



China's Global Influence: Perspectives and Recommendations



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China's Global Influence: Perspectives and Recommendations

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The Daniel K. Inouye Asia-Pacific Center for Security Studies is a US Department of Defense executive education institution that addresses regional and global security issues, inviting military and civilian representatives of the United States and Indo-Pacific nations to its comprehensive program of resident courses and workshops, both in Hawaii and throughout the Indo-Pacific region. Through these events the Center provides a focal point where military, policy-makers, and civil society can gather to educate each other on regional issues, connect them with a network of committed individuals, and empower themselves to enact cooperative solutions to the region's security challenges. The Center's publishing efforts support these efforts by distilling lessons learned from these events and broadcast them to the community of security practitioners working together for a more secure and prosperous Indo-Pacific.

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Introduction

*Scott D. McDonald and Michael C. Burgoyne*¹

¹ The views and recommendations expressed in this chapter are those of the authors and do not necessarily reflect the policy or position of the Daniel K. Inouye Asia-Pacific Center for Security Studies, US Department of Defense, or US Government.

Over the last several years, thousands of books have been written on the rise and role of the People's Republic of China (PRC). Many of those were edited volumes, which sought to bring together scholars that could highlight their specific area of expertise or insight. This volume seeks to differentiate itself through leveraging one of the unique assets of the Department of Defense (DoD): the Regional Centers (RC).

The geographic focus of these five RCs span the world and serve to bring together security practitioners to share experiences, build networks, and share tools and ideas for improving cooperative security. The efficacy of their executive education model has long been appreciated within the department, in the halls of Congress, across the regions, and by policymakers spanning the executive branch.

One aspect of these Centers that is often overlooked, however, is the knowledge and insight of the faculty. The RCs are staffed by faculty drawn from seasoned experts on the regions, and from across the regions they cover. They specialize in the full array of challenges facing their regions and interact with security practitioners attending their courses on a routine basis. This mix of backgrounds and experiences provides the RCs with unique and valuable insights into the security challenges facing the United States (US) and its partners around the world.

With these strengths in mind, the directors of the RCs recently began an initiative to bring experts from the various RCs together to leverage their unique insights in understanding global security challenges. In January 2019 the first result of this collaboration was a workshop entitled "China's Global Reach," hosted by the Daniel K. Inouye Asia-Pacific Center for Security Studies (DKI APCSS) in Honolulu, Hawaii. However, the RCs wanted to do more than get together. They wanted to leverage their faculty to bring value to policymakers. The result is this volume.

THE WORKSHOP

In designing RC collaborative events, the focus was to tackle contemporary security challenges, leverage the varied perspectives of RC faculty, and provide not only insight, but useful policy recommendations to the US government. Consequently, for the first collaboration the RCs chose to examine activities of the PRC from the perspective of various regions to give context and clarity to PRC engagement throughout the world. To understand how these global activities impact the US, analysis was conducted within the context of the PRC's perspective of its own foreign policy, as well as strategic competition, as referenced in the 2017

National Security Strategy and 2018 *National Defense Strategy*. Additionally, experts in specific functional areas were brought in from the RCs and the broader policy community to look at regional and global engagement through the lens of specific foreign policy tools. The workshop leveraged the insights gained from this diverse expert input and small group discussions to formulate policy recommendations for pursuing state interests in the face of growing PRC assertiveness. These recommendations accepted that an interest-based approach would provide opportunities for both competitive and cooperative strategies and tactics.

Participants included academics and practitioners from the five RCs, USINDOPACOM, SOUTHCOM, AFRICOM, USINDOPACOM service components, the National Defense University, and the US Army War College. Other US Government participants came from the Department of State (DoS), Department of Treasury, and the Department of Energy. Five think tanks, including the Pacific Forum and the East-West Center, also sent participants.

GEOGRAPHICAL SCOPE

The world has almost two hundred countries. There are seven continents. The DoS has six regional bureaus. The DoD has six Geographic Combatant Commands (GCC), which do not align with the DoS' regional bureaus. However, there are only five RCs. In constructing the workshop and finding chapter authors, the question of how to divide up the world was fraught with pitfalls.

The manner in which the book divides the world most assuredly has its detractors, but choices had to be made. Ultimately, we attempted to group geographic areas primarily by the manner in which the PRC engages with them. Certainly, there were different choices that could have been made. For example, it is clear from the chapters by Valbona Zeneli and Frank Mouritz that the PRC uses multiple engagement strategies within Europe, however, each strategy is influenced by the role of the European Union (EU) and its intersection with the PRC's engagement calculus. Consequently, non-Russian Europe has been treated as a single geographic entity, while Russia and Central Asia have been treated as another. Alternatively, the Indian subcontinent is split between two GCCs and, with the exception of Pakistan and Afghanistan, covered by two RCs. Meanwhile, the PRC interacts with the states of South Asia both uniquely and as part of its interaction with the broader Indo-Pacific region—though they decline to call it such. Therefore, the sub-region was given its own chapter, distinct from the rest of the regions covered

by both the Near East South Asia Center for Strategic Studies (NESAS) and the Daniel K. Inouye Asia-Pacific Center for Security Studies (DKI APCSS), even though some of the states are mentioned briefly in the Indo-Pacific chapter.

The more one looks at the regions, the more one is tempted to sub-divide. For example, at DKI APCSS the Indo-Pacific is currently divided into five sub-regions (including the Americas), each of which could have warranted its own chapter. However, in a three-day workshop or a book of this size, one quickly reaches a point of diminishing returns regarding what can usefully be said about a number of topics in the time and space provided. Consequently, geographic regions were formed around states in which the PRC appears to pursue roughly similar ends in related ways, while avoiding the temptation to parse differences and draw ever smaller circles. The result is seven geographically-focused chapters that divide Africa, split four GCCs, and ignore the US and Canada. However, these chapters all draw from experts on the regions they study, and were informed by discussion and debate during the workshop. Moreover—and more importantly—the analysis in these chapters, when placed alongside each other, suggest that looking from the PRC perspective, there is a certain amount of logic to this approach. As with any system that sub-divides the world, this one is imperfect, but it serves the ends of the project in drawing out the relevant contexts for understanding the PRC’s global approach. However, some of the idiosyncrasies introduced by any such scheme are mitigated by the global approach taken in discussing tools of influence in Part III.

EDITORIAL DECISIONS—THE RECTIFICATION OF NAMES

One of the benefits of the workshop was the eclectic group of scholars it brought together. Not only did they hail from a variety of countries and regions, but they came from backgrounds not only in security policy, but in economics, technology, communications, finance, and energy. Moreover, some of these individuals were new to examining the PRC in their region of primary scholarly interest. Consequently, not all were equally steeped in the lexicon of PRC studies. The popularization and diffusion of the “China-watcher” community has also led to a wide variety of terms being used for similar concepts. Finally, recognizing the value of a name, the PRC leadership has itself attempted to change the manner in which it and its policies are referenced, much as it tries to shape the way others refer to artificial land features and maritime claims

(note how we avoided terms they might use here, the very use of which would imply permanence and territorial claims).

In compiling the work of these scholars, the editors have decided to take the advice of Confucius and begin our own “rectification of names.” Confucius surmised that simply by using a certain name for a thing or an act, one imbues meaning and, as individuals interact with this meaning, ultimately shape behavior. Similarly, the PRC has attempted to change the names of things and concepts to encourage other states to treat them in the manner desired. Therefore, on a few issues that were deemed important to countering the PRC’s global influence, the editors have encouraged the authors to buck what has quickly become common usage on certain concepts and use terms that more accurately describe the PRC and its initiatives.

Whose President?

First among these is the embrace, especially of the western media, of calling Xi Jinping “president.” The editors do not deny that this is one of the titles he holds, but it is both the least important and papers over the fact that the PRC is actually a party-state in which the decisions that matter are those made by the party. Thus, we have encouraged the authors to use his most important title, “General Secretary of the Communist Party” (shortened to General Secretary). This has largely been done, with the exception of a previously published piece.

Whose Road?

Second, and somewhat more contentiously, the editors have used the Chinese name of the One Belt, One Road (OBOR) initiative, even in English translation. An attempt has been made by the PRC leadership to convince the West to use a new term: “Belt and Road Initiative.”² This name change appears to have been initiated by the Chinese Communist Party (CCP) in the wake of linkages being drawn in the West to “all roads leading to Beijing,” and the suggestion that there was only one acceptable road to follow. Doubtless, there were also concerns that their map quickly grew to at least five belts, two roads, and now digital infrastructure, making the title ungainly. However, the PRC has not changed

2 While there has unmistakably been a change in the translation used by the PRC in this regard, the source usually cited for the change leaves the final English translation less than definitive. See Huang Yusheng [黄语生], “‘一带一路’译法刍议 [My Observations on the Translation of ‘One Belt, One Road’]” 《中国社会科学报》 [*China Academy of Social Sciences Newspaper*] 13 August 2015, cited by the Central Compilation and Translation Bureau of the Central Committee of the Chinese Communist Party, accessed 12 July 2019, http://www.cctb.net/bygz/zzyby/byyj/201511/t20151124_331667.htm.

the name in Chinese. To an internal audience the name remains “一带一路” (*yidaiyilu*) or “One Belt, One Road.” In fact, even the official English language version of the government website is the pinyin version of this phrase, preceded by “eng.”³ In short, the PRC’s preferred name is inconsistent with the Chinese-language term, but consistent with Beijing’s attempts to influence those outside its borders, which is a primary focus of this book. One of the actions the PRC consciously takes as a means of influence is to shape the words others use to suit their view of the world. Our view of the world is that OBOR is, in part, an attempt to convince the world that Beijing is the world leader setting the international trading regime—ignoring the fact that even their own trade would be impossible without the free, open, and rules-based trading regime built by the US and others. Part of pursuing US interests is maintaining the liberal international trading regime that benefits the US and everyone else. It would be ironic if a volume providing policy recommendations vis-à-vis PRC influence caved to the PRC’s view of the international system.

Whose Freedom?

The term “state-capitalism” has become a common way to describe the CCP’s apparent embrace of market-based mechanisms. However, it is a contradiction in terms. Capitalism is a political-economic system in which individual owners of capital determine how it is spent and invested. It is a system that fundamentally requires political freedom—the liberty to do what one sees fit with one’s life and property. The state is an instrument of force. While there is a legitimate use for force in protecting individual rights, in the economic realm it usurps individual liberty. By suggesting an economic system that relies on individual freedom can be managed by an agent of force, “state-capitalism” undermines the meaning of its component parts. It represents what philosopher Ayn Rand described as an *anti-concept*.⁴

“State-capitalism” ignores the fundamental characteristics of both the state (which intervenes in the economy by force) and capitalism (which stipulates that economic decisions are made by the individuals). The difficulty in defining such an anti-concept is made clear by the *Oxford English Dictionary*, which defines it as a “political (esp. socialist) system in which the State exerts exclusive control over a substantial proportion

3 See <https://eng.yidaiyilu.gov.cn>, accessed 3 July 2019.

4 Ayn Rand, “‘Extremism,’ or the Art of Smearing,” in *Capitalism: The Unknown Ideal* (New York, NY: SIGNET, 1967), 176.

of the means of production and the capital created by this.”⁵ In fact, it defines almost any system *except* capitalism. Consequently, the term is not only inaccurate, it shrouds the meaning of what is actually being discussed and weakens our understanding of political economy.

The term also lends the PRC an air of respectability it does not deserve—implying the protection of economic rights. However, when the whims of the Party change, the food cart is whisked away, the house torn down, or the farm confiscated. Pretending they recognize economic rights aids and abets the PRC’s attempts to present itself as a respectable, rule-based, and rights-respecting economy—an image they leverage in presenting themselves as the guarantor of global order and prosperity.

RENDERING THE CHINESE LANGUAGE

In general, this volume conforms to the custom of rendering most Chinese words in pinyin, but maintaining traditional romanizations for words in the common lexicon. The most obvious case of this is the author of *Art of War*, traditionally rendered as Sun Tzu, though in pinyin as SunZi. Where used, characters are generally rendered using the simplified form used in the PRC, as that is the primary topic of this work and the characters used in most Chinese language sources cited.

STRUCTURE OF THE BOOK

In cataloguing the value RCs can bring to ongoing policy discussions, this book was designed, in part, to showcase the role the RCs can play in bringing broad-based, regionally relevant analysis to the policy-maker. Consequently, authors were chosen with a bias towards including as many RC authors as possible. In a few cases, faculty were unavailable due to the large number of competing commitments, or particular specialties are not currently covered within the faculty. When this was the case, specialists were chosen based on specific recommendations of an RC, often with specialists with whom they had worked in the past. The result is a book centered on RC professors, but balanced by a few exemplary specialists from outside the RC system. This builds on the efforts of the RCs to maintain a quality pool of talent in house and within budgetary constraints, while reaching out to the broader academic community to ensure constant renewal and exchange. It also represents the focus on including a broad array of security practitioners and experts,

5 *Oxford English Dictionary*, accessed 8 July 2019, <https://www-oed-com.eres.library.manoa.hawaii.edu/view/Entry/370383?rskey=en4YpO&result=1#eid>.

as reflected in the courses run by the RCs, as well as the many non-RC participants at the workshop that supported the book.

The book is divided into four principle parts. While the book is designed to be read in its entirety and sequentially through these four sections, it is also intended to serve as a ready reference to policymakers and those who work in policy sections of governments and international organizations that focus on a single region, or a single foreign policy tool, as defined below. With this dual-purpose in mind, chapters were written concisely to impart information, provide sources to enable further exploration, and conclude with policy recommendations pertaining to the focus of the chapter.

Strategic Context

The first part sets the strategic context for the book, and the focus is twofold. In the first chapter, Scott D. McDonald explores strategic competition. This term has received a lot of attention following the release of the 2017 *National Security Strategy*, and the editors thought it important to examine what strategic competition actually is, both from a US and PRC perspective, as well as what this analysis means for the likelihood of conflict and the possibility for cooperation between these two powers.

Before attempting to understand where and how they are attempting to project regional and global influence it is important to understand the context of the PRC's overall foreign policy. Liza Tobin's examination of "Xi's Vision for Transforming Global Governance" accomplishes this with a detailed examination of the CCP's quest to reshape global governance in line with the PRC's own governance model. To accomplish this, Tobin uses Xi's own rubric, outlining the five dimensions in which the "Community of Common Destiny" establishes his model of global governance—politics, security, development, culture, and environment. From this analysis she concludes western observers look too narrowly at the PRC in their attempt to understand its global aspirations and recommends more resources be placed against analyzing and understanding high-level PRC authoritative media. Without this understanding, the US risks continuing to inadvertently support PRC talking points and miss new concepts and opportunities to influence them before they become cemented in PRC lexicon and strategy. Tobin closes by identifying that the US ought to both drop its fear of offending the PRC to encourage an open debate about global governance models,

while simultaneously promoting the free and open order and inviting Beijing to join.

Regional Context

Part II leverages the unique capabilities of the RCs to provide regional perspectives on PRC influence. Beginning in this section, each subsequent chapter not only describes the role and influence of the PRC, but offers specific policy recommendations. As DoD institutions, the role of the RCs is to do more than describe the world and help interpret it, but to leverage their expertise to offer tools and solutions to decision-makers.

These chapters begin in the Indo-Pacific and roughly work their way westward around the globe. Dr. Sungmin Cho of DKI APCSS begins by looking at the PRC's home region and Beijing's efforts to secure its interests by becoming a regional hegemon. His analysis examines the US response to PRC activities in regional maritime security, the geopolitics of the Korean Peninsula and Taiwan, and economic statecraft. Dr. Cho identifies two primary reasons US policy to date has been largely ineffective. First, he argues the US does not recognize the true nature of the PRC or believe it will become a regional peer that must be integrated into the rules-based order, not excluded from it. Second, he sees very little in terms of effective action on the part of the US to check PRC expansion. To strengthen US policy Dr. Cho argues the US must first recognize the inevitability of a regionally powerful PRC, then develop policy options to convince it to leverage that power in accordance with international norms. In order to implement these actions, he encourages US policymakers to adopt a "Tit-for-tat" implementation strategy that will reign in the PRC's non-cooperative behavior through tailored coercive policy options that use the principle of reciprocity to demonstrate the futility of defection and ultimately nudge the PRC into cooperating with the US and other states in the region.

Moving to the seam region of South Asia, John H. Gill of the Near East South Asia Center for Strategic Studies (NESAS) notes increasing PRC interest and engagement. Naturally, the PRC's role in the region is focused on its "junior ally" Pakistan, and perennial competitor India, however, the rest of South Asia has also been subject to increasing attention. Gill identifies an Indian hedging strategy that reaches beyond the region for friends and influence, but attempts to avoid antagonizing its northern neighbor. Overall, he paints a picture of South Asian nations using the PRC's interest in expanding regional influence for their

own domestic political purposes, while trying to balance the PRC with broader engagement. Thus, Gill concludes there is ample opportunity for the US to engage with the region through supporting alternative investment schemes and paying attention to the needs of the “smaller” states while generally keeping the course with strong engagement with India and Pakistan.

Traveling north from the subcontinent, Dr. Graeme Herd of the George C. Marshall European Center for Security Studies (GCMC), presents an interesting view of the carefully calibrated relationship between Russia and the PRC, as well as its implications for other Eurasian states. He identifies three goals Beijing is pursuing in Eurasia: strengthening its strategic partnership with Russia, upholding a Sino-Russian political consensus, and increasing connectivity with Central Asia. However, Dr. Herd calls attention to the precariousness of the Sino-Russian relationship, built as it is on shared cognitive dissonance and upholding solidarity in the face of perceived threats, rather than fundamental interests in common. In fact, engagement with Central Asia comes across as a tool the two large states use to jockey for leverage, rather than targets of investment or engagement for their own sake. In Turkmenistan one gets the ominous sense engagement focused on large geopolitical calculus is causing the PRC to be pulled deeper into the state than it intended. Meanwhile, former Soviet republics in western Eurasia are actively playing Russia and the PRC off one another to maintain their own autonomy, potentially increasing competition between the powers. In this context, Dr. Herd’s recommendations to better understand the PRC and its relation to Eurasia while actively promoting an alternative to the “Beijing consensus” on international development seem measured. However, fearing a deterioration in western relations with Russia, he discusses how such an event could be leveraged to build cooperation with the PRC. In sum, the Russia-PRC “partnership” poses challenges for both parties, as well as the states that sit between them.

To the southwest, the states of the Middle East and their culturally similar cousins in North Africa seem primed for PRC cooperation, compared to the tense partnership with Russia. Dr. Gawdat Bahgat of NESAC paints a picture of a benign PRC whose economic support to the region is welcomed locally, and not counterproductive to US interests. He sees room for growth of PRC engagement and cooperation, with long-standing US military relationships and enduring soft power ensuring its continued preeminence for years to come.

