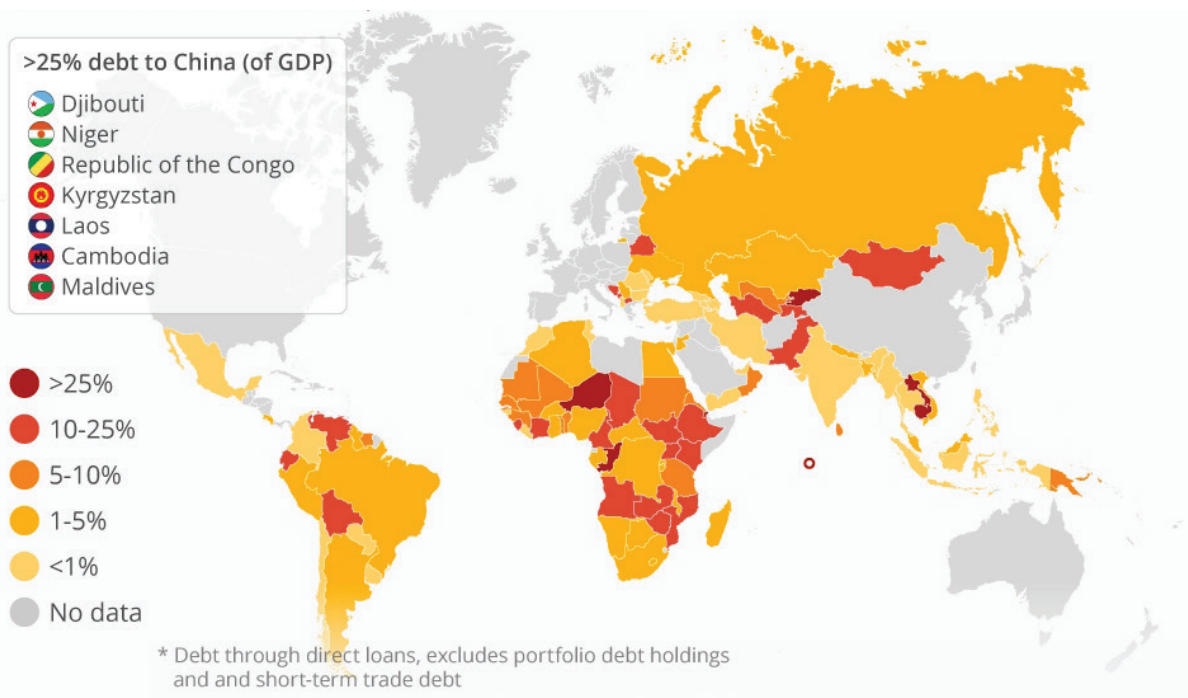
¹⁷ European Union Chamber of Commerce in China, *China Manufacturing 2025: Putting Industrial Policy Ahead of Market Forces*, Beijing: European Union Chamber of Commerce in China, July 3, 2017.

¹⁸ Eleanor Albert, "China's Global Port Play," *The Diplomat*, May 11, 2019; Jedd Devermont, Amelia Cheatam, and Catherine Chang, *Assessing the Risks of Chinese Investments in Sub-Saharan African Ports*, Washington, D.C.: Center for Strategic and International Studies, June 2019; Jihong Chen, Yijie Fei, Paul Tae-Woo Lee, and Xuezhong Tao, "Overseas Port Investment Policy for China's Central and Local Governments in the Belt and Road Initiative," *Journal of Contemporary China*, Vol. 28, No. 116, 2019; Weiwei Huo, Peggy Shu-Ling Chen, Wei Zheng, and Kevin X. Li, "International Port Investment of Chinese Port-Related Companies," *International Journal of Shipping and Transport Logistics*, Vol. 11, No. 5, January 2019.

¹⁹ Russel and Berger, 2020, pp. 18, 23.

²⁰ Derek Scissors, *Some US-China Economic and Trade Facts*, Washington, D.C.: American Enterprise Institute, October 2020.

FIGURE 5.1
Countries That Owed the Most External Debt to China as a Percentage of GDP, 2017



SOURCE: Katharina Buchholz, "The Countries Most in Debt to China," Statista, October 14, 2019 (CC BY-ND 3.0).

stunning 25 percent or more of their GDP—an illustration of the kind of high and even unsustainable debt levels that can result from China's often-opaque financing, to the detriment of borrowing countries, as was mentioned in Chapter Two.