From a continental perspective, Africa is a more promising target of US-PRC cooperation, according to Ambassador Phillip Carter III, Dr. Raymond Gilpin, and Paul Nantuly of the Africa Center for Strategic Studies. They begin with an overview of the underappreciated history of relations between Africa and various Chinese regimes, demonstrating that engagement, if having grown more recently, is not new. Their analysis of PRC investment and engagement in Africa reveals a generally benign investor, which sees value in investing in Africa and is increasingly doing so in ways that are mutually beneficial. For example, the authors point out that there are many signs the PRC is learning to employ more locals and ensure investments are economically viable. Consequently, the relationship is highly valued by local governments as an alternative to western aid that has historical baggage and requirements to meet international norms on lending and accountability. The Achilles heel in this relationship lies in private firms and civil society organizations that view non-transparent PRC negotiation methods with government as detrimental to their interests. However, overall the authors argue the African continent is an area where US and PRC interests are not necessarily at odds and cooperation can be leveraged. Broad goals of increasing infrastructure development and assisting Africa to overcome its challenges and become a vibrant contributor to the international economy are shared by the US and PRC. It is the methods that must be worked out. For this reason, they recommend policy options that will build cooperation between the US and PRC, while improving their ability to jointly provide better support and investment in Africa.

Moving to Europe, Dr. Valbona Zeneli of GCMC provides a fascinating description of three Europes that the PRC engages differently for different objectives. Sub-dividing the Continent in terms of both the level of economic development and relative wealth, she has identified three overlapping zones as seen through the PRC's eyes. In Western Europe the PRC acts as an investor in an attempt to leverage advanced research and development networks. In Southern Europe, the goal is to use investment in economically strapped states to acquire strategic infrastructure. But in Eastern Europe, and specifically the 16+1 countries (recently renamed 17+1 with the addition of Greece), the PRC is using development assistance to weaken EU solidarity and create conditions to dominate Eurasia. To prevent the "Balkanization" of Europe, Dr. Zeneli recommends closer cooperation between the US and EU founded on evidence-based research that will prevent the PRC from creating trans-Atlantic divisions and enable joint efforts to demonstrate the value of

the western international system to those states lured by immediate gains from PRC investment.

Crossing the Atlantic to Latin America, Dr. R. Evan Ellis of the Army War College Strategic Studies Institute and previously of the William J. Perry Center for Hemispheric Defense Studies describes the primary PRC ends as resources, agriculture products, and markets. However, in their approach to secure these interests, they are attempting to restructure commercial interactions and finance in ways that are deleterious to the region, and ultimately the US. In addition to entering sectors across the regional economy, Dr. Ellis argues the PRC is engaging multilaterally, transnationally, and militarily (specifically with those that antagonize the US), as well as consciously targeting states to shift recognition from Taiwan. Envisioning a broad-based attempt to undermine US interests in the region, he provides recommendations that span from building respect for the liberal international training system, increasing transregional engagement, increasing alternative infrastructure investment schemes, and expanding cross-combatant command coordination to better understand how the PRC could use Latin America to support a war with the US.

Tools of Influence

The third part of the volume shifts to a global exploration of tools of influence the PRC is employing in pursuit of its interests. These complement the regional chapters and help to integrate them by demonstrating how tools used in various regions contribute to broader strategic ways, or methods, of a global strategy. During the workshop it quickly became clear that an important part of PRC activities in every region revolved around the manner in which their actions communicated a narrative. In many ways, this seemed to be the core of the strategic approach, consequently, the functional part begins with strategic messaging.

Dr. Alexander L. Vuving of DKI APCSS, begins the chapter with an in-depth discussion of strategic messaging comparing and contrasting aspects of this often cited, but rarely understood tool. In describing its use, Dr. Vuving focuses on PRC efforts to influence the US, but the methods discussed are used around the world. He identifies three routes through which the PRC is influencing the US: acting and speaking in ways to directly influence thought, employing the “borrowed boat” to let others speak for them, and leveraging free societies to purchase Chinese language media. These means are used to enhance the PRC’s positive reputation, counter negative opinion about it, spread negative

views about opponents, and cultivate norms that favor the PRC in relations with other countries. In order to combat PRC strategic messaging efforts, Dr. Vuving proposes a thorough upgrading of US strategic messaging capability and defense.

Central to concerns about growing PRC influence is the willingness of the regime to use economics coercively. Frank Mouritz of GCMC identifies three different methods the PRC is using economic tools to pursue its ends, varying based on a state's level of economic development. In developing countries, political influence is the goal and is purchased with development finance. The PRC acts more subtly in emerging markets, leveraging state-owned enterprises and other vehicles to bargain shop. However, in advanced economies, private investors and state-backed funds invest in western companies, hoping for economic gains, while reducing overall skepticism of PRC objectives. In response to these challenges, Mouritz recommends the West should only challenge the PRC where strategic-level interests are involved recognizing that—especially in developing countries—some investments will win, some will lose, and many do not matter to the larger strategic context. In emerging markets, he advocates encouraging the private sector to invest, while also taking actions to counter PRC state intervention—which is preventing a level playing field—while ensuring individuals and civil society organizations are fully informed about the nature and terms of PRC investment. However, in advanced economies, Mouritz identifies a need for better screening of investors from the PRC to prevent takeover of strategic industries and encourages the West to start standing up to the PRC and, rather than worry about offending, remember the PRC's export-oriented economy needs markets as much as westerners want the products produced there.

A great deal of international concern has also been focused on the PRC's non-compliance and attempts to change international law. Jonathan G. Odom frames this discussion in terms of PRC attempts to shape the normative aspects of the rules-based international system, while simultaneously attempting to use the instrumental aspects of that same system to its benefit. He proposes “legal gamesmanship” as a concept for understanding how the PRC uses law as a tool of influence, rather than as a weapon. Within this construct he highlights seven tactics currently being used to reshape norms of law: making ambiguous allegations, ignoring the meaning of treaty provisions, quoting treaties out of context, ignoring negotiating history of treaty provisions, alleging violations by other states when committing the same types of actions,

avoiding third-party forums, and insisting on resolving disputes through negotiations where legally inappropriate. Additionally, Odom identifies five tactics the PRC uses to leverage the instrumental aspect of the current international legal order: selectively adopting actions by previous governments of China, enacting law codifying national policy, invoking national laws as a legal authority restricting other states, combining territorial claims and artificial maritime claims to assert control of geographic space, and carrying out incremental action by deniable agents. To counter this wide range of tactics, Odom recommends opposing PRC appointments to international courts and tribunals they refuse to submit to, as well as continuing transits that challenge illegal claims. Perhaps more importantly, he makes several recommendations that can be broadly categorized under the heading of messaging—specifically messaging the PRC and the world that the international community is aware of their gamesmanship and calling attention to blatant attempts to undermine the global legal framework.

Dr. Phillip C. Saunders and Jiunwei Shy of the Institute for National Strategic Studies at National Defense University examine how the CCP is using of the People's Liberation Army (PLA) to expand influence globally. While this is certainly a common means states employ to shape their security environment, it is relatively new for the PRC. Consequently, where and how they chose to use military diplomacy has the potential to shed light on broader objectives of the PRC's use of influence. The authors divide PRC military diplomacy into strategic—which support PRC diplomacy writ large and shape the environment—and operational—which focus on collecting intelligence, improving the PLA, and benchmarking the PLA against foreign militaries. Their analysis shows senior leader engagements compose the majority of military diplomacy efforts, but exercises have expanded rapidly under Xi Jinping. Regardless of the form of engagement, the authors conclude that the majority of these engagements either do not contribute significantly to shaping or help to bring the PRC into the international system. However, they do caution against granting the PLA access to training or exercises with the US or allies that improve their warfighting capabilities or build relationships that provide access to strategic sea and airports.

Part III closes with Elsa B. Kania's exploration of the PRC's use of technology to expand its influence. While catching up with the West has been a recurrent theme since the CCP's consolidation of power, she notes that under Xi Jinping innovation-driven development that leverages disruptive technologies has been prioritized. Not only is this effort

intended to secure the PRC's place as the leading superpower, but to exert influence in the nature and organization of international technology and commerce. Kania notes that the PRC views a strategic opportunity in areas such as artificial intelligence (AI) and fifth generation (5G) communications technology, where for once it is starting from the same level as the West. Consequently, they are vigorously attempting not only to build the backbone of these systems, but to set the standards by which these technologies will be governed. Kania concludes by recommending the US increase scientific cooperation with its allies on standards and preventing further technology transfer. Meanwhile, she advocates establishing systematic initiatives to develop and promote technical standards and normative frameworks consistent with US values.

Synthesis

Finally, the editors attempt to pull together lessons from the workshop and finished chapters to synthesize the contributions of the authors and the insights of all workshop participants into overarching themes and key policy recommendations. Representing a collection of DoD institutions, the Directors of the RCs sought to add value by providing easily digestible policy recommendations that can be useful to policymakers. While a full reading of the book is encouraged to more fully understand the PRC's campaign, this final synthesis provides both a summation and a quick view into how the US might better compete. For one thing is certain: the PRC is already competing, and has been for a long time.

ACKNOWLEDGEMENTS

As the first RC collaboration, this volume could not have been produced without the dedication and hard work of many intelligent, insightful, and understanding people. Most importantly, the Directors of the RCs identified the value in bringing their faculty together to better understand the regional impacts on global problems and took the initiative to make it happen. However, workshops require a lot more than commander's intent. The three-day event in January 2019 involved thousands of man-hours by over a hundred individuals.

First and foremost, though the Directors of the RCs ultimately committed their Centers to participate in the workshop and this resulting volume, the Deans of all five RCs were instrumental in making this a true RC collaboration. We could not have asked for a more supportive, collaborative group guiding our efforts.

At the outset of this project we received solid recommendations and great insight from Dr. Roger Kangas, Dr. Mohan Malik, Dr. Justin Nankivell, Dr. Jeff Reeves, Dr. Phil Saunders, Chad Sbragia, Dr. Joseph Siegle, Dan Tobin, and Dr. Scott Tollefson. We appreciate the time and effort they dedicated out of their busy schedules.

Thank you to our chapter authors, who gamely agreed to a quick publication timeline to support policymakers with timely information and recommendations as they grapple with a rapidly changing US-China relationship. We appreciate their depth of thought and thoroughness, as well as their willingness to challenge and be challenged with their arguments. It was an absolute pleasure working with them.

Any attempt to name every individual at DKI APCSS who contributed would likely miss someone and fail, especially since just about everyone contributed to the success of the workshop in some way. However, we would like to single out workshop co-lead Dr. Mohan Malik, who helped develop the flow of the event and was instrumental to its success. A few other individuals particularly worthy of note were the three faculty members who facilitated break-out groups during the workshop. In these sessions, they facilitated our eclectic group to assist chapter authors in understanding the broader context, and developing possible policy recommendations. In this regard, Dr. Al Oehlers, Prof. Dave Shanahan, and Dr. Saira Yamin were all instrumental in taking our concept for a workshop and turning it into reality. Each of our faculty partnered with one of our military fellows who assisted in facilitating and capturing outcomes: Maj Charles Berry, USAF; MAJ Qiana Harder, D.B.A., USA; and MAJ Mikel Resnick, USA. The notes and insights provided by our military fellows were instrumental to this finished volume. From a logistics perspective, Darren Adams of the Center's Regional Engagements Office brought the entire event together, and made it look effortless. Finally, thank you to all of our workshop participants who took time out of their busy schedules to join us for three days. They asked thought-provoking questions and offered insightful comments that informed our authors and made their chapters better.

In producing the volume we owe a great debt to Tami Rosado, the Center's Supervisory Librarian, who was also our copy-editor and tirelessly reviewed every chapter on a tight timeline, partly while traveling. Moreover, the library staff in general was supportive to our short-term requests for sources to check facts or conduct supplementary research.

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a collection of chapters into the finished version you are reading. It looks as good as it does due to her skill and tenacity.

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A great many people contributed to this volume, but any errors in formatting, organization, or translating the workshop results into a synthesis chapter are fully ours.

Honolulu, Hawaii
August, 2019

1 战略竞争?— Strategic Competition? *Scott D. McDonald¹*

1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Daniel K. Inouye Asia-Pacific Center for Security Studies, the US Department of Defense, or the US Government.

Since the publication of the Trump Administration's first *National Security Strategy* (NSS) on 18 December 2017, there has been much discussion about the extent to which a state of strategic competition exists between the United States (US) and the People's Republic of China (PRC). As many commentators note, neither the existence of competition nor the ideas in the NSS are particularly new.² However, a difference in tone, attributed at least in part to the unabashed use of "America First" to describe the strategy, has led many to view it as more competitive than past strategies.³

Across the Pacific, an increasingly assertive PRC, led by an increasingly authoritarian Xi Jinping, has also caused many to hypothesize that the PRC is shedding Deng Xiaoping's admonition to "hide your strength and bide your time" in favor of a proactive foreign policy.⁴ Moves by the PRC to claim sovereignty over disputed territories—and the water—in the South China Sea, efforts to establish alternative international financial institutions, and development of military capabilities aimed directly at US capabilities also suggest the PRC is taking a competitive stance towards the US.

Yet, since the end of the Cold War, US policymakers have labored to establish an international system where states could work cooperatively towards mutually agreeable solutions and resolve disputes through consultation and dialogue. While no one was naïve enough to suggest states would not have differing interests, it has largely been assumed in the US that all people could agree on fundamental principles.

2 Rachel Ansley, "Competition and Continuity Define Trump's New National Security Strategy," *New Atlanticist*, 20 December 2017, accessed 10 January 2019, <https://www.atlanticcouncil.org/blogs/new-atlanticist/competition-and-continuity-define-trump-s-new-national-security-strategy>. Anthony H. Cordesman, "Giving the New National Security Strategy the Attention It Deserves," *Center for Strategic and International Studies*, 21 December 2017, accessed 10 January 2019, <https://www.csis.org/analysis/giving-new-national-security-strategy-attention-it-deserves>.

3 Anne Gearan, "National Security Strategy Plan Paints China, Russia as U.S. competitors," *Washington Post*, 18 December 2017, accessed 16 January 2019, https://www.washingtonpost.com/politics/national-security-strategy-plan-paints-china-russia-as-us-competitors/2017/12/17/0229f95c-e366-11e7-a65d-1ac0fd7f097e_story.html?utm_term=.b8fe08e97183; Timothy R. Heath, "America's New Security Strategy Reflects the Intensifying Strategic Competition with China," *RAND Blog*, 27 December 2017, accessed 16 January 2019, <https://www.rand.org/blog/2017/12/americas-new-security-strategy-reflects-the-intensifying.html>; and Sarah Kolinovsky, "Trump's National Security Strategy Emphasizes Competition and Prosperity at Home," *ABC News*, 18 December 2017, accessed 16 January 2019, <https://abcnews.go.com/US/trumps-national-security-strategy-emphasizes-competition-prosperity-home/story?id=51860497>.

4 "Xi Thought on Diplomacy Leads the Way," *China Daily*, 28 June 2018, accessed 8 January 2019, http://www.chinadaily.com.cn/cndy/2019-06/28/content_36468845.htm. For a western perspective see Charles Clover, "Xi Jinping Signals Departure from Low-Profile Policy," *Financial Times*, 19 October 2017, accessed 16 January 2019, <https://www.ft.com/content/05cd86a6-b552-11e7-a398-73d59db9e399>.

Though those decades saw multiple armed conflicts, it was thought rogue actors would eventually be brought to heel, after which the mature states of the world would enter a more enlightened age, in which disputes would be resolved peacefully.

With that context, the potential return of great power competition is causing the US to re-examine the nature of its relationship with the PRC and reevaluate policy options for dealing with this situation. As Fu Xiaoqiang noted in analyzing General Secretary Xi's comments to the June 2018 Central Conference on Foreign Affairs Work, "[a]ccording to Xi Jinping thought on diplomacy, the correct view of history, overall situation and one's own position need to be established to fully grasp the international situation."⁵ In other words, to understand the bilateral relationship, not only must one have a general understanding of the international environment, which the regional chapters in this volume will provide, but it is necessary to understand the broader context created by the interests of each party and the interplay between those interests.

This chapter will aim to lay the groundwork for analysis in subsequent chapters by providing an overview of what strategic competition is. After defining strategic competition, the second section will take a brief diversion to discuss the relationship between—and potential for—cooperation and competition. The third and fourth sections will consider how competition is viewed from a US and PRC perspective, before drawing conclusions in the final section to support analysis in subsequent chapters.

STRATEGIC COMPETITION

This volume is concerned specifically with states. Companies, non-governmental organizations (NGOs), and other actors may be discussed, but the primary actions and effects relevant to this study are those of states. Consequently, the concept of strategic competition needs to be defined within that context.

According to the *Oxford English Dictionary* (OED), strategy is "The art or practice of planning the future direction or outcome of something; formulation or implementation of a plan, scheme, or course of action, esp. of a long-term or ambitious nature." Strategic is defined as "relating to, or characterized by the identification of long-term or overall aims and interests and the means of achieving them; designed,

5 Fu Xiaoqiang is a research fellow, China Institutes of Contemporary International Relations. This opinion was provided in commentary on Xi Jinping's speech to the Central Conference on Foreign Affairs Work, 22 June 2018. See "Xi Thought on Diplomacy Leads the Way?"

planned or conceived to serve a particular purpose or achieve a particular objective.”⁶ Similarly, the *Xinhua Dictionary* defines strategy (战略; 战略) as “concerning war’s overall plans and guidance. It, according to the elements of military affairs, politics, economy, geography, etc. of both hostile parties, considers the relationship between every aspect and phase of the overall war situation, to formulate the preparation and use of military forces.”⁷ These definitions point to a general agreement in the two languages. In both traditions, strategy deals with identifying the ultimate objectives of an enterprise in order to array the tools one has to use appropriately. While the English definition focuses more directly on top-level interests, the Chinese definition includes the range of factors that influence “overall plans and guidance.” Therefore, this chapter will take the perspective that the strategic affairs concern those matters that a state’s leadership view as fundamental to their survival as a state, commonly referred to as national or state interests.

One definitional difference lies in the inclusion of the conduct of war within the Chinese definition. Though there are other words for strategy in Chinese, 战略 is the one that would normally be used in this context. One alternative possibility that avoids the use of the character for war is 策略 (cèlüè). This has the benefit of suggesting policies, plans or schemes (策), rather than fighting, but the definition denotes that it is part of, and serves 战略.⁹

Competition is easier to parse. *OED* provides “[t]he action of endeavouring to gain what another endeavours to gain at the same time; the striving of two or more for the same object; rivalry,”¹⁰ while the *Xinhua* definition for 竞争 (jìngzhēng) is “mutually vying to beat each other.”¹¹ In fact, the character I have translated as “beat” could also be translated

6 *Oxford English Dictionary Online*, accessed 28 January 2019, <https://www.oed.com>.

7 Chinese does not have adjectival forms of nouns. In this case, “strategic” would be formed simply by adding the possessive article (的) to the word for strategy. The Chinese definition that follows incorporates the noun and adjectival form of the English given above.