Subsidies

Subsidization can come in a variety of forms. One of the simplest is through the granting of monopoly power to state enterprises, allowing them to maintain market share within China, suppressing opportunity for imports, and operating with less concern about profits outside China than would a fully competitive firm. Furthermore, state enterprises gain a variety of financial subsidies, the biggest of which may be borrowing from state banks with effectively no need to repay.²¹ Other types of subsidies include lower interest rates on bonds issued by state-owned enterprises; mandated equity purchases of one state-owned enterprises equities by other state-owned enterprises; indirect subsidies via subsidization of inputs and industries that produce those inputs; barriers to foreign firms (for example, through domestic content requirements); and allowing consolidation of state enterprises well beyond what market-oriented antitrust authorities would allow.²²

The combination of a state-led economy with a wide variety of methods of subsidization, many of them non-transparent and therefore hard to measure and to countervail, is one of the largest points of contention between China and the leading market economies. Countering it is one point of agreement among the European Union, Japan, and the United States when it comes to the reform of the WTO.²³ In 2018 the summit communiqué of the

²¹ Scissors, 2020, p. 4.

²² Jude Blanchette, Jonathan E. Hillman, Maesea McCalpin, and Mingda Qiu, *Hidden Harbors: China's State-Backed Shipping Industry*, Washington, D.C.: Center for Strategic and International Studies, July 8, 2020.

²³ Marianne Schneider-Petsinger, *Reforming the World Trade Organization: Prospects for Transatlantic Cooperation and the Global Trade System*, London: Chatham House, September 2020; Jim Brunsten, "US, Japan and EU Target China with WTO Rule Change Proposal," *Financial Times*, January 14, 2020.

G7 leading economies noted that the seven countries aimed to address “in particular non–market oriented policies,” although without naming any particular country.²⁴

Intellectual Property Theft, Technology Transfer, and Coercive Acquisition

Technology and IP expropriation and theft by Chinese entities occur both in China and abroad and enable Chinese companies to benefit in ways that their foreign counterparts cannot. As was discussed in Chapter Four, even the PLA has been accused of participating in technology theft for commercial purposes.²⁵ The United States has been a target of Chinese cyber intrusions, corporate espionage, data theft, and counterfeiting.²⁶ In early 2020 the Federal Bureau of Investigation had over 1,000 open investigations into such cases as Chinese nationals stealing trade secrets—in collaboration with a Chinese university—and then starting a company in China to compete with the U.S. owners of the IP.²⁷

It would be one thing if the technology theft were perpetrated only by private companies. However, a survey of 147 publicly known cases of Chinese espionage in the United States found that 61 percent involved the Chinese military or government. Of these cases, 47 percent were attempts to acquire commercial technologies, while 36 percent were aimed at military technologies.²⁸

Beyond IP and technology theft, there has effectively been theft of companies through coercive acquisition. One method has been termed the *Joint Venture Squeeze Out*.²⁹ In this method, a foreign joint venture partner will want to sell its share to its Chinese partner. But the Chinese bank that will convert Chinese currency to foreign currency (dollars or euros) will work with local tax and company registration authorities and determine that the transfer cannot be made until a number of steps are taken, including a transfer of ownership to the Chinese purchaser and payment of a variety of taxes that may not be well defined in law. By the end of the process, the foreign company will not have been reasonably compensated, or compensated at all.

The Belt and Road Initiative

Some BRI projects have failed to meet international quality standards—or even China’s own. For example, despite China’s promises to reform these processes, environmental and social impact assessments have been incomplete, poorly conducted, falsified, or simply not done. Projects are not necessarily competitively bid, locking out local and third-country contractors.³⁰

As with ports, digital infrastructure may provide a benefit not available to the United States and other competitors. The Digital Silk Road and the BRI Space Information Corridor will also generate large amounts of data that China could leverage for intelligence purposes or to support the development of surveillance and AI tech-

²⁴ Government of Canada, “The Charlevoix G7 Summit Communique,” June 2018b, para. 5. The communiqué was not adopted because of an unrelated dispute between the United States and the rest of the G7.

²⁵ U.S. Department of Justice, “U.S. Charges Five Chinese Military Hackers for Cyber Espionage Against U.S. Corporations and a Labor Organization for Commercial Advantage,” press release, May 19, 2014.

²⁶ Christopher Wray, “Responding Effectively to the Chinese Economic Espionage Threat,” speech at the Department of Justice China Initiative Conference, Center for Strategic and International Studies, Washington, D.C., February 6, 2020a.

²⁷ U.S. Department of Justice, “Chinese Citizen Convicted of Economic Espionage, Theft of Trade Secrets, and Conspiracy,” press release, June 26, 2020.

²⁸ Evan Burke, Matthew Serrone, Khristal Thomas, Arthur Nelson, and Ian Haimowitz, “Survey of Chinese-Linked Espionage in the United States Since 2000,” Center for Strategic and International Studies, undated.

²⁹ Steve Dickinson, “The China Joint Venture Squeeze Out—How It Works and How You Must Respond,” *China Law Blog*, August 27, 2019.