8 “对战争全局的筹划和指导。它依据敌对双方军事, 政治, 经济, 地理等因素, 照顾战争全局的各方面, 各阶段之间的关系, 规定军事力量的准备和运用。” 新华词典 (*Xinhua Cidian [New China Dictionary]*), (北京: 商务印书馆辞书研究中心, 2001), 1236. Author’s translation.

9 “在政治斗争中, 为实现一定的战争任务, 根据形势的发展而制定的行动准则和斗争方式。他是战略的一部分, 并服从和服务于战略。[Within the political struggle, in order to achieve necessary war missions, the formulation of operational standards and manner of struggle, in accordance with the development of the situation].” *Xinhua Cidian*, 99. Author’s translation.

10 *Oxford English Dictionary Online*.

11 “互相争胜。” *Xinhua Cidian*, 522. Author’s translation.

as “defeating” or “being superior to,” but I have left it vague to suit many contexts.

For consistency, and in an attempt to meet both linguistic traditions, this chapter will define strategic competition as *active rivalry between states that perceive their fundamental interests under threat by the opposite party*. This definition omits the specific actions taken to protect and advance the fundamental interests of a state, because any particular action need not be part of a rivalry with another state, or take place at the expense of another state’s fundamental interests. The interests of any two states do not of necessity conflict, however, that is the level of analysis on which that competition characterized as “strategic” takes place. Those interests could be pursued in isolation or through cooperation. A state of competition only exists where and when the interests the parties are in conflict, threaten the achievement of the other party’s, or are desired by both, but incapable of being shared.

COMPETITION AND COOPERATION

In the post-Cold War world, the US has gone out of its way not to identify an “enemy.” The lone exception was the George W. Bush administration’s labeling “terrorism” an enemy following the attacks on the World Trade Center: “[t]he enemy is not a single political regime or person or religion or ideology. The enemy is terrorism—premeditated, politically motivated violence perpetrated against innocents.”¹² Even this statement avoids pinning that title on any human or group thereof, focusing instead on an action. As a liberal trading nation, the United States does not want “enemies,” and as a rule, seeks relationships of mutual non-interference, or cooperation where feasible.

Since strategic cooperation or competition takes place at the level of states as they pursue their interests in the international environment, it is reasonable to assume that two large states operating globally are going to encounter many areas where their interests overlap, and others where they conflict. Some disagreements will only concern methods, but others may rise to the level where the states find their interests threatened and a state of strategic competition will develop. However, there are likely to be a great many issues, on which some level of cooperation is possible, especially if the two states do not desire warfare or open conflict. Thus, across the range of issues confronted by a great power—or even a minor one—there will likely be many where interests align and co-

12. *National Security Strategy of the United States of America* (“NSS-year” hereafter), (Washington, DC: White House, 2002), 5.

operation is possible. In order to successfully navigate this environment, it is important both to keep one's own state interests clearly in mind, as well as to understand that other states are also operating based on their perceived interests.

Avey, Markowitz, and Reardon argue that in order to begin understanding grand strategy as a discipline, linking state behavior and these underlying principles must first be understood.¹³ Therefore, the first step in evaluating whether a relationship is cooperative or competitive is to identify the interests involved. The Trump administration's 2017 NSS identifies four: protect the American people, the homeland, and the American way of life; promote American prosperity; preserve peace through strength; and advance American influence.¹⁴ Similarly, according to a public statement by then State Councilor Dai Bingguo, the PRC maintains three state-level interests: maintenance of the fundamental political system and state security; state sovereignty and territorial integrity; and the continued stable development of the economy and society.¹⁵ The relationship between these two stated concepts of state interests is the foundation on which the question of competition versus cooperation must be understood.

At first pass, these interests do not seem necessarily to be in conflict. Surely, shared interests in economic development should be a basis for cooperation, and all states have an interest in recognizing a principle of non-intervention. This identification seems obvious, but even where interests appear to overlap, cooperation is often seen not only as a solution to individual cases, but as a way to influence other states. In fact, the Liberal Institutionalism School of international relations theory is built around the premise that the act of cooperating with states and conforming to institutions changes states and molds them to the norms of the institution and system.¹⁶ However, such change is not preordained. Much angst currently exists among US sinologists precisely because many thought that by cooperating with and engaging the PRC they could mold

13 Paul C. Avey, Jonathan N. Markowitz, and Robert J. Reardon, "Disentangling Grand Strategy: International Relations Theory and U.S. Grand Strategy," *Texas National Security Review* 2, no. 1 (November 2018), accessed 1 January 2019, <https://tnsr.org/2018/11/disentangling-grand-strategy-international-relations-theory-and-u-s-grand-strategy>.

14 NSS-2017, 4.

15 Wu Feng, "The First Round of China-US Economic Dialogue," *China News Network*, 29 July 2009, accessed 14 January 2019, <http://www.chinanews.com/gn/news/2009/07-29/1794984.shtml>.

16 Robert O. Keohane and Joseph S. Nye, Jr., *Power and Interdependence*, 4th ed. (Boston, MA: Longman, 2012), 24-30.

it to western standards of conduct. As Walker and Ludwig note, the west has “been slow to shake off the long-standing assumption—in vogue from the end of the Cold War until the mid-2000s—that unbridled integration with repressive regimes would inevitably change them for the better, without any harmful effects on the democracies themselves.”¹⁷

The very refusal on the part of states such as the PRC to compromise with western norms comes from a recognition that not all interests or policies are compatible. While cooperation can work on individual issues, it is hazardous to cooperate in areas where it would involve a compromise of one state’s interests. As American philosopher Ayn Rand noted,

“It is only in regard to concretes or particulars, *implementing a mutually accepted basic principle*, that one may compromise. For instance, one may bargain with a buyer over the price one wants to receive for one’s product, and agree on a sum somewhere between one’s demand and his offer. The mutually accepted basic principle, in such case, is the principle of trade, namely: that the buyer must pay the seller for his product. But if one wanted to be paid and the alleged buyer wanted to obtain one’s product for nothing, no compromise, agreement or discussion would be possible, *only the total surrender of one or the other*.”¹⁸

In other words, when states in a given situation agree on core principles—represented by the impact of that situation on their interests—they can work together for a mutually agreeable solution. However, when their fundamental principles are at odds, compromise is not possible without putting the security of one’s state at risk. In fact, the very nature of state-level interests—representing factors that are perceived as existential—suggests issues of foreign relations are likely to be viewed in moral terms. As Harry Harding points out, this may increase the tendency to negatively evaluate the actions of another state.¹⁹ These perceptions can

17 Christopher Walker and Jessica Ludwig, “The Meaning of Sharp Power: How Authoritarian States Project Influence,” *Foreign Affairs*, 16 November 2017, accessed on 10 January 2019, <https://www.foreignaffairs.com/articles/china/2017-11-16/meaning-sharp-power>.

18 Ayn Rand, “Doesn’t Life Require Compromise?” *The Virtue of Selfishness* (New York, NY: Signet, 1964), 79. Emphasis added.

19 Harry Harding, “How the Past Shapes the Present: Five Ways in Which History Affects China’s Contemporary Foreign Relations,” *Journal of American-East Asian Relations* 16, no. 1-2 (Spring-Summer 2009): 125.

be compounded when two states have differing philosophical traditions, which support conflicting conceptions of morality. Consequently, actions seen as good by one state are often viewed as evil and intolerable by the other.

Therefore, the question of whether competition can be avoided and if cooperation is possible, ultimately rests on the interests of states and how they are held, interpreted, and employed by the leaders of the states. In order to fully evaluate whether a state of strategic competition exists between the US and the PRC—and on what issues cooperation is possible—one must first explore how each state views their interests, and their relationship with the opposite party.

US PERSPECTIVE ON STRATEGIC COMPETITION

Since the end of the Cold War, the US has been attempting to engage and cooperate with the PRC, both to derive economic benefits from the PRC's low-price labor market and to prevent the development of an antagonistic relationship with a large, rapidly developing, and nuclear armed state. Though many presidential candidates maligned the PRC on the campaign trail, once taking office, it did not take too long for chief executives to see hazards in making enemies and benefits in protecting free trade.²⁰ Thus, though there were ups and downs in the relationship, for many years Americans perceived themselves as working with the PRC and believed their long-term interests were not opposed.

From the US perspective, it was assumed the PRC wanted the same things the US did, economic prosperity for their people, and a liberal international trade regime that benefitted everyone. This international order has been a consistent interest of the US, currently represented in the stated interests of “American prosperity” and “American influence.”²¹ It seemed self-evident that the American-influenced international system was good for the PRC, as demonstrated by their economic growth and the emancipation of several hundred million people from poverty. Even after the Tiananmen Massacre, the George H.W. Bush administration sought to keep the PRC connected.

According to the 1990 *NSS*, the United States:

20 Phillip C. Saunders, “Managing Strategic Competition with China,” *Strategic Forum* 242 (July 2009): 1.

21 *NSS*-2017, 4.

strongly deplored the repression in China last June and we have imposed sanctions to demonstrate our displeasure. At the same time, we have sought to avoid a total cutoff of China's ties to the outside world. Those ties not only have strategic importance, both globally and regionally; they are crucial to China's prospects for *regaining the path of economic reform and political liberalization*.²²

A year later, the NSS was even more direct, stating “[c]onsultations and contact with China will be central features of our policy, lest we intensify the isolation that shields repression. *Change is inevitable in China*, and our links with China must endure.”²³

A decade later, President Clinton's last NSS had moved from ensuring the PRC did not drift away, to identifying that a “stable, open, prosperous [PRC] that respects the rule of law and assumes its responsibilities for building a more peaceful world is clearly and profoundly in our interests.”²⁴ Two years later the Bush administration identified “the possible renewal of old patterns of great power competition,” but was optimistic that, “recent developments have encouraged our hope that a *truly global consensus about basic principles is slowly taking shape*.”²⁵ In 2010, the Obama administration continued to “pursue a positive, constructive, and comprehensive relationship” with the PRC and welcomed them to take on “a responsible leadership role in *working with the United States and the international community to advance priorities* like economic recovery, confronting climate change, and nonproliferation.”²⁶

As represented in successive strategies by administrations from both major US political parties, many in the US policymaking community believed the authoritarian nature of the PRC would be changed by cooperation with the US, its incorporation into the international community, and the expanding wealth of its people. However, the last decade has suggested the PRC's authoritarian system is not only being maintained and consolidated, but its leadership has decided to spread its influence beyond its borders, threatening the international system US influence

22 NSS-1990, 12. Emphasis added.

23 NSS-1991, 9. Emphasis added.

24 NSS-2000, accessed 14 January 2019, <http://nssarchive.us/NSSR/2001.pdf>.

25 NSS-2002, 26. Emphasis added.

26 NSS-2010, 43. Emphasis added.

built and maintains in accordance with its own interests.

These trends have led many in the US security policy community to change their minds regarding the effectiveness of US engagement with the PRC.²⁷ In fact, this trend was already picking up steam in the Obama administration. The sense that cooperation was not producing the desired results with the PRC was evident in the move to put more resources into Asian security, as expressed in the policy known as “the Pivot.”²⁸ However, despite island seizures, debt diplomacy, dollar diplomacy, and island building, it was not until General Secretary Xi Jinping consolidated power and had his term limits removed at the 19th Party Congress in October 2017 that the west seemed to really believe that engagement had failed.

In the December 2017 *NSS*, the Trump administration concluded “after being dismissed as a phenomenon of an earlier century, great power competition returned” and named the PRC and Russia as actors competing with the US.²⁹ Moreover, it stated explicitly the need to “rethink the policies of the past two decades—policies based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners. For the most part, this premise turned out to be false.”³⁰

Although there have been critics of this competitive stance, in many ways it is tracking a change already taking place among China-watchers. The *Economist* notes the recent concern about the PRC is not coming from long-term skeptics, rather from “Americans and Europeans who were once advocates of engagement, but have been disappointed by illiberal, aggressive choices made by Chinese rulers. They are not so much hawks as unhappy ex-doves.”³¹ At a recent Brookings Institution event former Obama-era Senior Director for Asian Affairs in the National Security Council, Evan Medeiros argued “the United States needs

27 For example, Kurt M. Campbell and Ely Ratner, “The China Reckoning: How Beijing Defied American Expectations,” *Foreign Affairs* (March/April 2018), accessed 14 January 2019, <https://www.foreignaffairs.com/articles/china/2018-02-13/china-reckoning>.

28 For discussion of the rationale for and formation of the policy see Kurt M. Campbell, *The Pivot: The Future of American Statecraft in Asia* (New York: Twelve, 2016).

29 *NSS*-2017, 27.

30 *NSS*-2017, 3.

31 “China Should Worry Less about Old Enemies, More about Ex-Friends,” *Economist*, 15 December 2018, accessed 26 December 2018, <https://www.economist.com/china/2018/12/15/china-should-worry-less-about-old-enemies-more-about-ex-friends>.

to face-up reality. Continuing to deny that our interests are diverging more than converging is dangerous. We could get rolled, or worst, it could embolden China to be more aggressive and assertive in pursuing its economic, political, and security interests.”³² Instead of a partner in economic development, many in the US have now concluded, as Robert Ross has, that “China is also the first great power since prewar Japan to challenge US maritime supremacy, a post-World War II cornerstone of US global power and national security. The rise of China challenges US security in a region vital to security.”³³

In sum, the US has been a consistent advocate of cooperation since the end of the Cold War. However, that cooperation was predicated on an assumption that long-term interests were aligned and that engagement with the PRC would ultimately change it into a more liberal state domestically and another “stakeholder” in the US-influenced liberal international order. That these changes did not occur, combined with a PRC increasingly interested in challenging that order, has caused the US to rethink its approach. Thus, while the US has not completely given up on cooperation, it now believes a state of competition exists and is beginning to alter its policies to meet that reality.

PRC PERSPECTIVE ON STRATEGIC COMPETITION

Whereas US policy has reflected western ideas of liberal institutionalism, the PRC leadership’s view of its interests and the international environment are shaped by its unique philosophical tradition and its authoritarian political system. The legacy of the traditional Chinese philosophy continues to inform the leadership’s view of existence and the means by which they understand it.

Having come through the Century of Humiliation, the PRC is now primed to leverage its historical legacy and reclaim its place in the world. Harry Harding argues this history is not simply academic, but “a set of facts and ideas and images that are alive in the minds of policy-makers and the public today, thereby shaping the present and future of China’s relationship with the rest of the world.”³⁴ In a departure from

32 “The China Debate: Are U.S. and Chinese Long-term Interests Fundamentally Incompatible?” Forum at the Brookings Institution, 30 October 2018, transcript accessed on 2 January 2018, https://www.brookings.edu/wp-content/uploads/2018/11/fp_20181030_china_debate_transcript.pdf.

33 Robert S. Ross, “What Does the Rise of China Mean for the United States?” in Jennifer Rudolph and Michael Szonyi, eds., *The China Questions: Critical Insights into a Rising Power* (Cambridge, MA: Harvard University Press, 2018), 81.

34 Harding, “How the Past Shapes the Present,” 119.

Cultural Revolution rhetoric that criticized the old, General Secretary Xi has embraced this history, noting at the 19th Party Congress, that the PRC is “nourished by a nation’s culture of more than 5,000 years ... we have an infinitely vast stage of our era, a historical heritage of unmatched depth, and incomparable resolve that enable us to forge ahead on the road of socialism with Chinese characteristics”³⁵ This importance of traditional foundations is reflected in the People’s Liberation Army’s (PLA) view of strategy. According to the *Science of Military Strategy*, “[a]ppplied strategic theory receives foundational strategic theory, especially the guidance of one’s own traditional military strategic thought, as well as influencing the development of foundational military strategic thought.”³⁶

One important factor in this cultural tradition is the concept of *shi* (势), which lacks a direct English translation, but most closely means situational potential.³⁷ According to *shi*, any situation has a natural potential and will proceed along that course unless interrupted, like a stream flowing downhill. Also like that stream, once a situation is in motion and well along its course, it becomes difficult to change the speed and direction of what is now a large river. Conversely, near its source, it is relatively easy to alter the flow of a stream with a small dam. In this context, nature moves on naturally, fulfilling its potential. Xi Jinping alluded to this at Davos, noting that “[f]rom the historical perspective, economic globalization resulted from growing social productivity, and is a natural outcome of scientific and technological progress, not something created by any individuals or any countries.”³⁸ In other words, the current situation represents history fulfilling its potential. The easiest way to benefit from this is to join a trend in progress. As Xi notes later, the PRC leadership “came to the conclusion that integration into the global economy is a historical

35 Xi Jinping, “Secure a Decisive Victory in Building a Moderately Prosperous Society.”

36 “它[战略应用理论]受战略基础理论特别是本国传统的军事战略思想指导,也影响着战略基础理论的发展。”军事科学院军事战略研究部,《<<战略学>> [Science of Military Strategy], (Beijing, PRC: 军事科学出版社[Military Science Publishing Agency], 2013): 5. Author’s translation. Emphasis added.

37 For a discussion on the translation of *shi* (势) see Scott D. McDonald, Brock Jones, and Jason M. Frazee, “Phase Zero: How China Exploits It, Why the United States Does Not,” *Naval War College Review* 65, no. 2 (Summer 2012): 124. Though I ultimately disagree with his translation, Sawyer provides an excellent discussion of the concept and its translation in Ralph D. Sawyer, ed., *The Seven Military Classics of Ancient China* (Boulder, CO: Westview, 1993), 429, note 37.

38 Xi Jinping, “Jointly Shoulder Responsibility of Our Times, Promote Global Growth,” speech to the World Economic Forum Annual Meeting, Davos, 17 January 2017, accessed on 7 January 2019, <https://america.cgtn.com/2017/01/17/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>. Emphasis added.

trend.”³⁹ Note this is not a value judgement. It is presented as a meta-physical fact.

Of course, the naturally developing potential may be less than ideal and a change may be desired. A corollary to *shi* is that to change a situation, one should act early in a developing situation, where it requires less effort. This not only makes changes easier, as noted above, but provides the one acting early more say in determining *how* a situation will develop. This has implications for the concept of initiative, but as Niou and Ordeskhook suggest, runs deeper than acting first. Their study of game theory and Sun Tzu suggests “it is better to be the one who dictates which game is to be played or, equivalently, which player is to be assigned which position in the game”⁴⁰ In other words, by defining the terms of debate, the context for competition, or the rules of the game, a competitor gains an immense advantage in deciding victory.⁴¹ This logic clarifies the meaning of Sun Tzu’s admonition to win without fighting.⁴² It is not that the victor has refrained from conflict, but rather through understanding the situation, friendly conditions, and disposition of the adversary, he has set conditions—managed *shi*—in order to ensure victory will be achieved if battle is joined. In such a context, initiatives, such as the Trans-Pacific Partnership (TPP), appear as threats to PRC interests by constructing a set of new rules—shaping the developing regional order—in a manner that serve US interests.⁴³

Additionally, the world is itself a realm of constant change. Deriving from LaoZi and the *Book of Changes* or *Dàodéjīng* (道德经), Chinese philosophy views the world as a constant interplay of factors that are ceaselessly waxing and waning. “The doctrine of returning to the original is prominent in [LaoZi]. It has contributed in no small degree to the common Chinese cyclical concept, which teaches that both history and reality operate in cycles.”⁴⁴ Importantly, the duality of attributes, such as strength and weakness, requires that they move together. As one power

39 Xi Jinping “Jointly Shoulder Responsibility of Our Times, Promote Global Growth.”

40 Emerson M. S. Niou and Peter C. Ordeskhook, “A Game-Theoretic Interpretation of Sun Tzu’s *The Art of War*,” *Journal of Peace Research* 31, no. 2 (1994): 168.