³⁰ Russel and Berger, 2019, p. 16.

nologies.³¹ Under China's 2017 intelligence law, its citizens, organizations, and institutions must cooperate with its intelligence services.³²

Financing and Aid

China is by far the largest bilateral lender to developing countries, rivaling the World Bank.³³ But the nature of China's financing allows its lending institutions to operate outside the standard practices of international competitors. Nearly all loans and investments—regardless of the recipient—come from the government, state-owned companies, or state-owned banks and are highly opaque.³⁴ China is not a member of the OECD's Development Assistance Committee, which monitors aid flows, sets standards, and reviews the activities of its member states, nor is it a member of the Paris Club, a group of official creditors that often coordinates on foreign debt relief. Instead, China characterizes itself as a South-South cooperation development partner rather than a donor; in other words, it portrays financial aid as more of a business partnership than an investment.³⁵

Even though China's lending comes largely from state-owned banks and thus is ultimately controlled by the government, these loans mostly resemble standard commercial loans from private banks. However, about half of China's lending is not recorded in standard international debt statistics, to the tune of about \$200 billion in 2016. One reason is that, for some loans for overseas projects, Chinese lenders disburse the money directly to Chinese companies that will do the work rather than to the country that hires them. This opacity makes it difficult for international organizations, other official lenders, and the private sector to estimate credit risk and debt sustainability. International credit-rating agencies do not record defaults and debt restructurings involving official creditors, but an analysis has showed that, since 2000, China has been involved in at least 140 debt restructurings or write-offs with foreign governments or public organizations, such as state-owned enterprises.³⁶

The COVID-19 pandemic had exacerbated debt sustainability even further. An alternate database of Chinese lending shows 130 cases of debt renegotiation from 2000 through September 2020, with the value of debt renegotiated estimated at \$94 billion, or almost a quarter of all Chinese overseas loans by volume. Of these, 18 (almost 14 percent) occurred in 2020.³⁷ Some of these renegotiations would otherwise fall under the Debt Service Suspension Initiative set up by the World Bank and the IMF.³⁸ Most other lenders are coordinating debt relief under standard terms, but China does so on a case-by-case basis. It has also argued that the state-owned China Development Bank should be treated as a commercial bank rather than an official bilateral lender, allowing it more leeway on debt renegotiations.³⁹

³¹ Russel and Berger, 2020, p. 22.

³² Murray Scot Tanner, "Beijing's New National Intelligence Law: From Defense to Offense," *Lawfare*, July 20, 2017; Government of Canada, "China's Intelligence Law and the Country's Future Intelligence Competitions," May 17, 2018a.

³³ Scott Morris, Brad Parks, and Alysha Gardner, *Chinese and World Bank Lending Terms: A Systematic Comparison Across 157 Countries and 15 Years*, Washington, D.C.: Center for Global Development, Policy Paper 170, April 2020.

³⁴ Sebastian Horn, Carmen Reinhart, and Christoph Trebesch, *China's Overseas Lending*, Kiel, Germany: Kiel Institute for the World Economy, Working Paper No. 2132, June 2019.

³⁵ Leah Lynch, Sharon Andersen, and Tianyu Zhu, *China's Foreign Aid: A Primer for Recipient Countries, Donors, and Aid Providers*, Washington, D.C.: Center for Global Development, July 2020.

³⁶ Horn, Reinhart, and Trebesch, 2019, pp. 16–17, 19, 31–32.

³⁷ Agatha Kratz, Matthew Mingey, and Drew D'Alelio, *Seeking Relief: China's Overseas Debt After COVID-19*, New York: Rhodium Group, October 8, 2020.

³⁸ World Bank, "COVID 19: Debt Service Suspension Initiative," webpage, last updated July 28, 2021.

³⁹ Kratz, Mingey, and D'Alelio, 2020, pp. 5–6. Note that the China Development Bank operates under the leadership of the State Council of China, China's government, although it is formally a limited liability company; see China Development Bank, "About CDB," webpage, undated.

Economic Coercion

China has a great deal of leverage over other economies that trade with it. Most major economies use sanctions as a form of economic leverage in service to national security. China exercises its leverage differently and more perniciously—through government-endorsed boycotts and public protests, import restrictions, export and tourism restrictions, and threats against specific foreign companies.⁴⁰ As an example, when the Nobel Committee awarded its Peace Prize to Chinese activist Liu Xiaobo in 2010, China held up Norwegian salmon imports through such measures as delayed food safety inspections.⁴¹ Likewise, when Mongolia allowed a visit by the Dalai Lama in 2016, China raised transportation fees on imports of Mongolian copper and coal.⁴²

The United States and other countries also use coercive economic methods, usually sanctions, but they do so differently. The United States grounds its actions in domestic laws, regulations, and executive orders, whereas China relies on more opaque methods, such as food safety inspections or mass protests, that give it a degree of deniability and more leeway to cause damage. In January 2021 China sanctioned 28 people from the United States but named only eight of them and stated that their immediate family members and associated businesses would also be sanctioned.⁴³ Under U.S. policies, targets of sanctions are identified, and the United States does not institute blanket penalties against institutions with which those targets are associated.

Recommended U.S. Responses

China is the leading trading partner of dozens of countries, and its economic growth has secured its influence in the Indo-Pacific and beyond, allowing it to wield global economic power. The United States still maintains a considerable edge across economic metrics that matter: most valuable companies overall and tech companies specifically, most venture capital investments, biggest global players in the pharmaceuticals market, and the world's leading universities. Even when China makes an appearance in these rankings, it lags far behind the United States.⁴⁴ Although it is the second-largest single-nation economy, with a GDP valued at 70 percent of U.S. GDP at nominal market rates in 2019, China's nominal GDP per worker—a measure of productivity—that same year was only 14 percent that of the United States.⁴⁵ China has been trying to shift its economy from one focused on investment and exports to one focused on consumption and innovation—with only modest success. Instead, in large part to maintain employment, various levels of its government and its state-owned enterprises have engaged in debt-fueled investment, often into unproductive ventures, raising risks to future growth. Total debt levels have been estimated on the order of 280 percent of GDP or possibly even higher than 300 percent.⁴⁶

Nonetheless, U.S. policymakers should tread carefully. The United States has already responded aggressively to IP and technology theft by instituting across-the-board tariffs on Chinese goods, with negative consequences

⁴⁰ Peter Harrell, Elizabeth Rosenberg, and Edoardo Saravalle, *China's Use of Coercive Economic Measures*, Washington, D.C.: Center for a New American Security, June 2018.

⁴¹ Associated Press, "Norway Feels Sting of China's Nobel Anger," *Deseret News*, May 6, 2011.

⁴² Elizabeth Shim, "China Raises Fees on Shipments from Mongolia After Dalai Lama Visit," *United Press International*, December 2, 2016.

⁴³ Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Announces Sanctions on Pompeo, Others," press release, January 20, 2021.

⁴⁴ Martin Wolf, "China Is Wrong to Think the US Faces Inevitable Decline," *Financial Times*, April 27, 2021.

⁴⁵ World Bank, undated. The nominal GDP variable is GDP (current U.S. dollars), Series Code NY.GDP.MKTP.CD; the number of workers is constructed by multiplying the employment to population ratio for ages 15 and over to the population ages 15 and over, which itself is constructed from subtracting the population for ages 0–14 from the total population. Variables include employment-to-population ratio, 15+, total (%) (modeled ILO estimate), series code SL.EMP.TOTL.SP.ZS; population, total, series code SP.POP.TOTL; and population ages 0–14, total, series code SP.POP.0014.TO).

⁴⁶ Mike "Mish" Shedlock, "China's Debt-to-GDP Ratio Surges to 317 Percent," *Mish Talk*, May 20, 2020; "China Eyes Economic Goals for Next Year as Debt Levels Soar," *Bloomberg*, December 15, 2020; Karen Yeung, "China Debt: Highly-Leveraged State Firms Could Threaten 'Efficient Growth,' Private Investment Post-Pandemic," *South China Morning Post*, February 8, 2021; Kevin Yao, "Exclusive: China Likely to Avoid Setting 2021 GDP Target Over Debt Concerns, Sources Say," *Reuters*, January 28, 2021.

for the U.S. economy and retaliatory tariffs by China. The complex and interconnected nature of the global economy increases the risk that any economic policy response to China's behavior will backfire to some degree, hurt U.S. businesses, and distribute new burdens to U.S. taxpayers, as well as allies and partners. These risks can be balanced by measures to spur faster U.S. economic growth and by positioning the United States and its advanced market economy allies as the preferred partners in the global economy.

Retaliation, Reciprocity, and Deterrence

The United States should take more-aggressive actions to counter China's malign activities. It can do so in several ways:

- Secure U.S. supply chains for critical national security goods, and support firms with incentives to prioritize risk reduction and reliability. Support will be important because U.S. companies may be less likely to diversify their supply chains without policy intervention.⁴⁷
- Provide incentives to move selected production capacity out of China, either to third countries or to the United States. This might be the most costly intervention, but tax incentives, guaranteed contracts, and subsidies to expand U.S. production capacity targeting specific sectors have garnered bipartisan political support, and their expansion would have a secondary benefit of enhancing supply chain security.⁴⁸ Because decoupling from China will be costly, goals should be chosen carefully and focus on defense and security. Among sectors on which to focus, communications and data networks are important both to the economy and U.S. homeland and national security, and advanced technology plays a foundational role in U.S. economic prosperity and defense capabilities and can enable Chinese defense capabilities.
- The United States currently seizes counterfeit and pirated goods and has a process to block imports of items with stolen IP. This could be broadened to block any import from a company using stolen IP and delisting from U.S. exchanges any firms that have repeatedly violated U.S. IP law. Other, related measures include instituting criminal penalties on ocean carriers, freight forwarders, customs brokers, and others involved in trade that facilitates the shipping of such products, as well as expanding liability for foreign and U.S. companies that use slave labor in China.
- Incentivize China to bring its international lending and debt-relief practices into conformity with the standards of the OECD's Development Assistance Committee, and bring China into the Paris Club group of creditor nations that coordinate debt relief.
- Counter China's economic coercion by supporting targeted countries with diplomatic and financial support, as well as through penalties on China. If China penalizes a U.S. ally or partner for political reasons, reciprocally penalize Chinese companies.