41 Harding, “How the Past Shapes the Present,” 131.

42 Sun Tzu, *Art of War*, www.ctext.org, chapter 3.

43 Guijun Lin, Jiansuo Pei, and Jin Zhang, “Strategic Competition in the Asian Mega-Regionalism and Optimal Choices,” *World Economy* (2018): 2105.

44 Chan Wing-Tsit, *A Source Book in Chinese Philosophy* (Princeton, NJ: Princeton University Press, 1963), 153.

rises, another will fall. As one Neo-Confucian put it, “[t]here is nothing in the world which is purely yin (passive cosmic force) or purely yang (active cosmic force), as yin and yang are interfused and irregular. Nevertheless, there cannot be anything without the distinction between rising and falling, and between birth and extinction.”⁴⁵ Thus, there is no “win-win” result, when powers are pitted against each other. This identification makes it difficult for those educated in a Chinese context to see cooperation with an opposing power as efficacious.

All told, this strategic tradition suggests there is a constant interplay between forces. There is not “cooperation” between states; rather there is a natural give and take. Moreover, if one wants to influence that process, it is best to influence the situation early, before it has had a chance to develop. Taken together, these philosophical premises encourage those immersed in Chinese thought to view the environment as one where contrasting forces are vying for preeminence. If they want to be in charge of a new international order, they must act before their opponent has joined the game and attempt to set the terms of debate to favor their vision of the future, just as General Secretary Xi has encouraged the party to take an active part in leading the reform of the global governance system.⁴⁶

Beyond the Chinese cultural tradition, contemporary PRC policy is heavily influenced by its authoritarian political system. As a single-party state, what is good or bad for the PRC is interpreted through the lens of what is good or bad for its leadership—the party. With the party as the standard, it is not surprising that “a country’s diplomacy should be seen as an extension or the externalization of management of its internal affairs....”⁴⁷ Since internal affairs are focused around the maintenance of Chinese Communist Party (CCP) authority, it is no surprise that national security is party focused. According to Article 2 of the PRC’s National Security Law,

“National security” means a status in which the *regime*, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other

45 Cheng Hao, edited by Shen Kuei (of Ming), *Complete Works of Cheng Hao*, quoted in Chan Wing-Tsit, *A Source Book in Chinese Philosophy*, 534.

46 “Xi Urges Breaking New Ground in Major Country Diplomacy,” *Xinhua*, 24 June 2018, accessed 7 April 2019, <https://www.chinadailyhk.com/articles/45/117/196/1529838194629.html>.

47 “Xi Thought on Diplomacy Leads the Way.” For an American opinion that agrees see Odd Arne Westad, “Will China Lead Asia?” in Jennifer Rudolph and Michael Szonyi, eds., *The China Questions: Critical Insights into a Rising Power* (Cambridge, MA: Harvard University Press, 2018), 70-71.

major interests of the state are relatively not faced with any danger and *not threatened internally or externally* and the capability to maintain a sustained security status.²⁴⁸

The regime (read: Party) is placed first. Article 3 reinforces this point, labeling political security as “fundamental.”²⁴⁹

The centrality of party security is important because many US actions are viewed as a direct assault on their rule. In 2013, an internal party memo, known as *Document 9*, was circulated to warn party cadres of subversive trends. It argues principles such as “universal values,” civil society, NGOs, and “absolute freedom of the press” are attempts to undermine party authority.⁵⁰ US leaders view these as the values of the globalized world and promote their universal adoption as a state interest in the *NSS*. However, to the CCP, they are direct threats to the authority of the party—the number one interest of the PRC.

Together, these factors have led many in the PRC security establishment to conclude a state of competition is not only possible, but already exists with the US. According to Luo Xi, a researcher at the PLA Academy of Military Science and Renmin University, “following Chinese economic growth and military strengthening, China-US relations have already gradually developed into the most important strategic competition relationship in the Pacific area...”⁵¹ He goes on to characterize competition as intense, encompassing natural resources, strategic space, economic leadership, and rule drafting, among other tangible and intangible factors, ultimately stating that conflict cannot be avoided.⁵² In this context, the increasing tendency among US commentators and decision-makers to see the relationship as a competition seems almost naïve by comparison to a commitment on the PRC side that competition is not only the current state of the relationship, but natural.

48 National Security Law of the People’s Republic of China (2015), accessed 8 January 2019, http://eng.mod.gov.cn/publications/2017-03/03/content_4774229.htm. Emphasis added.

49 National Security Law of the People’s Republic of China (2015).

50 General Office of the Chinese Communist Party, *Document No 9*, English translation accessed on 3 January 2019, <http://www.chinafile.com/document-9-chinafile-translation>. See also Jiang Yong, “Theoretical Thinking on the Belt and Road Initiative,” *Contemporary International Relations* 28, no. 4 (July/August 2018): 36.

51 “随着中国经济增长与军事实力增强，中美关系已逐渐演变为以亚太地区尤其是西太平洋地区为主场的战略竞争关系。” Luo Xi [罗曦], “中美亚太战略竞争格局的形成、走势及管控 [Formation, Tendency and Management of Sino-US Strategic Competition in Asian-Pacific Region],” 《东南亚纵横》 [*Around Southeast Asia*], (2017-5): 44. Author’s translation.

52 Luo Xi, 45.

CONCLUSIONS

While cooperation does continue in some spheres, in many areas the US and PRC are approaching each other as competitors. This volume is devoted to better understanding in what manner that competition is taking place, so as to better defuse or resolve it in a manner that both states may continue to prosper. In doing so, it is necessary to look to the fundamental ideas that are driving not just the conviction that competition exists, but the decisions being made on how to wage it.

This chapter began by defining strategic competition and examining the interests of the US and PRC in order to explore the extent to which competition and cooperation were possible. Though on the surface, US and PRC interests do not necessarily have to conflict, subsequent analysis suggests they do at present. From the US perspective, successive administrations have attempted to cooperate with the PRC to bring it into an international system that was perceived as mutually beneficial, and a fundamental interest of the US. However, recent actions by the PRC appear focused on overturning that system, thereby undercutting US security. Similarly, the PRC sees US efforts to expand and reinforce “universal values”—a stated US interest in the past several administrations—as a direct threat to CCP authority—the PRC’s number one interest. Until these fundamental conflicts are resolved, the US and PRC will be in a state of strategic competition.

In discussing the nature of strategic competition, this analysis has studiously avoided minutiae about missiles and maritime features, containment and “anachronistic” alliances. Instead, by attempting to stay at the strategic level of state interests, this chapter has identified the fundamental issues that lead to an existent state of competition. There will be many initiatives to address and resolve individual points of disagreement and amplify issues where there is cooperation. However, until differences are addressed at the level of state interests, one or both parties will continue to identify the relationship as competitive.

Finally, the analysis above shows there are areas where the fundamental interests of these two states are diametrically opposed. Each state needs to make a sober evaluation of what interests are fundamental and cannot be traded away, and understand what interests the other state values similarly. These are areas where there will be no compromise, and areas where this volume will attempt to inform security practitioners on the choices and calculations that can protect the state’s interests while ensuring competition does not turn into armed conflict.

2 Xi's Vision for Transforming Global Governance A Strategic Challenge for Washington and Its Allies¹

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1 An earlier version of this chapter appeared in *Texas National Security Review* 2, no. 1, November 2018. Graciously republished with permission. See Bibliography for link.

2 This chapter was written while the author was serving as a special adviser at US Indo-Pacific Command. The views and recommendations expressed are those of the author and do not necessarily reflect the policy or position of USINDOPACOM, the US Department of Defense, or the US Government.

The Communist Party of China announced in October 2018 that it had published a new book by Xi Jinping on his concept for a “community of common destiny for mankind” (人类命运共同体).³ In its *official* English translation—a “community of shared future for mankind”—the phrase lands with a soft thud. It sounds equally fuzzy—if more grandiose—when translated more literally from Chinese. But China watchers would be wrong to dismiss the concept as vague or empty propaganda. As one of the party’s banner terms, it sheds light on Beijing’s strategic intentions and plays an important role in China’s approach to foreign policy issues as diverse as trade, climate change, cyber operations, and security cooperation. What, then, do Xi and other Chinese leaders mean when they call for building a community of common destiny? And why should anyone outside Beijing care?

The phrase expresses in a nutshell Beijing’s long-term vision for transforming the international environment to make it compatible with China’s governance model and emergence as a global leader. Chinese officials make clear that the concept has become central in Beijing’s foreign policy framework and overall national strategy. China’s top diplomat, Yang Jiechi, wrote in August 2018, “Building a community of common destiny for mankind is the overall goal of China’s foreign affairs work in the new era.” A prerequisite or pathway for building the community, he noted, is the establishment of a “new type of international relations” that supports, rather than threatens, China’s national rejuvenation.⁴ Xi has highlighted the community’s crucial place in the party’s renewal strategy. In June 2018, for instance, he exhorted Chinese diplomats to “continuously facilitate a favorable external environment for realizing the Chinese Dream of national rejuvenation and promote the building of a community of common destiny.”⁵

Although Xi has made “community of common destiny” a hallmark of his diplomacy, he did not coin the phrase, nor did he generate

3 Desheng, Cao, “Xi’s discourses on mankind’s shared future published,” *China Daily*, 15 October 2015, <http://www.chinadaily.com.cn/a/201810/15/WS5bc38adca310eff303282392.html>.

4 “以习近平外交思想为指导 深入推进新时代对外工作。” Yang Jiechi, “求是 [Seeking truth];” 1 August 2018, http://www.qstheory.cn/dukan/qs/2018-08/01/c_1123209510.htm. For more on the origins of China’s “new type international relations” and its related concept “new type great power relations,” see Peter Mattis, “Nothing New, Nothing Great: Exploring ‘New Type Great Power Relations,’” *Washington Journal of Modern China* 11, no. 1 (2013): 17–38. Mattis shows that despite its “new” label, China’s “new type” proposals repackaged long-standing Chinese concepts of mutually beneficial cooperation, mutual equality, and demands for the US to respect Chinese core interests.

5 “Xi Urges Breaking New Ground in Major Country Diplomacy with Chinese Characteristics,” *Xinhua*, 24 June 2018, http://www.xinhuanet.com/english/2018-06/24/c_137276269.htm.

its core tenets. Xi's predecessor, Hu Jintao, used the terminology in 2007 to describe cross-Strait ties and in later discussions of China's neighborhood diplomacy and peaceful development.⁶ Chinese state media credit Xi with introducing it as a *global* concept in 2013 in Moscow, during his first international trip as president.⁷ The aspirations it expresses echo and expand upon themes voiced by Chinese leaders since the early days of the People's Republic. In 1954, Premier Zhou Enlai proposed in meetings with India the "Five Principles of Peaceful Coexistence:" mutual respect for territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in internal affairs, equality and cooperation, and peaceful coexistence. Subsequent Chinese leaders, including Xi, have reaffirmed these principles as key tenets of Chinese foreign policy.⁸ President Jiang Zemin's "new security concept" in the late 1990s echoed the Five Principles and rejected the "old security concept based on military alliances and build-up of armaments."⁹ In a similar vein, President Hu proposed building a "harmonious world" in a 2005 speech to the United Nations (UN). Hu affirmed his predecessors' concepts and called for reforms to give developing countries a greater voice in global governance.¹⁰ Each of these proposals reflects long-standing Chinese objections to features of the current international order, including US-led security alliances, military superpower, and democratic norms.

Xi, however, has gone much further than his predecessors to promote his vision for transforming global governance (全球治理变革). For Xi, China's growing comprehensive national power (综合国力) means that Beijing has greater ability—and faces a greater urgency—to achieve its long-held aspirations.¹¹ In June 2018, at a Central Foreign Affairs Work Conference (a rarely convened forum in Beijing that issues seminal guidance to China's diplomatic establishment), Xi made a crucial pro-

6 Jin Kai, "Can China Build a Community of Common Destiny?" *Diplomat*, 20 November 2013, <https://thediplomat.com/2013/11/can-china-build-a-community-of-common-destiny>, accessed 23 January 2018.

7 Zhou Xin, "China Focus: China Pursues World Peace, Common Development in International Agenda," *Xinhua*, 2 March 2018, http://www.xinhuanet.com/english/2018-03/02/c_137011860.htm.

8 Xi Jinping, *Governance of China* (Beijing: Foreign Languages Press, 2014).

9 Jiang Zemin, "Jiang Zemin's Speech at the Conference on Disarmament," March 26, 1999, http://www.china-un.org/eng/chinaandun/disarmament_armscontrol/unga/t29298.htm.

10 "Hu Makes 4-Point Proposal for Building Harmonious World," *Xinhua*, 16 September 2005, http://www.gov.cn/english/2005-09/16/content_64405.htm.

11 I benefited from Dan Tobin's insights placing the Xi Jinping era in the context of Communist Party history.

gression from his predecessors' rhetoric. He called for China to "take an active part in leading the reform of the global governance system" (积极参与引领全球治理体系改革).¹² Previously, he and his forebears had more modestly called for China to "actively participate" in global governance reforms.¹³ Xi linked his exhortation to his vision of building a community of common destiny.

Xi's signature One Belt, One Road (OBOR; 一带一路)¹⁴ initiative, also launched in 2013, is the most visible means by which Beijing is executing his vision. In August, diplomat Yang Jiechi called OBOR an "important practical platform" for making the community of common destiny a reality. The multibillion-dollar plan aims to build physical and virtual connectivity between China and other countries, originally in Asia and now throughout the world.¹⁵ At the 19th Party Congress in October 2017, the party amended its constitution to add two phrases: "pursue One Belt, One Road" and "build a community of common destiny"¹⁶—elevating both the initiative and its underlying vision within the party's long-term strategy.

China's success or failure in achieving its vision will depend in large part on how its proposals are received in other countries. Regardless of the ultimate outcome, Beijing's pursuit of its goals has already had repercussions, as evidenced by the growing international attention toward OBOR, both its failures and achievements.¹⁷ Policymakers in the United States (US) and like-minded countries seeking to defend and strengthen the principles of what they now refer to as the "free and open Indo-Pacific"¹⁸ need to look carefully at China's goals for reform-

12 "Xi Urges Breaking New Ground in Major Country Diplomacy with Chinese Characteristics."

13 "Xi: China to Contribute Wisdom to Global Governance," *Xinhua*, 1 July 2016, http://www.xinhuanet.com/english/2016-07/01/c_135481408.htm.

14 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

15 Xi Jinping, *Governance of China*, 2nd ed. (Beijing: Foreign Languages Press, 2017). See speeches on the OBOR Initiative. Earlier speeches emphasize the OBOR in Asia, whereas more recent speeches emphasize its global scope.

16 "Full Text of Resolution on Amendment to CPC Constitution," *Xinhua*, 24 October 2017, http://www.xinhuanet.com/english/2017-10/24/c_136702726.htm.

17 For example, see "China's Belt and Road Initiative: Debt Trap or Hope?" *Straits Times*, 20 October 2018, <https://www.straitstimes.com/asia/east-asia/chinas-belt-and-road-initiative-debt-trap-or-hope>.

18 "American Leadership in the Asia Pacific, Part 5": Hearing before the Senate Foreign Relations Committee Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy, 115th Congress (statement of Alex Wong, Deputy Assistant Secretary of State, Bureau

ing global governance as Beijing itself expresses them.

Xi's description of his concept in two speeches to the UN, at the General Assembly in September 2015 and in Geneva in January 2017, is a good place to start.¹⁹ In the 2017 speech, Xi likened the community of common destiny to a Swiss army knife—a Chinese-designed multi-functional tool for solving the world's problems. On both occasions, he proposed the concept as a better model for global governance in five dimensions: politics, security, development (economic, social, technological, etc.), culture, and the environment. In sum, the five dimensions reflect the extraordinarily wide range of arenas in which Beijing believes it must restructure global governance to enable China to integrate with the world while at the same time achieving global leadership. If Beijing succeeds in realizing this ambitious vision, the implication for the US and like-minded nations is a global environment with striking differences from the current order: A global network of partnerships centered on China would replace the US system of treaty alliances, the international community would regard Beijing's authoritarian governance model as a superior alternative to Western electoral democracy, and the world would credit the Communist Party of China for developing a new path to peace, prosperity, and modernity that other countries can follow.

POLITICS

Xi's description of the political dimension of the community includes emphasis on two terms that are worth examining closely: democracy and partnerships. Both highlight the link between China's domestic political requirements and its push to reform the international system.

"Democracy" is a core principle to which Beijing officially ascribes, both in international relations and domestic governance. In his 2015 speech to the UN, Xi said, "Consultation is an important form of democracy, and it should also become an important means of exercising international governance." So what do the leaders of the world's largest authoritarian regime mean when they advocate "consultative" democracy? In international relations, it means equality among sovereign nations regardless of regime type (i.e., authoritarian or democratic); a growing voice for developing countries (including China); and an absence of "dominance by just one or several countries," as Xi put it in 2017. This

of East Asian and Pacific Affairs), 15 May 2018, https://www.foreign.senate.gov/imo/media/doc/051518_Wong_Testimony.pdf.

19 Both speeches are found in Xi, *The Governance of China*, vol. 2, 569-75 and 588-601.

reflects Beijing's objections to Washington's dominant international influence, along with its like-minded allies. For Beijing, democracy in international relations means shifting global influence away from Washington and US allies and toward China and other countries that accede to its concepts.

Chinese leaders advocate "consultative" democracy not only in state-to-state relations but also within states, arguing that it is a valid and even superior model. Chinese official media disparage Western democratic regimes as chaotic, confrontational, competitive, inefficient, and oligarchic.²⁰ They assert that China has developed a more enlightened form of democracy in its "new type of party system" (新型政党制度).²¹ In this system, the Communist Party is the sole political authority, but minority parties and nonaffiliated groups participate in parts of the decision-making process as outside consultants via the Chinese People's Political Consultative Conference.²² They argue that other features of China's political system, such as people's congresses and consensus-building "inner-party democracy," purportedly make China's "democracy" more effective than Western electoral democracy.²³ There is, however, a clear contradiction between China's articulation of "democracy" in international relations, which argues that all countries are equal regardless of size or political regime, and its approach in domestic politics, where a single party rules, minority parties serve as outside consultants, and dissenting voices are silenced. Nonetheless, the Communist Party is taking practical steps to disseminate its ideas abroad by providing political training to African leaders and young elites in topics such as party structure, propaganda work, and managing center-local relations.²⁴

Partnerships are another foundational element in Xi's community of common destiny. They are key vehicles by which Beijing promotes

20 Li Laifang, "Enlightened Chinese Democracy Puts the West in the Shade," *China Daily*, 17 October 2017, http://www.chinadaily.com.cn/china/19thcpnationalcongress/2017-10/17/content_33364425.htm.