Norm and Rule Setting

One of the biggest challenges that China presents is that it has benefited from global rules while skirting them—although not necessarily outright violating them—by virtue of its CCP-led economic system. As the global economy evolves, new rules will be needed, and it will be to the advantage of the United States and the integrity of the overall system to ensure they are advantageous to market economies, rather than state-led economies. There are several potential areas for U.S. action:

⁴⁷ Howard J. Shatz, "COVID-19 and Economic Competition with China and Russia," *War on the Rocks*, August 31, 2020a; Yanzhong Huang, "U.S. Dependence on Pharmaceutical Products from China," Council on Foreign Relations, August 14, 2019. Note that this was recognized as an issue before the COVID-19 pandemic.

⁴⁸ U.S. Department of Defense, "DOD Announces \$8 Million Defense Production Act Title III Agreement with GLOBALFOUNDRIES to Strengthen the Domestic Microelectronics Industrial Base," press release, March 9, 2021b; U.S. Department of Defense, "DOD Announces Rare Earth Element Award to Strengthen Domestic Industrial Base," press release, February 1, 2021a; U.S. Department of Defense, "DOD Announces Rare Earth Element Awards to Strengthen Domestic Industrial Base," press release, November 17, 2020.

- Define new, broader international disciplines for subsidies—including, for example, state-motivated favorable financing, lax competition policy, and market limitations to keep out import competition. Develop new sets of tools to counter these policies, such as broadening the use of countervailing tariffs or other forms of tax penalties.
- Participate more actively in global bodies to ensure the adoption of technical standards that conform to U.S. values and are advantageous to U.S. companies and those from like-minded countries.⁴⁹
- Work with allies to strengthen the WTO and introduce agreements—multilateral, if necessary—to take account of China's trade-distorting subsidies and other actions.
- Consider rejoining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the successor to the U.S.-led Trans-Pacific Partnership trade deal that included major Pacific economies but excluded China. Rules of international trade are now largely being set outside the WTO, and reengaging in the partnership would reassert U.S. influence in setting rules for international commerce that China will have to follow if it hopes to join.
- Work toward other agreements that set higher standards than China can follow and that, given changes in technology and world trade patterns, are needed, such as a digital trade agreement with a wide set of allies and partners.⁵⁰

Competing in the Benign and Normal Competitive Spheres

The Belt and Road label provides a marketing gloss to China's worldwide activities, but the fact is that building infrastructure of all types, often by lending money to governments to fund it, provides a valuable, needed, and cost-effective service. Purchases of resources provide export revenues, and integrating manufacturing networks provides job opportunities and spurs economic growth.

The United States and its allies will be unable to compete with China by adopting Beijing's approach. A private sector-driven economy provides many benefits, but it would have trouble marshaling state-led lending and investment, especially when that lending and investment is economically inefficient. However, the United States and its allies can and should compete from their own strengths:

- Provide alternatives to Chinese infrastructure activities through more initiatives like the new U.S. Development Finance Corporation, which increased the flexibility and magnitude of U.S. development finance; the Blue Dot Network, designed to encourage quality infrastructure investment; and the Clean Network Initiative, designed to help countries build out their 5G information and communication technology networks with trusted vendors while lowering the risk of data exfiltration by China.⁵¹
- Explore incentives for enhancing private-sector development abroad, including fostering greater production sharing and technology development with firms in Africa, Latin America, and other developing regions.
- Reinvigorate trade partnerships with developing countries through agreements that lower U.S. trade barriers and help expand foreign direct investment from the United States. Although Chinese imports from many regions are largely natural resources, the European, U.S., and allied markets can absorb manufactured goods and even services to enhance growth and foster greater partnership with developing countries.

⁴⁹ American Academy of Diplomacy, "Stepping Up to the Plate and Setting the Rules: The US and Global Standards," statement by the Board of Directors of the American Academy of Diplomacy, May 7, 2021; Robert B. Zoellick, "The Trade Two-Step as Part of Biden's Diplomatic Dance," *Wall Street Journal*, May 10, 2021.

⁵⁰ Zoellick, 2021.

⁵¹ U.S. Department of State, "Blue Dot Network," webpage, undated a; U.S. Department of State, "The Clean Network," webpage, undated b; Marian L. Lawson and Emily M. Morgenstern, *Foreign Assistance: An Introduction to U.S. Programs and Policy*, Washington, D.C.: Congressional Research Service, R40213, April 30, 2020; Shayerah Ilias Akhtar and Marian L. Lawson, *BUILD Act: Frequently Asked Questions About the New U.S. International Development Finance Corporation*, Washington, D.C.: Congressional Research Service, R45461, January 19, 2019.