21 Zhong Sheng, "Op-Ed: China's New Type of Party System Enlightens World," *People's Daily Online*, 12 March 2018, <http://en.people.cn/n3/2018/0312/c90000-9435991.html>.

22 "Chinese People's Political Consultative Conference," <http://www.china.org.cn/english/27750.htm>.

23 Zhou Xin, "China Focus: Chinese Democracy: How It Boosts Growth and Prosperity?" *Xinhua*, 16 March 2018, http://www.xinhuanet.com/english/2018-03/16/c_137043686.htm.

24 Gumedde, William, "China Impact on Africa Democracy," *Namibian*, 28 August 2018, <https://www.namibian.com.na/70804/read/China-Impact-on-African-Democracy>. Also see Yun Sun, "Political Party Training: China's Ideological Push in Africa?" *Brookings Institution's Africa in Focus*, 5 July 2016, <https://www.brookings.edu/blog/africa-in-focus/2016/07/05/political-party-training-chinas-ideological-push-in-africa>.

international acceptance of its concepts. At the UN in 2017, Xi called for international partnerships based on “dialogue, non-confrontation, and non-alliance” and asserted that “China is the first country to make partnership-building a principle guiding state-to-state relations.” Partnerships are China’s alternative to US-style alliances. Beijing prefers them because they do not confer treaty obligations and they allow the partners to cooperate despite differences in ideologies and social systems.²⁵ According to Xi, China had 90 such partnerships with countries and regional organizations around the world as of 2017,²⁶ and Beijing intends to continue expanding its “global network of partnerships.”²⁷

China and its partner often designate a name for the relationship, setting a positive tone and a basis for cooperation. A frequently used moniker is “comprehensive strategic partnership.” This has been applied to China’s relations with Australia, Egypt, the European Union, Indonesia, Iran, and many others.²⁸ Importantly, China and Russia have gone a step further, naming their ties a “comprehensive strategic partnership of coordination.” The title reflects both the wide scope of the relationship (“comprehensive”) and agreement to collaborate on development strategies and international affairs (“coordination”).²⁹ China and the US established a lesser constructive strategic partnership in the late 1990s.³⁰ However, successive US administrations dropped the term, and the two countries no longer have a named partnership.

That is probably just as well for the US, because China often invokes the partnership to threaten retaliation when it perceives that its

25 Wang Yi, “Work Together to Build Partnerships and Pursue Peace and Development,” speech, China Development Forum, March 20, 2017, https://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1448155.shtml.

26 Xi, *Governance of China*, vol. 2, 588-601.

27 Wang Yi, “Forge Ahead Under the Guidance of General Secretary Xi Jinping’s Thought on Diplomacy,” 1 September 2017, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1489143.shtml.

28 China’s Ministry of Foreign Affairs frequently references its named partnerships in official readouts of engagements with foreign leaders, “Ministry of Foreign Affairs of the People’s Republic of China,” n.d., https://www.fmprc.gov.cn/mfa_eng. For an example of another country referring to its named partnership with China, see “China Country Brief,” n.d., Department of Foreign Affairs and Trade, <https://dfat.gov.au/geo/china/Pages/china-country-brief.aspx>.

29 “Russia-China Partnership at Best Level in History: Putin,” *Xinhua*, 26 May 2018, http://www.xinhuanet.com/english/2018-05/26/c_137208088.htm. Also see “Interview: Chinese Ambassador Expects China-Russia Partnership to See Wider, Deeper Future Development,” *Xinhua*, 12 July 2018, http://www.xinhuanet.com/english/2018-07/12/c_137320337.htm; and “China and Russia: Partnership of Strategic Coordination,” 2018, https://www.fmprc.gov.cn/mfa_eng/ziliao_665539/3602_665543/3604_665547/t18028.shtml.

30 “China, U.S. Pledge to Build Constructive Strategic Partnership,” 2019, <http://www.china-embassy.org/eng/zmgx/zysj/zrjfm/t36212.htm>, accessed 30 April 2019.

partner has violated “mutual trust.” In January 2018, on the eve of British Prime Minister Theresa May’s first visit to China, Beijing’s ambassador to the United Kingdom (UK), Liu Xiaoming, wrote in glowing terms of the “China-UK ‘Golden Era,’” which he called “the strategic definition of China-UK relations.”³¹ But in September 2018, Britain tarnished the golden glow by sailing the HMS *Albion* near the Paracel Islands, disputed features that China occupies in the South China Sea. China’s Foreign Ministry spokesperson warned that the action would harm bilateral ties. State-controlled *China Daily* filled in the details, admonishing London to “refrain from being Washington’s sharksucker in the South China Sea” if it hoped to make progress with China on a post-Brexit trade deal.³²

As others have documented, the UK experience is far from unique. A number of countries in recent years have experienced China’s economic coercion.³³ This phenomenon highlights the pretense in Beijing’s promises to offer its partners cooperation with “no strings attached” and its refrain that “major powers should treat small countries as equals.” This contradiction may undermine Beijing’s attempts to generate greater global acceptance of its model.

SECURITY

The solutions Xi proposes for the world’s urgent security crises can be summarized in two words that feature prominently in his speeches at the UN, as well as in other Chinese leaders’ statements: dialogue and development. Xi advocates resolving crises via dialogue between the parties directly involved. The UN, according to Xi, should mediate when necessary and, through its Security Council, should play the central role in ending conflicts and keeping peace. For example, for Syria’s civil war, China consistently advocates political settlement as the only legitimate path to a solution.³⁴

The unstated alternative—Western powers intervening militarily in a dictatorship on humanitarian grounds—is highly worrisome to

31 Liu Xiaoming, “The UK-China ‘Golden Era’ Can Bear New Fruit,” (London) *Telegraph*, 29 January 2018, <https://www.telegraph.co.uk/news/2018/01/29/uk-china-golden-era-can-bear-new-fruit/>. The op-ed was also posted on the PRC Ministry of Foreign Affairs website.

32 “UK Should Try to Have More Than One Friend: China Daily Editorial,” *China Daily*, 6 September 2018, <http://www.chinadaily.com.cn/a/201809/06/WS5b911253a31033b4f4654a8e.html>.

33 Peter Harrell, Elizabeth Rosenberg, and Edoardo Saravalle, “China’s Use of Coercive Economic Measures,” 11 June 2018, <https://www.cnas.org/publications/reports/chinas-use-of-coercive-economic-measures>.

34 “Wang Yi Meets with Deputy Prime Minister and Foreign Minister Walid Muallem of Syria,” 28 September 2018, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1601120.shtml.

Beijing. Chinese leaders also argue that development is key to addressing the root causes of international problems such as terrorism and refugee crises. The notion that Chinese development assistance could bring renewal and stability to regions plagued by terrorism and refugee crises has appeal, especially in an era of stretched budgets in Western countries. However, the US and its allies should be clear on the significant change from the status quo that China's proposals for a new concept of international governance would impart. Beijing opposes "interventionism" and, as noted above, calls frequently for "partnerships based on dialogue, non-confrontation, and non-alliance."³⁵

Beijing views US-style alliances as outdated relics of the Cold War, overly antagonistic and out of step with contemporary international conditions. It is logical to infer that Beijing's opposition to US security alliances is also due to the coercive potential that coalitions of democracies represent. Xi's speeches to the UN do not acknowledge any contribution of the US and its allies to keeping the peace and enhancing global prosperity since World War II. Rather, he credits the UN and the global community writ large and proposes his community of common destiny as the framework for future success. Beijing's objections to US alliances reflect a deep-seated belief that the US-led security architecture in Asia is a structural impediment to China's development and security.³⁶ Chinese leaders' strong aversion to chaos that could put China's strategic interests at risk suggests that Beijing will not seek to overturn US alliances suddenly. But over the long term, Beijing's community of common destiny implies a future in which US alliances are absent. Not only does Xi's vision remove the US-constructed system that has maintained regional piece, but the PRC's own concept of domestic security which relies on invasive surveillance and draconian crackdowns on what it calls "terrorism, separatism, and extremism"³⁷ within its borders are reasons to be circumspect about Beijing's claims that it has developed better solutions for mankind's problems. Given Xi's track record for moving more assertively than his predecessors to implement foreign policy preferences, the US and its allies should be vigilant about Chinese attempts to discredit or meddle in their ties.

35 Both speeches are found in Xi, *Governance of China*, vol. 2, 569-575 and 588-601.

36 Heath, Timothy R., "China and the U.S. Alliance System," *Diplomat*, 11 June 2014, <https://thediplomat.com/2014/06/china-and-the-u-s-alliance-system/>.

37 "Full Transcript: Interview with Xinjiang Government Chief on Counterterrorism, Vocational Education and Training in Xinjiang," *Xinhua*, 16 October 2018, http://www.xinhuanet.com/english/2018-10/16/c_137535720.htm.

Development

Xi claims that his community provides a better path for countries to achieve development and modernity than what the West offers. For Chinese leaders, development includes and goes beyond economics to encompass social development, technology, and innovation, and it can serve as a point of connection between countries to keep conflict at bay.

According to Xi, two concepts crucial to the success of the Chinese development model are openness and markets. Ironically, these were precisely the terms Washington used earlier this year to criticize China's economic practices. According to the Office of the United States Trade Representative, since joining the World Trade Organization in 2001 China has failed to adopt "open, market-oriented policies" in line with its accession commitments.³⁸ Clearly, there is a discrepancy in how Washington and Beijing are using the same terms.

Chinese leaders continue to affirm their decision to join the World Trade Organization as the right strategic choice. And when they defend China's commitment to openness, measures such as lowering barriers to China's domestic markets and easing foreign equity restrictions are among the things they point to. For Beijing, "opening" does not mean what it once meant to Washington: a process of China opening its doors to the world and progressively adapting to international norms. Rather, Beijing sees opening as a process of integration with the global economy to facilitate China's rise—initially to acquire advanced technology and expertise and, later, to shape global norms, standards, and institutions in line with Chinese strategic requirements. China's frequent calls to make globalization more "open, inclusive, and balanced" appear to be rooted in a belief that connectivity between China and the world will require the world to adapt to Beijing's preferences as much as—or perhaps more than—the other way around.

How does Beijing define "markets?" Chinese development is not premised on capitalism, rather in Beijing's telling, its success lies in its socialist market economy.³⁹ Deng Xiaoping pioneered the concept, arguing in 1985 that "there is no fundamental contradiction between socialism and a market economy" and that combining planning and market economics would "liberate the productive forces and speed up economic

38 "2017 Report to Congress on China's WTO Compliance," January 2018, <https://ustr.gov/sites/default/files/files/Press/Reports/China%202017%20WTO%20Report.pdf>.

39 Qui Shi, "The West Once Again Gets It Wrong on China," *China Daily*, 7 September 2018, http://www.chinadaily.com.cn/a/201809/07/WS5b925c35a31033b4f4654e4f_4.html.

growth.”⁴⁰ Chinese leaders have made many adjustments to the balance between planning and markets, but the basic principle of combining the two still applies.

In development, as in politics, Chinese state media express increasing confidence that China provides a path superior to what the West offers. These sources argue that “socialism with Chinese characteristics, compared with capitalism, is yielding better results.”⁴¹ In his 2015 speech to the UN, Xi listed capitalism’s pitfalls: proneness to crises, a lack of moral constraints, and yawning wealth gaps (unsurprisingly, he did not mention China’s own struggles with these issues). Countries can avoid capitalism’s snares by relying on, in Xi’s words, “both the invisible hand and the visible hand.” China’s “better way” combines markets’ ability to allocate resources efficiently with a strong role for the state in controlling key sectors, ensuring equitable social and economic outcomes, stabilizing markets, and solving large-scale problems.⁴²

Beijing goes further than touting its model as worthy of others’ emulation. Like in the political dimension, it proposes its concepts as a framework to reform global economic governance. China claims to speak on behalf of developing countries as a group, calling for reform of “unfair and unreasonable aspects of the current global governance system.”⁴³ In part, this means reforming institutions such as the International Monetary Fund and the World Bank and bolstering organizations with a larger voice for developing countries and emerging markets, such as the Group of 20, the BRICS emerging economies, and the Asia-Pacific Economic Cooperation forum. Over the long term, Beijing would like to diminish the US dollar’s role in global finance and the leverage this gives Washington to squeeze other countries with sanctions and monetary policy.⁴⁴ China also seeks a larger role for itself and other developing

40 Deng Xiaoping, *Selected Works of Deng Xiaoping, 1982-1992*, 3rd ed. (Beijing: Foreign Languages Press, 1994). The 1985 selection can be found online at <http://en.people.cn/dengxp/vol3/text/c1480.html>.

41 Shi, “The West Once Again Gets It Wrong on China.” See also “China Focus: Socialism with Chinese Characteristics: 10 Ideas to Share with World,” *Xinhua*, 8 October 2017, http://www.xinhuanet.com/english/2017-10/08/c_136665156.htm.

42 Shi, “The West Once Again Gets It Wrong on China.”

43 “Xi Jinping: Strengthen Cooperation for Advancing the Transformation of the Global Governance System and Jointly Promote the Lofty Task of Peace and Development for Mankind” (习近平：加强合作推动全球治理体系变革 共同促进人类和平与发展崇高事业—新华网) *Xinhua*, 28 September 2016, http://www.xinhuanet.com/politics/2016-09/28/c_1119641652.htm.

44 Li Wen, “An International Strategy of Seeking One’s Own Self-Interests,” *People.com*, 18 September 2016, <http://world.people.com.cn/n1/2016/0918/c1002-28719418.html>.

countries in setting global rules, including in emerging domains such as cyberspace, deep seas, polar regions, and outer space.⁴⁵

There is certainly a need for a greater voice for developing countries in economic governance given their growing contribution to the global economy. Outside observers should be vigilant, however, about Beijing's tendency to conflate its priorities and values with those of the entire community of developing nations. China's professed commitment to respect each country's individual choice of a development path and social system rings hollow when juxtaposed with its claims to speak for the majority of the globe. Its partners should insist that the "extensive consultation" China says is foundational in its external initiatives is truly two-way.

CULTURE

Outside observers tend to focus on the triumvirate of political, security, and economic drivers of China's global engagement, glossing over a fourth arena that Beijing views as vital to its national rejuvenation strategy and global governance vision: culture. This is unfortunate, because culture is arguably the most far-reaching and, at least among China watchers in the US, the least understood element of China's foreign policy framework. China's solution for achieving legitimacy at home and influence abroad hinges on more than economics backstopped by hard power and political maneuvering. Developing an "advanced culture" has long been a core element in the national rejuvenation strategy, and Xi has called for "more energy and concrete measures" to achieve this. In his words, China must do more to "develop a great socialist culture" and "cultivate and observe core socialist values" in order to build itself into a "great modern socialist country" by mid-century.⁴⁶

While Beijing's primary focus is on China's domestic population, the outside world is not exempt. Yang Jiechi wrote in August, "The culture of socialism with Chinese characteristics has contributed to the solution of the problems of mankind China's wisdom and China's proposals."⁴⁷ According to *Xinhua*, the community of common destiny, manifested most visibly in OBOR, "connects the Chinese dream with

45 Yang Jiechi, "Working Together to Build a World of Lasting Peace and Universal Security and a Community with a Shared Future for Mankind," speech, World Peace Forum at Tsinghua University, 14 July 2018, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1577242.shtml.

46 "Xi Urges Efforts in Building China into a Great Modern Socialist Country," *Xinhua*, 20 March 2018, http://www.xinhuanet.com/english/2018-03/20/c_137052370.htm.

47 Yang Jiechi, "求是 [Seeking truth]."

the aspirations of the whole world for peace and development.”⁴⁸ The implication is that China's socialist culture has something to offer not only in China but globally. What does Beijing mean by its “culture of socialism with Chinese characteristics,” and how does that fit into its foreign policy?

For external audiences, Xi frames the cultural component of the community of common destiny in terms of cross-cultural exchanges and respect for diversity. In his 2015 speech, Xi called for an increase in “inter-civilization exchanges to promote harmony, inclusiveness, and respect for differences” because “the world is more colorful as a result of its cultural diversity.” In 2017, he echoed those themes and added, “There is no such thing as a superior or inferior civilization” (Xi did not pioneer these concepts; Jiang Zemin, for example, expressed similar ideas at the UN in 2000⁴⁹). At face value, these are pleasant-sounding, pluralistic sentiments that bring to mind exchanges of language, art, philosophy, and so forth to foster mutual understanding.

But moments after denying the superiority of any culture, Xi suggested that China's history and culture uniquely qualify it to propose a better model for global governance: “For several millennia, peace has been in the blood of us Chinese and part of our DNA,” Xi told the UN. According to Xi, China, throughout its history, has been committed to not only its own peaceful development but also the greater good of the world at large. The party's claim that its community of common destiny will benefit the entire world is rooted in this depiction of China as an extraordinarily peaceful country.

However, the party's heavy-handed domestic policies, calibrated to ensure political allegiance in all forms of cultural expression, cast shadows on Xi's claim to promote “harmony, inclusiveness, and respect for differences.” The party has made clear that its “culture of socialism with Chinese characteristics” and “socialist core values” must be the prime object of allegiance for all Chinese people, above any other religious, moral, artistic, or intellectual beliefs or loyalties. A recent example is Beijing's restructuring of the “ideological sector” in April 2018 to strengthen the party's ability to ensure political allegiance. The film and press industries, formerly governed by the State Council, would hence-

48 Jiang Zemin, “Spotlight: Chinese Dream Connects Aspirations of the Whole World for Peace, Development,” *Xinhua*, 29 November 2017, http://www.xinhuanet.com/english/2017-11/29/c_136788472.htm.

49 “Statement by President Jiang Zemin of the People's Republic of China at the Millennium Summit of the United Nations,” 6 September 2000, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zjh_665391/t24962.shtml.

forth report to the party's Propaganda Department. Politburo member and department chief Huang Kunming, in explaining the change, cited the need to "enhance cultural confidence" and strengthen party leadership over filmmaking, screening, content enforcement, and international exchanges.⁵⁰ Similarly, in 2015, the Politburo issued a statement that called on professionals in the arts and literature to focus on promoting "core socialist values" and noted that "strength of ideology and high moral standards" were "absolute requirements."⁵¹

Those examples pale in comparison to the ongoing efforts to ensure that all religions in China answer first and foremost to the party. At a conference on religious work in late April 2018, Xi exhorted fellow cadres to "guide religious believers to ardently love the motherland and the people." Religious adherents must "subordinate themselves to, and serve, the highest interests of the country," he said, and "actively practice socialist core values."⁵² The widely noted extrajudicial detention of as many as a million Muslim Uighurs in "vocational education and training" centers in Xinjiang,⁵³ where detainees reportedly endure political indoctrination and torture, show the extreme measures the party will take to enforce its conceptions of civilization.⁵⁴ While the Uighurs' case stands out in sheer scope and brutality, none of China's five legal religions (Buddhism, Daoism, Islam, and the Protestant and Catholic branches of Christianity) are exempt from the Communist Party's systematic attempts to compel allegiance. Chinese authorities reportedly are burning Bibles and crosses, shutting down and bulldozing churches,⁵⁵ drafting regulations to further restrict religious content online,⁵⁶ and

50 "China Unveils Three State Administrations on Film, Press, Television," *Xinhua*, 16 April 2018, http://www.xinhuanet.com/english/2018-04/16/c_137115379.htm.