Supporting and Building Global Coalitions and Partnerships

As discussed in the section on setting standards, strengthening existing trade and economic agreements and joining others can enhance U.S. partnerships with like-minded countries. Beyond formal agreements, coordination can greatly magnify the effect of U.S. policies, although it might involve necessary compromises if potential partners do not agree with proposed U.S. policies. Areas for building global coalitions include

- strengthening rules for trade and investment
- responding to Chinese economic coercion
- limiting the sale of military and dual-use technologies
- providing assistance and economic opportunities to developing countries.

Restoring the Health and Vitality of the American System

Despite China's rapid growth, the U.S. economy remains far stronger, with higher productivity and greater innovation capacity. China's economy has many strengths, too, and actions to counter its malign behavior or even to compete with it in foreign markets are unlikely to be decisive. Instead, the United States can maintain and strengthen its edge by building on and improving the domestic foundations of its economy, as well as by promoting greater public support for the necessary policies—some of which, like trade and immigration, will encounter popular resistance. This will, in turn, require measures to more widely share the benefits of growth, thereby reducing income disparity in the United States (currently among the developed world's highest) and increasing social mobility (currently among its lowest).

Actions that could help bolster American economic competitiveness include

- modernizing infrastructure, with a focus on improved maintenance of existing infrastructure
- revising federal spending and program priorities to ensure longer-term fiscal health and the ability to meet crises when they occur
- increasing funding for research and development
- easing regulations and antitrust policies that hinder innovation
- investing in the education system (with a particular focus on science, technology, engineering, and mathematics but ensuring high levels of literacy and numeracy, along with competence in academic subjects and objectivity)
- improving vocational and technical training opportunities
- expanding the working population (by making it easier for both parents to participate in the workforce in two-income families, for example)
- reshaping the immigration system to bring in more foreign scientists, engineers, and technology workers, with the understanding that talent and potential in young people can be difficult to identify and that immigration can increase the working-age population and spur economic growth.⁵²

⁵² Immigrants have played an important role in the growth of the U.S. technology edge; see AnnaLee Saxenian, "Silicon Valley's New Immigrant High-Growth Entrepreneurs," *Economic Development Quarterly*, Vol. 16, No. 1, 2002.

Conclusions and Policy Implications

This report explores how China coerces other states through a combination of diplomatic, informational, military, and economic measures. The United States is alone in possessing the capacity and capability to counter, compete with, and even defeat China's influence in all of these realms, but decisions about when and how to respond come with significant risks and costs. The decisions are also bounded by U.S. and international law or even just the burden of upholding international norms and standards. China is opportunistic in exploiting these gaps. Competing effectively with China might require the United States to approach the challenge a little more like China while also working to make China behave more like the United States.

There is a widespread perception that China is “getting away with it”—antagonizing neighbors over disputed territories; diplomatically marginalizing Taiwan; ensnaring developing countries in with high and potentially unsustainable levels of debt; coercing its diaspora; or engaging in widespread espionage, IP theft, and surveillance.¹ Countries continue to contract with Huawei for citywide surveillance systems and 5G network expansion. Understanding the terms of doing business in China or gaining access to its domestic markets, Western firms self-censor to avoid the CCP's ire. These and other points of paralysis will make it difficult for the United States to act—alone, in coalitions or partnerships, or as a facilitator of third-state coalitions. Globally there are different equities at play and different levels of ability to resist or reject Chinese behavior that crosses these lines, and China interprets inaction as implicit permission to continue what it is doing.

China's human rights abuses stand as a stark example of the resistance to retaliating against or even shaming China when it violates international norms in the most extreme ways. In July 2019 a group of 22 democratic countries signed a letter to the UN Human Rights Commission expressing concern about China's treatment of Uyghurs and other minorities in the Xinjiang Autonomous Uyghur Region of China, calling for “China to uphold its national laws and international obligations and to respect human rights and fundamental freedoms.”² Soon after, a group of 50 mostly developing countries, including Russia and Saudi Arabia, responded to defend China's actions, writing that in the detention of Uyghur populations, “human rights are respected and protected in China” and echoing China's claim that the objective is “counter-terrorism and deradicalization.”³ It is notable that the letter's signatories included 28 of the 57 members of the Organisation of Islamic Cooperation, which has in its

¹ A reviewer rightly noted that China is not getting away with it completely without cost: public opinion of China in developed countries is at historic lows as China pays a reputational cost for many of its actions.

² “Letter Dated 8 July 2019 from the Permanent Representatives of Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Japan, Latvia, Lithuania, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland to the United Nations Office at Geneva addressed to the President of the Human Rights Council,” United Nations, United Nations, July 23, 2019. They were later joined by Italy, Portugal, and Slovenia.

³ “Letter dated 12 July 2019 from the representatives of Algeria, Angola, Bahrain, Bangladesh, Belarus, the Plurinational State of Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Comoros, the Congo, Cuba, the Democratic People's Republic of Korea, the Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Gabon, the Islamic Republic of Iran, Iraq, Kuwait, the Lao People's Democratic Republic, Mozambique, Myanmar, Nepal, Nigeria, Oman, Pakistan, the Philippines, the Russian Federation, Saudi Arabia, Serbia, Somalia, South Sudan, Sri Lanka, the Sudan, the Syrian Arab Republic, Tajikistan, Togo, Turkmenistan, Uganda, the United Arab Emirates, Uzbekistan, the Bolivarian Republic of Venezuela, Yemen, Zambia, Zimbabwe and the State of Palestine to the United Nations Office at Geneva addressed to the President of the Human Rights Council,” United Nations, August 9, 2019.

charter the objective “to safeguard the rights, dignity and religious and cultural identity of Muslim communities and minorities in non-Member States,” which would presumably include the Uyghurs in China.⁴

In 2020 alone, China evaded responsibility for downplaying the initial outbreak and potentially hindering global responses to the COVID-19 pandemic, violated its agreements on Hong Kong’s governance, and subjected detained Uyghurs and other ethnic minorities in Xinjiang to imprisonment, forced labor, torture, and according to the United States, the Canadian House of Commons, the Dutch Parliament, and the UK Parliament, genocide.⁵ There is incentive to look past these transgressions in part because, for many countries, there are few alternatives to doing business with China. For others, the motivation may be protecting profits or supply chains.

It is against this complex backdrop that U.S. policymakers are faced with the challenge of developing and implementing responses to China and positioning the United States to compete on the strength of its institutions and its integrity in adhering to international laws and norms. To that end, the following sections summarize commonalities across the elements of Chinese and U.S. national power and present high-level recommendations that prioritize near-term action.

Retaliation, Reciprocity, and Deterrence

Throughout this report, recommendations in this category have taken on the strongest tenor, with an emphasis on swift implementation:

- If policymakers hope to counter or retaliate against Chinese malign behavior as it occurs, they need clarity on what types of behaviors to respond to ahead of time. Once there is agreement on whether and how forcefully to respond, policymakers should draw on capabilities across the elements of U.S. national power and build international consensus.
- International institutions can threaten or impose large-scale diplomatic, economic, and military costs on China provided there is political will to act. Such responses are all but impossible without accurate intelligence and ongoing gaming of strategies and field-testing of capabilities and partner interoperability. Other preparations would include shoring up U.S. domestic capabilities to fill the gaps left by China’s departure from U.S. markets in the form of tax incentives and other federal programs to diversify cross-sector supply chains.
- In terms of reciprocity, there is a similar need for forward-thinking coordination and threshold setting. Decisions should consider where China is benefiting from access and to what extent it is exploiting that access. Chinese IP theft, acquisition of dual-use technologies, and dominance of global supply chains are symptoms of the current imbalance.
- Constant, rigorous reevaluation and improvement of military strategies can provide greater flexibility and remove the element of predictability from China’s calculations of U.S. responses. Investments in innovation and partnerships can supplement these efforts by allowing U.S. forces to take greater risks.

Whether the United States opts to retaliate, enforce reciprocity, or merely deter Chinese coercion, policymakers should be prepared for Chinese countermeasures—and they might be disproportionate to the initial U.S. action.

⁴ Organisation of Islamic Cooperation, Charter of the Organisation of Islamic Cooperation, June 22, 2017, chapter I, article 2, para. 16.

⁵ In his first press conference as Secretary of State, Antony Blinken confirmed that “my judgment remains that genocide was committed against—against the Uyghurs”; see Antony J. Blinken, “Secretary Antony J. Blinken at a Press Availability,” U.S. Department of State, January 27, 2021. For more on the genocide determination, see Ryan Patrick Jones, “MPs Vote to Label China’s Persecution of Uyghurs a Genocide,” CBC News, February 22, 2021; “Dutch Parliament: China’s Treatment of Uyghurs Is Genocide,” Reuters, February 25, 2021; and “UK Parliament Declares Genocide in China’s Xinjiang; Beijing Condemns Move,” Reuters, April 23, 2021.

Norm and Rule Setting

In addition to establishing its own, often parallel systems of diplomatic and economic alliances, China has been ascending to leadership positions in existing international bodies such as the UN. Both moves give it greater authority to set norms and standards and to undercut those that are already in place. When it comes to bilateral financing practices, the nature of China's opaque, state-backed financing system allows its lending institutions to operate outside the standard practices of international competitors, giving it a decisive advantage and coercive opportunities.