51 "CPC Leadership: Carry Forward Chinese Values through Art," *Xinhua*, 11 September 2015, http://www.xinhuanet.com/english/2015-09/11/c_134615838.htm.

52 "China Focus: Xi Calls for Improved Religious Work," April 23, 2016, http://www.china.org.cn/china/2016-04/24/content_38312410.htm.

53 "Full Transcript: Interview with Xinjiang Government Chief on Counterterrorism, Vocational Education and Training in Xinjiang."

54 Anna Fifield, "With Wider Crackdowns on Religion, Xi's China Seeks to Put State Stamp on Faith," *Washington Post*, 16 September 2018, https://www.washingtonpost.com/world/asia_pacific/with-wider-crackdowns-on-religion-xis-china-seeks-to-put-state-stamp-on-faith/2018/09/15/b035e704-b7f0-11e8-b79f-f6e31e555258_story.html.

55 Fifield, "With Wider Crackdowns on Religion, Xi's China Seeks to Put State Stamp on Faith."

56 "China Mulls Censoring Online Religious Content in New Draft Regulations," *Hong Kong Free Press*, 11 September 2018, <https://www.hongkongfp.com/2018/09/11/china-mulls-censoring-online-religious-content-new-draft-regulations/>.

instructing clergy from all five denominations to align their religious beliefs with socialist core values.⁵⁷

The requirement for party cadres to generate “ardent love” for the motherland is reminiscent of George Orwell’s 1949 dystopian novel *1984*. In it, dissident Winston Smith succumbs to torture in the Ministry of Love and renounces his personal and political loyalty. As the book ends, Smith finally realizes that he loves Big Brother. Orwell’s *1984* is, of course, fiction. But China watchers should bear in mind that repression of religious, artistic, and intellectual expression is not merely a product of local authorities reacting to events and desperately attempting to maintain control. Rather, it is also a product of the party’s top-down strategy to instill adherence to its view of civilization and root out disloyalty to the cause of Chinese socialism. Culture—including the “great socialist culture” Beijing is trying to build—is an integral part of Xi’s community of common destiny. Much about how Beijing will seek to implement its views of culture into its foreign policy remains to be determined. Beijing’s record of crushing dissent at home could be a harbinger of its behavior overseas—or the Achilles’ heel in its attempts to build cultural “soft power.”

ENVIRONMENT

The final dimension of Xi’s community of common destiny focuses on the environment and, more specifically, on reforming global governance to promote “the building of sound ecosystems.” In his speech to the UN in 2017, Xi called on the global community to pursue a “green, low-carbon, circular, and sustainable way of life and work.” Further, he endorsed the UN’s 2030 Agenda for Sustainable Development, a plan to eradicate poverty; protect the environment; and foster peaceful, just, and inclusive societies.⁵⁸ Of the five dimensions, this is arguably where China’s long-term goals align most closely with near-universal aspirations for sustainable development. In a speech at the UN Climate Change Conference in Paris in 2015, Xi acknowledged that China’s decades of rapid economic growth have “taken a toll on the environment and resources.”⁵⁹ Although understated, this was nonetheless an admis-

57 Zhang Yu, “Priests Search for Patriotic Elements in Scripts as China Promotes Religious Localization,” *Global Times*, 31 May 2018, <http://www.globaltimes.cn/content/1104987.shtml>.

58 “Transforming Our World: The 2030 Agenda for Sustainable Development,” <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

59 Xi Jinping, “Build a Win-Win, Equitable and Balanced Governance Mechanism on Climate Change,” speech, United Nations Climate Change Conference, November 30, 2015, [52](https://un-</p></div><div data-bbox=)

sion of China's shortcomings. Xi went on to enumerate steps China was taking to address environmental problems, such as increasing renewable energy capacity, and future benchmarks it had set, such as reaching peak CO² emissions by 2030 or earlier. "This will require strenuous efforts, but we have the confidence and the resolve to fulfill our commitments," Xi said in Paris. China's abysmal track record of environmental management and immense difficulties transitioning to a more sustainable path are reasons to be skeptical. But Chinese leaders have made environmental progress a higher political priority in recent years. Since the 18th Party Congress in 2012, when Hu Jintao elevated "ecological progress" to a prominent position in China's overall development plan (placing it alongside economic, political, cultural, and social progress),⁶⁰ leaders have taken more serious steps to limit pollution and protect the environment. These include imposing tougher penalties on local officials who fail to meet pollution targets and establishing a system to hold individuals and companies that pollute the soil accountable for life.⁶¹ Chinese leaders have made clear that building a "Beautiful China" is one of their mid-century goals for national rejuvenation, so the environment is likely to remain a political priority for years to come.

In the political, security, development, and cultural dimensions, Beijing argues that its historical experience and remarkable modern track record of peaceful development qualify it to take a leading role in reforming the global governance system to make it more peaceful, equitable, and prosperous. But Xi's claims in the environmental dimension are much more modest. The implication is that China has learned the hard way the importance of protecting the environment and that it must strive to work with the world for a cleaner future, albeit on China's timetable. Certainly, some of Xi's proposals in Paris appear designed to promote his community of common destiny, such as his call for a global governance mechanism on climate change and for developed countries to provide funding and technology to enable developing countries to fulfill environmental commitments. These are resonant with the community of common destiny's emphasis on striving for a more fair and

fcc.int/sites/default/files/cop21cmp11_leaders_event_china.pdf

60 "CPC Advocates Building 'Beautiful' China," November 8, 2012, http://www.china.org.cn/china/18th_cpc_congress/2012-11/08/content_27051794.htm.

61 "China Fines for Environmental Violations Up 48 Percent from Jan-Oct: Ministry," *Reuters*, 5 December 2017, <https://www.reuters.com/article/us-china-environment/china-fines-for-environmental-violations-up-48-percent-from-jan-oct-ministry-idUSKBN1E0089>; "China Sets Up Lifelong Accountability System to Control Soil Pollution," *China Daily*, 18 January 2017, http://www.chinadaily.com.cn/china/2017-01/18/content_27992959.htm.

equitable international order that provides a greater voice for developing countries. Countries' differing approaches to prioritization and speed of implementation will continue to create massive hurdles to progress, as the US withdrawal from the Paris Climate Accords attests. But there is a kernel of hope in the fact that China's end goal for the environment—as Xi puts it, to “make our world clean and beautiful by pursuing green and low-carbon development”—expresses a universal hope rather than a claim that China offers a unique and superior path to a better world. It leaves open a greater possibility of flexibility in China's approach.

In the environmental dimension, the US and other countries can persevere in cooperation with China, highlighting long-term alignment in strategic interests despite important differences in timelines, approach, and priorities. As friction grows between Washington and Beijing on trade and many other issues, an area for cooperation could provide a valuable source for interaction that is genuinely win-win.

POLICY IMPLICATIONS

Beijing's attempt to build a community of common destiny presents a challenge for the US and like-minded nations committed to the free and open international order.⁶² What options do policymakers have to respond?

An effective US strategy would account for the comprehensive character of China's aspirations. Washington has started to move in this direction and broaden its focus beyond trade. At this juncture, several steps could help policymakers build a broader strategy on the foundation of a correct understanding of how Beijing operates *and* a fuller appreciation of the advantages that the US and like-minded nations can bring to the competition.

To begin with, **China watchers have the opportunity to broaden how they inform policymakers and the public about Beijing's own articulation of its global ambitions.** US observers frequently use the trinity of economic, political, and security factors to explain China's motives, but this well-worn framework misses the full scope of Beijing's aspirations for global leadership. By Xi's own account, Beijing intends to realign global governance across *at least* five major dimensions: politics, development (to include economics, society, and technology), security, culture, and the environment. Early identification of

62 Statement of Alex Wong, Deputy Assistant Secretary of State, Hearing Before the Senate Foreign Relations Committee Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy, 115th Congress (15 May 2018).

emerging Chinese banner terms offers US policymakers a greater chance to influence these concepts before repetition in Chinese leaders' speeches, official documents, and laws cement their place in Chinese strategy. Awareness of these concepts would also help policymakers anticipate their Chinese counterparts' talking points and avoid carelessly repeating them—and unintentionally signaling acceptance of Beijing's proposals. To accomplish all this, governments and scholars can consider devoting more resources to monitoring and analyzing Beijing's publicly available, high-level documents and authoritative media. Deeper understanding of the party's rhetoric and use of information as a tool of statecraft can be incorporated into US policymaking processes.

Bolstering China-related expertise is only part of the solution, however. As has been argued elsewhere, the US lacks a sufficiently robust “team to take the field”—**a cadre of individuals with the right combination of expertise on China, policy tools, and competitive strategy.**⁶³ Beijing's systematic fusing of categories that in the West are generally considered distinct has created strategic dilemmas for Washington and its allies. Examples of these blurred lines include Beijing's effort to “fuse” its military and civil industrial bases,⁶⁴ the party's intrusions into private and foreign firms,⁶⁵ and its growing use of political influence activities overseas.⁶⁶ These conditions are forcing Washington to reevaluate how it weighs the costs and benefits of engagement with China. Questions such as “Will it boost quarterly earnings?” and “Does it break any laws?” or “Is it state-owned or private?” produce answers that fail to account for hidden economic costs and national security risks. The US government needs rigorous, cross-disciplinary frameworks to

63 Peter Mattis, “From Engagement to Rivalry: Tools to Compete with China,” *Texas National Security Review* 1, no. 4 (August 2018), <https://tnsr.org/2018/08/from-engagement-to-rivalry-tools-to-compete-with-china/>.

64 China's plan to break down barriers between the defense and civilian industrial bases involves “military-civil fusion” which aims to promote the free flow of technology, intellectual property, talent, and expertise between civilian and defense entities and to ensure that China develops a “strong army.” For more on this and the challenge it poses to the US, see remarks by Christopher A. Ford, “Chinese Technology Transfer Challenges to U.S. Export Control Policy,” <https://www.state.gov/t/isn/rls/rm/2018/284106.htm>.

65 See, for example, Simon Denyer, “Command and Control: China's Communist Party Extends Reach into Foreign Companies,” *Washington Post*, 28 January 2018, https://www.washingtonpost.com/world/asia_pacific/command-and-control-chinas-communist-party-extends-reach-into-foreign-companies/2018/01/28/cd49ffa6-fc57-11e7-9b5d-bbf0da31214d_story.html?noredirect=on&utm_term=.1cb8653eece4, accessed 1 May 2019.

66 For a thorough assessment of the party's “united front” work to influence domestic audiences, see Anne-Marie Brady, “Magic Weapons: China's Political Influence Activities Under Xi Jinping,” <https://www.wilsoncenter.org/sites/default/files/magicweaponsanne-mariebradyseptember162017.pdf>.

conduct this type of cost-benefit analysis. The creative thinking required to develop them is unlikely to emerge from government alone. As US policymakers broaden the focus of competition with China beyond trade issues, engaging with innovative thinkers with diverse perspectives on competition in business, marketing, economics, science and technology, history, entertainment, and other fields can help them conceptualize the challenge, set priorities for addressing it, and devise effective strategies for competing with China.

Finally, the US has an opportunity to **use public affairs and diplomacy to counter problematic elements of Beijing's governance proposals**. Many in Washington are reluctant to publicly dispute Beijing's ideas, for fear of provoking China. But challenging Beijing's proposals is not the same as merely "poking" China. Xi's bid to build a community of common destiny is an invitation to a debate over the best approach to global governance and the validity of competing governance models. The US brings significant advantages to the debate — including a competitive marketplace of ideas, a strong capacity for clear-eyed self-reflection, and a willingness to acknowledge its own shortfalls. Media rancor, political chaos, and foreign policy stumbles have understandably prompted many in the US and other developed democracies to compare their systems unfavorably to Beijing's. But this is shortsighted. Beijing's need to exert rigid control over its media, corporations, officials, and citizens reveals vulnerability rather than strength. Its highly orchestrated, ostentatious campaigns to trumpet its vision are nothing to envy. In its public affairs and exchanges with Chinese interlocutors in bilateral and multilateral settings, the US has an opportunity to listen carefully to China's proposals—and clearly reject the ideas that are incompatible with the principles of a free and open order. Washington can argue vigorously for the order's principles even while admitting that its stewardship of these principles is imperfect. Finally, Washington and others can consistently make clear that the free and open order is also open to China. Indeed, the order would be stronger—as would China itself—if Beijing chose to accept the invitation.

3 China's Foreign Policy in the Indo-Pacific Region and US Interests

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1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Daniel K. Inouye Asia-Pacific Center for Security Studies, US Department of Defense, or US Government.

INTRODUCTION

This chapter examines China's growing influence in the Indo-Pacific region and the United States (US) strategy to cope with it. What are China's goal and strategy in the Indo-Pacific region? What activities has China conducted to achieve that strategic goal, and how have they intersected with US interests in the region? What further actions should be taken to counter Chinese influence more effectively? For a focused analysis, this chapter primarily investigates Chinese foreign policy behaviors in the region for the last ten years from 2008 to 2018, and explores the prospect of US-China relations in the next five to ten years.

China's grand strategy in the Indo-Pacific region is distinguished from other regions for its conscious pursuit of regional hegemony. Due to economic growth and expansion of commercial and strategic reach, China perceives the need to expand its sphere of influence abroad. However, China has to be careful not to provoke the US as a status-quo superpower or in the formation of a coalition of balancing-forces countries in the region. Therefore, while trying to avoid creating the impression that China directly challenges the US and intimidating neighboring countries with military force, China has adopted the tactics of (1) salami slicing to establish the fact of ownership over the islands in South China Sea (SCS), (2) using economic tools to punish challengers in Northeast Asia or to pull potential partners from other sub-regions, and (3) dividing the countries of Southeast Asia to prevent their unity against China.

This chapter presents the Tit-for-Tat strategy as an alternative principle for the formulation of US policy toward China from a longer-term perspective. There is growing consensus among security experts that the US needs to take tougher actions than before, which even includes direct use of force against China.² But it remains unclear what the end state is: if the US does not aim to contain China, as it did with the Soviet Union during the Cold War, then how can the US motivate China to become more cooperative and responsible when engagement is attempted? While recommending tough measures, Tit-for-Tat strategy is distinguished from a hawkish approach as it gives equal weight to the needs of confrontation and cooperation. I argue that the US should adopt the Tit-for-Tat approach by using tough measures to match China's own non-cooperative actions and, at the same time, by signaling

2 See Oriana Skylar Mastro, "The Stealth Superpower: How China Hid Its Global Ambitions," *Foreign Affairs* 98, no. 1 (January/February 2019); Patrick Cronin, "In Search of a Southeast Asian Response to China's Bid for Dominance," *War on the Rocks*, 25 May 2015, <https://warontherocks.com/2015/05/in-search-of-a-southeast-asian-response-to-chinas-bid-for-dominance/> accessed on 9 January 2019; Michael Beckley, "The Emerging Military Balance in East Asia: How China's Neighbors Can Check Chinese Naval Expansion," *International Security* 42, no. 2 (Fall 2017).

US willingness to cooperate if China enacts cooperative policies first. This way the US can develop a carefully calibrated toolkit of coercive measures that can be employed in a manner that prevents spiraling escalation, while nudging China into tangible adherence with international norms and standards as a prerequisite to meaningful cooperation. The objective of Tit-for-Tat strategy is to instill Beijing with the idea that *reciprocity* will be the key principle to guide the stable management of the US-China relationship.

CHINA'S GOAL AND STRATEGY IN THE INDO-PACIFIC REGION

It may be controversial whether China clearly aims to become a global hegemon or a regional hegemon in Africa or Latin America. As far as the Indo-Pacific region is concerned, however, China does aim to become a regional hegemon. For many years, Chinese leaders and academics have tried hard to convince the world that China would not pursue hegemony (霸权; *Bàquán*).³ And there is some element of truth in such remarks, if the Chinese mean that China would not pursue a global hegemony, as once the Soviet Union did and currently the US does.⁴ Certainly Xi Jinping's goal is to revive the past glory of Chinese empire in the name of the "China Dream" (中国梦; *Zhōngguó Mèng*), but it remains debatable as to whether the slogan should be interpreted as revealing China's desire to become a world hegemon or not. What is clear is that China perceives it increasingly *needs* to act like a hegemon.⁵ As China's economy grows, the extent of its national interests expands beyond its borders, and China therefore feels the need to expand its sphere of influence to secure these extended national interests overseas.⁶ China's own official documents such as the 2015 white paper on "China's Military Strategy" explicitly highlights this point by stating that "in response to the new requirement coming from the country's growing strategic inter

3 Yanan Wang, "China Will 'Never Seek Hegemony,' Xi Says in Reform Speech," *AP News*, 18 December 2018.

4 For the realist's explanation of the US motivation in pursuit of global hegemony, see John Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton & Company, 2001). For liberal accounts, see John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (New Jersey: Princeton University, 2011); Joseph Nye, *Is the American Century Over?* (Cambridge: Polity, 2015).

5 Borrowing the concept of power as defined by Robert Dahl, I define hegemon as a major power that has intent or influence to make other countries do something that they would not otherwise do.

6 More specifically, China's demand for energy drives the expansion of its foreign policy and security policy to make sure the flow of energy remains uninterrupted, so as to maintain its dramatic economic growth. Robert Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (New York: Random House, 2010): 282.

ests, ... China's armed forces mainly shoulder ... strategic tasks to safeguard the security of China's overseas interests."⁷

While China has a growing need to act like a hegemon, it also faces the US as an impediment to its pursuit of global hegemony. Not only can China not challenge the US global hegemony yet, but China might not want to replace the US as a global leader because China has greatly benefited from the liberal system led by the US, to the extent that critics even accuse China of free-riding on economic development without much contribution to maintaining the liberal order.⁸ Even if China has a secret desire to challenge the US status as a superpower, as many suspect in the West, China still has a long way to achieve parity with US national power.⁹ In other words, given the huge disparity in military capabilities and economic size, China cannot match US power yet. The compromise between China's need to act like a hegemon and the reality of its power gap with the US is to pursue a regional hegemony where China has an advantage with its proximity. Hence China's goal for the next five to ten years in the Indo-Pacific region is set to establish regional hegemony.¹⁰

Still, China should be careful not to provoke the US and a coalition of balancing forces among countries in the region. Therefore, instead of advancing eastward where US troops are firmly stationed in South Korea and Japan, China focuses on expanding its sphere of influence to the West and South. Instead of an outright takeover of the disputed islands in the South China Sea, China adopts the tactics of salami slicing: gradually establishing the facts of sovereignty by creating man-made islands and militarizing some of them to function as China's de facto military base. Instead of building a military network, China eco-

7 See "China's Military Strategy (full text)," released by the Information Office of the State Council of the People's Republic of China on 27 May 2015, http://english.gov.cn/archive/white_paper/2015/05/27/content_281475115610833.htm, accessed January 9, 2019.

8 For the account that China has benefited from liberal world order, see G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs* 87, no. 1 (January/February 2008). For the criticism that China exploits the liberal system without much contribution, see Kurt M. Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs* 97, no. 2 (March/April 2018).

9 Joseph Nye argues that "the US is better positioned than China not just in terms of military power, but also in terms of demographics, technology, currency reserves, and energy independence. There is no need to succumb to exaggerated fears." Joseph Nye, "Did America Get China Wrong?: The Engagement Debate: Time Will Tell," *Foreign Affairs* 97, no. 4 (July/August 2018). For a more detailed comparison of national power between the US and China, see Michael Beckley, "China's Century? Why America's Edge Will Endure," *International Security* 36, no. 3 (Winter 2011/12): 41-78.

10 It remains to be seen whether China will pursue a global hegemony to replace the US in the end. While not denying that many Chinese might have such desires, I focus on China's strategic goal of becoming a regional hegemon as a more certain thing that is happening on the ground than of becoming a global hegemon in an unspecified time of the distant future.

nomically engages countries in Southeast Asia, South Asia, and Central Asia, trying to tie them in the China-centered economic web of the One Belt, One Road (OBOR; 一帶一路)¹¹ initiative. Observing this set of policies, some prominent China experts claim that China is a “stealth superpower” which pursues “regional hegemony in slow motion.”¹²

It is noteworthy how China has exercised economic statecraft for security purposes in the Indo-Pacific region. For example, after a Chinese fisherman purposely rammed a Japanese Coast Guard vessel near the disputed Senkaku (in Chinese, Diaoyudao) islands, China forced the return of the captain, whom Japan had intended to put on trial, by banning the export of rare earth minerals, one of key resources for Japan’s technology industry.¹³ In a similar attempt, China banned tourism to South Korea and disrupted the business of some South Korean companies operating in China to protest the US deployment of Terminal High Altitude Area Defense (THAAD) to South Korea in 2016. While economically punishing the countries that are deemed to challenge China’s security interests, China attempts to draw closer the countries in Southeast Asia and South Asia by providing economic incentives for their strategic cooperation with China. For example, China invests heavily in Pakistan, Bangladesh, and Sri Lanka in exchange for the right to use their ports for China’s naval activities, which serves China’s purpose to project power overseas.¹⁴

China also adopts the strategy of divide and rule, targeting countries in Southeast Asia and South Asia. China has tried to deepen its relationships with Cambodia and Burma, which serve to prevent the unity of the Association of Southeast Asian Nations (ASEAN) against China over SCS issues.¹⁵ Recently, China also seems to have effectively

11 The Editors have chosen to conform to the “One Belt, One Road” formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the Introduction, p 9.

12 See Patrick Cronin, “Chinese Regional Hegemony in Slow Motion,” commentary, *War on the Rocks*, 18 May 2015, <https://warontherocks.com/2015/05/chinese-regional-hegemony-in-slow-motion/> accessed 9 January 2019; Mastro, “The Stealth Superpower: How China Hid Its Global Ambitions.”

13 For a detailed account of the incident, see Sheila A. Smith, “A Shared Maritime Boundary,” *Intimate Rivals: Japanese Domestic Politics and a Rising China* (New York: Columbia University Press, 2016).

14 Tom Miller, *China’s Asian Dream: Empire Building Along the New Silk Road* (London: Zed Books, 2017): 175.

15 In 2012, ASEAN under the chairmanship of Cambodia failed to issue a joint communique for the first time in its history. Critics labelled Cambodia a Chinese puppet. See “ASEAN Nations Fail to Reach Agreement on South China Sea,” *BBC News*, 13 July 2012, <https://www.bbc.com/news/world-asia-18825148> accessed 9 January 2019; for a brief history of uniting and dividing within ASEAN countries, see Malcolm Cook, “Southeast Asia’s Developing Divide,” open forum,

drawn more cooperative policies from Vietnam and the Philippines by offering opportunities for joint development of the SCS.¹⁶ India has been expected to play a role of counterweight against China, but Indian strategists discern China has deliberately invested in cultivating its relationships with the countries surrounding India, such as Pakistan, Sri Lanka, and Bangladesh, to effectively keep South Asia divided from checking China's expansion of influence in the region.¹⁷

CHINESE INFLUENCE AND AMERICAN INTERESTS IN THE REGION

China aims to achieve its goal of establishing regional hegemony in the Indo-Pacific region without provoking the US and a coalition of balancing forces by slowly advancing its military capabilities, utilizing economic tools, and selectively engaging regional countries. Under this set of strategies, what specific activities has China employed and how do they intersect with American interests in the region? What has the US done to cope with Chinese activities and what are the challenges ahead? This section explores these questions focusing on the three main issue areas of (1) maritime security in the South China Sea, (2) geopolitics in the Korean Peninsula and Taiwan, and (3) economic statecraft.

Maritime Security in the South China Sea

Since 2008, China's foreign policy has turned assertive in almost every area, but nowhere is this change more evident than in the SCS.¹⁸ The Chinese navy, coast guard, and maritime militia form the largest maritime force in the SCS, and have gradually, but effectively, pushed Philippine and Vietnamese fishermen out of their customary areas.¹⁹ China has established the facts of ownership over the disputed islands by sending tourists, anchoring ships with Chinese flags, building artificial islands, and, most importantly, "militarizing" the islands by building mili-

Asan Forum, 1 August 2014, <http://www.theasanforum.org/southeast-asias-developing-divide/>, accessed 11 January 2019.

16 See "Beijing and Hanoi Promise to Keep the Peace in South China Sea, Where Vietnam Has Emerged as Most Vocal Claimant," *South China Morning Post*, 1 April 2018, <https://www.scmp.com/news/asia/southeast-asia/article/2139849/beijing-and-hanoi-promise-keep-peace-south-china-sea-where>, accessed 9 January 2019.

17 Indian strategists perceive that India faced China's encirclement strategy since China provides arms to the countries surrounding India. Kaplan, *Monsoon*, 127.

18 On the account of how China's foreign policy suddenly turned assertive in 2008, see Thomas Christensen, "The Advantages of an Assertive China: Responding to Beijing's Abrasive Diplomacy," *Foreign Affairs* 90, no. 2, (March/April 2011).

19 *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018*, US Department of Defense, https://dod.defense.gov/Portals/1/Documents/pubs/2017_China_Military_Power_Report.PDF, accessed 11 January 2019.

tary outposts armed with long-range anti-ship and anti-air missiles.²⁰ It is also significant that China has been using this tactic of low-intensity coercion in maritime disputes while ignoring the international ruling by the Permanent Court of Arbitration (PCA) against China's maritime claims in SCS.

How did these Chinese activities in the SCS intersect with the US interests in the region? As China's policies became more assertive, US allies and partners in Southeast Asia have more willingly relied on the US to counterbalance the expansion of Chinese influence. From Washington's own perspective as well, the US cannot afford to allow China to dominate the SCS, given the sea's strategic importance as a major route for trade and energy. This is part of the reason the Obama administration announced the policy of the "Pivot to Asia."²¹ Since then, the US has tried to strengthen its alliances and partnerships in the region—notably with Singapore, Australia, and India—and renewed its cooperation with Vietnam as well. The US military also has conducted Freedom of Navigation Operations, under which America sails naval vessels through the SCS. High-ranking officials have also repeatedly made statements that the US will stay involved in the region, promoting the "Free and Open Indo-Pacific" as a shared vision for interstate cooperation in the region.²²

But the methods the US uses to pursue its strategy have not been sufficient to neutralize the Chinese tactic of salami slicing over the disputed islands. China has simply ignored the US show of force while continuing to militarize the islands and effectively kept ASEAN countries divided through skillful diplomacy and extension of economic benefits. Beijing also simply ignored PCA's ruling against its maritime claims in SCS, which sets a bad precedent that a country can escape punishment even after violating the international norm of rule of law. In

20 See "China Is Putting Troops, Weapons on South China Sea Islands, and Has Every Right to Do So, PLA Official Says," *South China Morning Post*, 2 June 2018; "China Has Militarised the South China Sea and Got Away with It," *Economist*, 21 June 2018.

21 Hillary Clinton, "America's Pacific Century: The Future of Geopolitics Will Be Decided in Asia, Not in Afghanistan or Iraq, and the United States Should Be Right at the Center of the Action," *Foreign Policy* 189 (November 2011). For a critical review of the policy, see Robert Ross, "The Problem with the Pivot: Obama's New Asia Policy Is Unnecessary and Counterproductive," *Foreign Affairs* 91, no. 6 (November-December 2012): 70-82.

22 For example, see remarks by the US Secretary of Defense James Mattis at the Plenary Session of the 2018 Shangri-La Dialogue, transcript released by the US Department of Defense, 2 June 2018, <https://dod.defense.gov/News/Transcripts/Transcript-View/Article/1538599/remarks-by-secretary-mattis-at-plenary-session-of-the-2018-shangri-la-dialogue/>, accessed 11 January 2019; see also the testimony by Randall Schriver, Assistant Secretary of the US Department of Defense, for the Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy, on 15 May 2018, <https://www.foreign.senate.gov/hearings/american-leadership-in-the-asia-pacific-part-5-the-asia-reassurance-initiative-act-051518>, accessed 15 April 2019.

short, despite significant attempts to sanction China's misbehavior in the SCS, China continues to act with impunity.

Geopolitics on the Korean Peninsula and Taiwan

In addition to the SCS, many scholars and security experts have selected the Korean Peninsula and Taiwan as flash points for potential conflicts between the US and China.²³ On the Korean Peninsula, China has traditionally taken dual approaches to deal with North Korea-related problems. On principle, China opposes North Korea's nuclear development and publicly criticizes Pyongyang whenever North Korea conducted nuclear tests. Yet China protects North Korea from regime collapse through diplomatic and economic support. This pattern of criticism and support has dramatically intensified in the last two years. In 2017, China exerted enormous pressure on North Korea by stringently implementing international sanctions.²⁴ Conversely, in 2018, China embraced North Korea by inviting Kim Jong-un three times for summits with Xi Jinping and supported Kim's diplomatic engagement with the US. Regarding Taiwan, Beijing has made it clear that China will use military force if Taiwan moves toward independence. In recent years, China has strengthened its anti-access, area denial (A2AD) capabilities to prevent US intervention in the event China uses forces against Taiwan. It is true that China has ratcheted up pressure diplomatically, commercially, and militarily since Tsai Ing-wen took office as president of Taiwan in 2016. Yet, according to the 2018 US Department of Defense on China's military posture, there is no indication that the Chinese navy is significantly expanding its landing ship force necessary for an amphibious assault on Taiwan. In the end, Beijing does not seek to upset the current arrangement of "no independence and no militarily-forced unification."²⁵ In this sense, China's priority on the Korean Peninsula and Taiwan appears to maintain

23 For example, see Graham Allison, "From Here to War," *Destined for War: Can America and China Escape Thucydides's Trap?* (New York: Houghton Mifflin Harcourt, 2017): 154-186.

24 On the impact of China's sanctions against North Korea, see Susan V. Lawrence, Mark E. Manyin, and Keigh E. Hammond, "China's February 2017 Suspension of North Korean Coal Imports," *Congressional Research Service Insight*, 25 April 2017, <https://fas.org/sgp/crs/row/IN10659.pdf>, accessed 15 April 2019; Victor Cha, "The Meaning of China's Coal Ban on DPRK," blog posted by the Center for Strategic and International Studies, 20 February 2017, <https://www.csis.org/analysis/meaning-chinas-coal-ban-dprk>, accessed 15 April 2019; Jeremy Page, Andrew Jeong, and Ian Talley, "China, Finally, Clamps Down on North Korea Trade—And the Impact Is Stinging," *Wall Street Journal*, 2 March 2018.

25 The full quotation from the report is: "Although the PLAN seeks to achieve maritime superiority within the first island chain and to deter a third party from intervening in a Taiwan campaign, there is no indication that it is significantly expanding its landing ship force necessary for an amphibious assault on Taiwan." See *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018*, 100.

the status quo, and not be a revisionist one as seen in the case of SCS.²⁶

Yet, in the long run, changing situations within the Korean Peninsula and Taiwan can drive the US and China down the road to conflict. Concerning North Korea's nuclear weapons program, the following pattern has been repeatedly observed over the past decades: as North Korea continues to develop its nuclear and missile capabilities, the US has increasingly felt an urgent need to take actions to prevent its further advancement. Washington has tried to persuade Beijing to exert more influence over Pyongyang, but China has not been very cooperative. Rather, some observes suspect China uses North Korea as a bargaining chip in its overall diplomacy with the US.²⁷ In Taiwan's case, there is a growing sense of alienation from China among the people of Taiwan. The younger generation in Taiwan increasingly view themselves as Taiwanese, as separate from the Chinese living on the mainland. This self-identification of Taiwanese, not Chinese, has not translated into a popular movement for Taiwan's independence yet, but is still taken as a serious sign of change from Beijing's perspective.²⁸ If China threatens Taiwan militarily, like it did with missile exercises in 1996, the US may need to consider intervening to protect Taiwan, like it did by dispatching two Carrier Strike Groups and an amphibious task force to the vicinity of the Taiwan Strait. It is in this way the geopolitics of the Korean Peninsula and the Taiwan Strait can escalate tensions between the US and China, possibly dragging them into conflict if tensions spiral out of control.

Illiberal Economic Statecraft

As noted above, China has been utilizing economic tools to influence US allies and partners in the region. In this regard, China challenges the liberal order of free trade and market capitalism that the US has tried to promote in the region for decades.²⁹ In Northeast Asia, China punishes US allies by manipulating their economic dependence on the Chinese market and resources. While the Chinese government can command private firms, not to mention state-owned enterprises, to

26 The recent defeat of DPP and the KMT revival in the 2018 local election was welcomed by Beijing, which signals that China may soften its approach. Therefore, it can be argued that China largely aims to maintain the status-quo with some variance in hardening or softening its approach toward Taiwan. See Charissa Yong, "US, Taiwan to Grow Closer Amid China Tensions: Experts," *Straits Times*, 11 April 2019.

27 Andrew Kydd, "Pulling the Plug: Can There Be a Deal with China on Korean Unification?" *Washington Quarterly* 38, no. 2 (May 2015): 68.

28 Jie Dalei, "Three Big Takeaways from Xi Jinping's Taiwan Speech," *Washington Post*, 10 January 2010.

29 Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge, Massachusetts: Harvard University Press, 2016): 2.

follow its directives for strategic purposes, the private sectors in Japan, South Korea, and Taiwan press their governments to resolve the strategic issues with China in order to minimize their economic losses.³⁰ This is a part of the bigger contest between the model of state-led capitalism, as represented by China, and the liberal market economy nurtured by the US globally.³¹ Yet the US did not show sufficiently visible support for its allies when they were faced with the coercive power of China's economic statecraft. In Southeast Asia and South Asia's cases, China has extended a considerable amount of economic support for the developing countries as part of its "charm offensive" strategy. Yet the Chinese-style support, which imitates China's own investment-led growth model with heavy emphasis on building infrastructure, appears to actually be hurting the local economies with shoddy construction, environmental degradation, and inefficient use of resources caused by corruption.³² China's "debt diplomacy" with developing countries not only erodes US influence, but also challenges the principle of a liberal market economy that the US has strived to promote in these regions.

POLICY RECOMMENDATIONS: TIT-FOR-TAT STRATEGY

Two problems have made the execution of US policy in the Indo-Pacific region largely ineffective: an impulsive reaction to China's military expansion and lack of action to cope with it. First, US policymakers appear to have a hard time accepting the reality that China's military rise has been the natural outcome of its stunning economic growth and that the US is no longer a sole dominant power in East Asia.³³ To be sure, this does not mean China will replace the US as the world's only superpower. China's overall national power is still far from challenging the US at the global level.³⁴ Yet China has already developed sufficient military capabilities to disrupt US military operations at the regional level as far as the Indo-Pacific is concerned. Thus there exists a structural gap between the

30 On the overall account of China's use of economic tools for diplomatic purposes, see William J. Norris, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control* (New York: Cornell University Press, 2016).

31 For more information on this topic, please see Barry Naughton, Kellee Tsai ed., *State Capitalism, Institutional Adaptation, and the Chinese Miracle* (Cambridge University Press, 2015); Yukon Huang, *Cracking the China Conundrum: Why Conventional Economic Wisdom is Wrong* (Oxford University Press, 2017); Ian Bremmer, "State Capitalism Comes of Age," *Foreign Affairs* (May/June 2009 Issue); "The Rise of State Capitalism" *The Economist*, January 19, 2012

32 Miller, *China's Asian Dream*, 23.

33 Robert Kaplan, "Opinion: How President Trump Is Helping Beijing Win in the South China Sea," *Washington Post*, 9 October 2018.

34 Michael Beckley, *Unrivaled: Why America Will Remain the World's Sole Superpower* (New York: Cornell University Press, 2018).

emerging bipolarity at the regional level and the unipolarity at the global level. A problem occurs when policymakers do not see clearly through the difference and inflate the regional bipolarity to the global level. The exaggerated fear that China can and will quickly challenge the US to “rule the world” as a global hegemon creates an unnecessarily heightened sense of urgency that the US should do everything to stop China from rising as a regional power in the first place.³⁵ The failure to acknowledge the fact of China’s rise as a peer-competitor at the regional level, strangely combined with the exaggerated fear that China will replace the US as global superpower, tends to reduce the strategic flexibility and narrow the range of options that the US can develop vis-à-vis China in the medium and longer term.

The second problem is that the US has not sufficiently taken effective action to check China’s expansion of influence in the region, despite its impressive rhetoric of the “Pivot to Asia.” The lack of action is odd given the heightened threat perception of China, and tough talk by high-ranking US officials in recent years.³⁶ For example, the US did not conduct naval patrols in support of its allies and partners with sufficient frequency when China started to take over the disputed islands in the SCS.³⁷ Understandably, the US strategic focus on the Indo-Pacific region was distracted by the chaotic situations in the Middle East and Europe. It is also reasonable that the US tries to avoid an unintended conflict with China over a bunch of small islands located far from the US mainland. As a result, while the US was distracted and hesitant, China could push the envelope and persistently advance its national interests in the region.³⁸ China continued to protect North Korea, threaten Taiwan, and militarize the islands, while ignoring the US show of force and the international ruling against China’s maritime claims in the SCS. The combination of an impulsive rejection of China’s rising power and

35 For instance, see Peter W. Navarro and Greg Autry, *Death by China: Confronting the Dragon - A Global Call to Action* (New Jersey: Pearson FT Press, 2011); Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, 2nd ed. (New York: Penguin Books, 2012); Michael Pillsbury, *Hundred-Year Marathon: China’s Secret Strategy to Replace America as the Global Superpower* (New York: St. Martin’s Press, 2016).