There are several steps that policymakers could take immediately to curb China's ambitions:

- Sign on to treaties that enforce current norms and standards, including UNCLOS, and join alliances to strengthen trade relationships, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Simultaneously, take the lead (and ensure places at the table for allies and partners) on committees and commissions in policy areas that are of strategic interest to China.
- Exercise similar leadership in cyberspace, including bringing it under international laws of armed conflict and encouraging the adoption of technical standards that prioritize security. Doing so will increase protection for critical infrastructure and protect U.S. economic interests.
- Actively counter Chinese economic practices that give it an advantage in U.S.-China competition and open smaller economies to coercion. This would include strengthening rules that benefit market economies and instituting tariffs or tax penalties to ensure that China plays by these rules.

After all, when China seizes opportunities beyond the rule-based international systems, the United States is at the most disproportionate disadvantage.

Competing in the Benign and Normal Competitive Spheres

Just as the United States should look across all elements of its own national power for new ways to compete, it should take a holistic view of scenarios that present competitive opportunities. Furthering national interests while doing good is certainly not a novel concept, and this is something that the United States already does. However, it could improve how it broadcasts these activities. The United States should take the following steps:

- Promote an image of itself that is generous and protective of partners, responsive to states in crisis, transparent and supportive of press freedom, and willing to cooperate. Enhancing trust and providing alternatives to China will benefit both the United States and the states that are most vulnerable to China's influence.
- Understand that BRI is a tool of China's long game in achieving technological and economic influence across a wide swath of the globe. China leverages BRI to a number of ends, not all of which necessarily advantage China. There are limited steps that can be taken by virtue of the constraints on U.S. government interference in the private sector. However, the United States could pursue development financing initiatives and offer carefully monitored incentives to encourage investment in countries that are vulnerable to Chinese economic coercion and debt-trap diplomacy.

In general, when it comes to normal competitive activities, policymakers should assess what is currently working, what is not, and what opportunities remain unexplored.

Supporting and Building Global Coalitions and Partnerships

Coalitions and partnerships have figured heavily into other categories of recommendations, with some recurring themes:

- There is benefit to building partnerships, coalitions, and security cooperation arrangements that provide alternatives to alignment with China, with or without U.S. leadership or involvement.
- These relationships help foster a shared appreciation of the threat that China poses and empowering vulnerable states, the private sector, and members of China's diaspora to participate in collective responses or resistance. China is opportunistic, and there is strength in numbers and in the diversity of participants.
- A focus of this relationship building should be Chinese diaspora communities in the United States and elsewhere. The May 2021 bipartisan passage of a law addressing hate crimes against people of Asian ethnicity repudiates to some extent to CCP criticisms that the United States is anti-Asian. However, there remains a need for more outreach, support, and inclusivity to empower members of the Chinese diaspora to resist CCP silencing, surveillance, and coercion.

In all of these relationships, the United States should be prepared to make compromises and even avoid taking the lead when it otherwise would. The challenge will be to do so while ensuring that these arrangements remain productive and, on balance, beneficial to its interests.

Restoring the Health and Vitality of the American System

Ongoing political polarization and the propagation of disinformation have done a great deal of damage to trust in U.S. democratic institutions, independent journalism, and other bedrocks of the American system. This report outlined several ways forward. Here we highlight two key capabilities that would better prepare the United States to compete with China in the near term:

- Expand the organizational infrastructure to publicly disseminate messages of condemnation and to discredit Chinese propaganda and coercion among domestic and international audiences—activities under the banner of retaliation, reciprocity, and deterrence. Messaging campaigns should be coordinated centrally by some successor organization to the U.S. Information Agency, which oversaw counterpropaganda efforts during the Cold War. Partnerships with media outlets and even public relations firms would help target specific audiences with specific messages and shows of U.S. strength and support in resisting Chinese influence.
- Send credible messages backed by a comprehensive understanding of United Front activities. Again, the United States would benefit from a coordinated, centralized mechanism to collect this type of intelligence and ensure that it can be acted on swiftly. The skills and tools to create a United Front tracker are already in the U.S. private sector.

In the long term, societal and economic trends—from growing income inequality and shortfalls in education (particularly media literacy) to crumbling infrastructure and a lack of bipartisanship—will put the United States at a disadvantage as the next generations of policymakers assume responsibility for the China challenge. Now is the time to revise federal spending priorities to address current and emerging barriers to growth, innovation, and cooperation. A domestic system that is in disarray and neglects the public good will diminish U.S. credibility and leave the United States, itself, increasingly vulnerable to Chinese coercion.

Abbreviations

AI	artificial intelligence
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, and South Africa
CCP	Chinese Communist Party
FY	fiscal year
GDP	gross domestic product
IMF	International Monetary Fund
IP	intellectual property
NATO	North Atlantic Treaty Organization
NDAA	National Defense Authorization Act
OECD	Organisation for Economic Co-operation and Development
PLA	People's Liberation Army
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
WTO	World Trade Organization

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