36 Thomas Maresca, “Mike Pence Challenges China at Asia-Pacific Economic Summit,” *USA Today*, 17 November 2018.

37 For example, the US declined to send naval ships in support of the Philippines, a defense treaty ally, to an area that international law has designated as within the Philippines’ exclusive economic zone, when China started to take over the islands of the Scarborough Shoal. Dr. Alexander Vuying, a leading scholar on the South China Sea issue, commented, “The U.S. failure to support its ally in the Scarborough standoff also demonstrated to people like Duterte that he had no other option than to kowtow to China.” See Hannah Beech, “China’s Sea Control Is a Done Deal, ‘Short of War with the U.S.’,” *New York Times*, 20 September 2018.

38 Kurt M. Campbell and Ely Ratner, “The China Reckoning: How Beijing Defied American Expectations,” *Foreign Affairs* 97, no. 2 (March/April 2018).

the lack of actions to counter it generates the adversarial outcome that Kurt Campbell and Ely Ratner have summarized as Washington being confrontational without being competitive while Beijing is increasingly competitive without being confrontational.³⁹

A new policy direction should be sought reversing the logic of these two problems: accept the hard reality and take action. First, US policymakers should recognize the complex reality that China has already emerged as a peer competitor at the regional level, but still lags far behind US power at the global level. While acknowledging China's desire for military rise as a natural outcome of economic development, US policymakers can focus on shaping China's foreign policy behavior to comply with the rule-based order, instead of impulsively reacting to China's rise.⁴⁰ US policymakers need to realize China's power is far from reaching parity with the US at the global level, despite its impressive military capabilities at the regional level, and the US has the time and resources to influence China's foreign policy behavior. The US goal in the region should be, then, to integrate China into the rule-based order, not contain it, and establish a new norm of cooperation between the US and China.⁴¹ The question comes down to: how can the US motivate China to be more cooperative and responsible when engagement was tried in the past without much fruitful outcome?

In his analysis of the evolution of cooperation, political scientist Robert Axelrod argues that Tit-for-Tat is the best strategy to promote cooperation among selfish players without central authority.⁴² Based on the principle of reciprocity, the US should adopt the Tit-for-Tat strategy to motivate China to be more cooperative on regional politics. Here is the logic: the US and China are in a situation similar to the prisoner's dilemma. In the analogy of the prisoner's dilemma, the two players know that they both will be better off by cooperating with one another, but

39 Ibid.

40 On the discussion of whether the US has an ability to shape China's behavior and how to do it, see Thomas Christensen, *The China Challenge: Shaping the Choices of a Rising Power* (W. W. Norton & Company, 2016)

41 There is near-consensus among China specialists that, since 2008, the competition has been growing and becoming primarily between the US and China, while the cooperative elements are secondary and declining. David Shambaugh, *Tangled Titans: The United States and China* (Maryland: Rowman & Littlefield Publishers; 2012): 5. Concerning the Chinese foreign policy's sudden change in 2008, some analysts argue that leaders in Beijing believed their country's accelerated economic and military ascent, together with America's focus on the Middle East as well as the debilitating economic crisis at home, created a strategic opening for China. See Wu Xinbo, "Understanding the Geopolitical Implications of the Global Financial Crisis," *Washington Quarterly* 33, no.4 (October 2010): 155-163; Bonnie S. Glaser and Lyle Morris, "Chinese Perceptions of U.S. Decline and Power," *China Brief* 9, no.14 (9 July 2009): 1-6.

42 Robert Axelrod, *The Evolution of Cooperation*, rev. ed. (New York: Basic Books, 2006).

mutual cooperation does not guarantee the maximum benefits one can gain individually by defecting first while the other side stays cooperative. Thus, both players have incentives to defect first, which would only result in a suboptimal outcome where both players become worse off had they cooperated. In this circumstance, Tit-for-Tat is the best strategy to restore cooperation as it combines the tactics of retaliation, forgiveness, and clarity.⁴³ You should not be the one to defect first, but when the other side defects, you are entitled to defect as a way to communicate the principle of reciprocity to the other side.⁴⁴ In the case of contemporary US-China relations, China is deemed to have defected from cooperation first with its assertive turn in foreign policy in 2008.⁴⁵ Therefore, as part of the Tit-for-Tat strategy, now it is the US's turn to defect as much as China has defected, but with the willingness to cooperate once China commits to doing so.

At the policy level, the US perceives China as having made the biggest defection from cooperation in the SCS.⁴⁶ Beyond tough talk and shows of force, the US needs to take concrete action to counter China's salami-slicing tactics. The challenge is how to communicate that US actions are temporary policy measures intended not to permanently retaliate for China's past deeds of defection, but meant to temporarily match China's own actions in a commensurate manner, in order to convince them to return to cooperation based on the principle of reciprocity. Certainly, this is a difficult task to achieve. An attempt by US naval warships to physically repel Chinese vessels—including its naval assets—or to destroy Chinese military installations on disputed islands by military means, may be the fastest way to go to war with China. Short of this, what other measures can the US take to push back against China without the danger of massive conflict? Actions speak louder than words, but how can the US still signal the benign intent to play a reciprocal game in the long run, while trying to repel Chinese influence at the same time?

The answer lies in the broad and deep military network that the US already has established in the Indo-Pacific region. According to the

43 Ibid., 54.

44 Ibid., 23.

45 To be fair, the Chinese would not agree with the description that China has defected from cooperation first, thus disagreeing with the logic that other countries are entitled to take punitive measures against China. Whether China agrees or not, however, what matters is that China's behaviors have been increasingly perceived by other states as threatening and destabilizing since 2008.

46 China should worry about the contingency regarding Taiwan and the Korean Peninsula for the near and medium term, but the South China Sea beckons as the key to China's geostrategic future at the strategic level, in the long run. Kaplan, *Asia's Cauldron*, 20.

recent study by Michael Beckley, political scientist at Tufts University, many countries in the region already have developed sufficient A2AD capabilities that can effectively deny China's dominance. Because China's power projection forces are more expensive and more difficult to develop than their A2AD capabilities and China's economic growth is slowing down, the future trend is not in China's favor.⁴⁷ Moreover, countries in the region are also starting to reinforce their own military cooperation ties.⁴⁸ The US should support balancing efforts among its allies and partners to cope with China's expansion of influence. The US can augment these countries' own efforts to practice Tit-for-Tat strategy vis-à-vis China, through bolstering their defense capabilities, providing them with loans, arms, training, and intelligence, while signaling the US intent to use military force to defend these countries from China.⁴⁹ The US also can increase economic support for countries, such as Pakistan, Bangladesh, Sri Lanka, Laos, Cambodia and Burma that are starting to realize they are entrapped in the web of debt to China through their participation in OBOR projects.⁵⁰ Local populaces have lamented the corruption and pollution that Chinese influence brings to their countries, and these grievances create a strategic opportunity for the US to refocus its efforts in engaging with these countries.⁵¹

From this strategic discussion, the following courses of actions are proposed:

- Upgrade military cooperation with Vietnam and the Philippines; augment their maritime capabilities with a focus on visible, robust, and mobile A2AD capabilities and support their maritime patrolling and militarizing the disputed islands adjacent to their coastlines.
- Redesign US defense policies for engaging with Pakistan, Bangladesh, Sri Lanka, Cambodia, and Burma. Rather than cutting military engagement as punishment, use military engagement to highlight areas of common interest.

47 Also, homeland security operations consume large shares of China's military resources. See Beckley, "The Emerging Military Balance in East Asia."

48 Joshua Kurlantzick, "Philippines and Vietnam Rapidly Building Strategic Partnership," *Asia Unbound*, Council on Foreign Relations, 24 April 2015, <https://www.cfr.org/blog/philippines-and-vietnam-rapidly-building-strategic-partnership>, accessed 14 January 2019; Prashanth Parameswaran, "What's Next for Vietnam-Philippines Defense Ties?" *Diplomat*, 11 August 2018, <https://thediplomat.com/2018/08/whats-next-for-vietnam-philippines-defense-ties/>, accessed 14 January 2019.

49 Mastro, "The Stealth Superpower"; Beckley, "The Emerging Military Balance in East Asia."

50 Kaplan, *Asia's Cauldron*, 40; John Pomfret, "China's Debt Traps around the World Are a Trademark of Its Imperialist Ambitions," *Washington Post*, 27 August 2018.

51 Miller, *China's Asian Dream*, 47, 120-123, 130-133.

- Encourage and support ASEAN unity to resist PRC advocacy of a toothless Code of Conduct for the South China Sea. Support ASEAN member countries' efforts to defend their legitimate maritime claims under existing international law.
- Reinforce and enlarge current efforts to team with Japan and Australia to fund infra-structure projects in the Indo-Pacific region. Frame it as a positive competition with China to provide multiple options of funding for the developing countries in the region.
- Support Japan, South Korea, and Taiwan's initiatives in supporting and investing in the development of Southeast Asian countries.
- Strengthen the connectivity and deepening ties between Northeast Asia and Southeast Asia.
- Integrate US government messaging to highlight the benefits of a Free and Open Indo-Pacific to all regional states. Explicitly draw a distinction between the PRC's coercive economic statecraft and the liberal international trading system.
- Expand the number and type of concrete cooperative structures in the Indo-Pacific. Leverage the Partnerships with a Purpose concept to build mini-coalitions around a range of interests that demonstrate the value of cooperative security and the commitment of the US to mutually beneficial regional solutions.⁵²

Last but not least, it is important to note that all these measures are proposed with the long-term goal of restoring the culture of cooperation with China. Despite the similarity in contents with hawkish policy recommendations that call for tougher actions against China, I argue that the Tit-for-Tat strategy is distinguished by its focus on reversing the current trend of intensifying competition to the mode of cooperation. Taking endless competition with China as the “new normal” is detrimental to US interests in the stable management of regional order in East Asia, which requires the stable management of the bilateral relationship with China as essential. Therefore, while taking the competitive actions listed above, it is equally important for US officials and practitioners to develop and share the ideas of how the US plans to address the Chinese concerns

52 For an excellent discussion about the idea of forming mini-coalitions on a range of common interests, see Scott D. McDonald, “Wanted: A Strategy for the Indo-Pacific Region,” *National Interest*, 7 August 2018, <https://nationalinterest.org/feature/wanted-strategy-indo-pacific-region-28182?page=0%2C1>, accessed 20 June 2019.

such as the security of sea routes for trade, and the stability of countries in China's periphery where China's own stability is also at stake.⁵³ Tit-for-Tat strategy is all about reciprocity, and the US should increase contacts with China, rather than decrease, to signal that the US will be ready to cooperate, as long as China stops defecting from cooperation and complies with international norms and standards as a prerequisite to meaningful cooperation.

53 Similarly, Thomas Christensen argues that the US can still use the common desire for stability, but also with a clear projection of US strength combined, to encourage cooperative behavior by China in East Asia. See Thomas Christensen, "Did America Get China Wrong?: The Engagement Debate: Don't Abandon Ship," *Foreign Affairs* 97, no. 4 (July/August 2018).

4

China and South Asia

John H. Gill¹

1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Near East South Asia Center for Strategic Studies, US Department of Defense, or US Government.

The People's Republic of China's (PRC) interest in and influence on South Asia and the Indian Ocean has grown significantly over the past ten to fifteen years, prompting policy shifts by regional countries as they endeavor to adapt to this new feature in their geopolitical environment. China's involvement south of the Himalayas, of course, is not new. It long maintained, for example, a wary if often dismissively patronizing attitude towards India, having defeated it decisively in a brief 1962 border war and having dramatically outpaced it in economic terms since the 1980s. Pakistan, on the other hand, has been a close junior ally, almost a client state, if at times one who's risk-acceptant behavior has created awkward situations for Beijing. The so-called "smaller" states (Bangladesh, with a population of 164 million, can only be termed "smaller" given its adjacency to India) have also garnered a modicum of attention from China's policy makers, albeit peripheral to larger concerns. The increase in China's economic, military, and diplomatic resources and capabilities, however, has brought an increased focus on its southern neighbors. Moreover, the expansive, sometimes aggressive, ambitions of the Xi Jinping regime have resulted in a steady rise in China's economic engagement, as well as its physical military presence in the region. South Asia and the Indian Ocean do not sit at the top tier of Beijing's regional policy priorities—those spots remain reserved for East and Southeast Asia—but the region's prominence has increased considerably as compared to the past. A significant Chinese role from Nepal to the Maldives is now an enduring geopolitical fact. This chapter will examine regional responses to China's increased presence in South Asia and offer suggestions for the role the United States (US) can play given this shifting context.

Historically, China's presence in South Asia has evoked a range of responses from its regional neighbors. These have ranged from eager, almost unquestioning embrace as in Pakistan's case, to a combination of confrontation and cooperation à la India, with the smaller states generally trying to use Beijing as a balancer in their bilateral relations with New Delhi and sometimes in their ties to large external powers, especially the US. None of these historical regional responses have been static, however, and all are now under stress as China's power and presence expands.

India, with its own aspirations for regional leadership and global influence, is the only South Asian state that views itself as a peer and competitor with China. The resulting relationship between the two Asian giants is fraught with important and abiding issues. Problems notwithstanding, bilateral relations have experienced "perceptible improvement"

since the April 2018 Wuhan summit between Prime Minister Narendra Modi and General Secretary Xi.² The two leaders met four times during 2018, pledging to enhance communications, reduce border frictions, address one another's commercial concerns, and oppose "protectionism and unilateralism," among other actions. They also initiated cooperative programs in Afghanistan and revived defense interactions with an India visit by Chinese Defense Minister Wei Fenghe in August 2018 and a renewal of army-to-army counterterrorism exercises in December of that year.³ Senior Indian officials have spoken of Sino-Indian relations as a stabilizing factor in an uncertain world and assert "the two countries must not allow their differences to become disputes."⁴ Standing in stark contrast to the 73-day Doklam border confrontation in the summer of 2017, these recent developments demonstrate that New Delhi and Beijing can cooperate on important issues, especially in what both see as an era of global disorder. India's interest in maintaining good relations with the PRC are likely reinforced by deep doubts about US commitment and consistency.⁵

Genuine areas of policy convergence and expressions of bilateral *bonhomie*, however, do not erase the many fundamental strategic differences between India and China. These include the world's longest disputed border (2,520 miles), China's opposition to India's entry into the Nuclear Suppliers Group, Indian objections to the China-Pakistan Economic Corridor (CPEC), and China's concerns about India's ties to the US, Japan, and Australia. Many Indians suspect China's recent accommodative behavior is more tactical than strategic and question whether China even accepts the rise of India as an economic and mili-

2 "Modi, Xi Say Perceptible Improvement in India-China Relations Post-Wuhan Summit," *Hindu*, 1 December 2018.

3 "India, China Agree to Expand Military Ties after Defense Talks," *Reuters*, 24 August 2018; "India, China Come Together to Train Afghan Diplomats," *Economic Times*, 15 October 2018; Ankit Panda, "India, China Resume Annual 'Hand-in-Hand' Military Exercise After One-Year Gap," *Diplomat*, 11 December 2018.

4 Sutirtho Patranobis, "Sino-Indian Ties a Stabilising Factor in an Uncertain World: China," *Hindustan Times*, 4 January 2019; "China Willing to Enhance Coordination with India on Global Affairs," *Quint*, 4 January 2019.

5 C. Raja Mohan, "Two Discourses on Strategic Autonomy," *Indian Express*, 18 September 2018; N. Sathiyamoorthy, "Global Policeman: How Should India Read Trump's Declaration for the Indo-Pacific," *Observer Research Foundation*, 31 December 2018; Rajeswari Pillai Rajagopalan, "Will India's Trump Fears Ease with the New US Asia Reassurance Initiative Act?" *Diplomat*, 5 January 2019. Indian concerns include the possible US withdrawal from Afghanistan leading to a "victory" of sorts for the Taliban and Pakistan with a consequent direct threat to Indian national security from Pakistan-supported terrorists (for example: Nyska Chandran, "US Troop Withdrawals in Afghanistan Are a Major Headache for India," *CNBC News*, 28 December 2018).

tary power that has a legitimate role beyond South Asia.⁶ New Delhi is also concerned the growing closeness of Russia and China could have negative consequences for India's interests.⁷ Improving Sino-Russian relations do not endanger India's long-standing arms supply connection to Russia, but could limit New Delhi's ability to rely on Moscow as a balancer against pressure from Beijing. Most troubling for India is China's strong support of Pakistan—which many Indians now view as indisputable Sino-Pakistani collusion against India—and China's expanding intrusions into the Indian Ocean, creating contests for influence between New Delhi and Beijing on India's immediate periphery.⁸

India's response has been a hedging strategy that seeks to maximize its flexibility at the lowest possible cost in an environment characterized by an assertive China and doubts about American reliability. Modi's keynote speech at the annual Shangri-La Dialogue in June 2018 thus praised "the extraordinary breadth" of the US-India relationship and the shared vision of "an open, stable, secure, and prosperous Indo-Pacific Region." At the same time, he avoided any criticism of China, electing instead to highlight "that strong and stable relations between our two nations are an important factor for global peace and progress."⁹ Some Indian commentators view such careful wording and other actions by New Delhi as a reversal of the "policy of self-assertion" evident during the summer 2017 border crisis and some call for a "greater counter-presence" in the western Pacific to pressure China.¹⁰ In the absence of greater military and economic power, however, such concerns

6 Xu Cheng, "India and China Needed Wuhan, but It Will Not Be Enough," *Print*, 28 December 2018; Sushant Sareen, "China Changes Its Tone and Tenor on India—for Now," *Observer Research Foundation* commentary, 3 January 2019.

7 Ajai Shukla, "India and Russia May Be Partners, but Can They Find Common Ground on China?" *South China Morning Post*, 12 October 2018.

8 China removed one major irritant in May 2019 by agreeing to the designation of Masood Azhar, leader of the Pakistan-based Jaish-e-Mohammed terrorist organization, as an international terrorist in the UN Security Council: <https://www.un.org/securitycouncil/content/mohammad-masood-azhar-almi>, accessed on 21 May 2019.

9 Narendra Modi, "Keynote Speech at the Shangri-La Dialogue," 1 June 2018, accessed on 7 January 2019, at <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>.

10 Ali Ahmed, "Decoding the Logic behind the Shelving of India's Mountain Strike Corps," *Wire*, 22 July 2018; Abhijit Singh, "Decoding Chinese Submarine 'Sightings' in South Asia," *Observer Research Foundation*, 15 November 2018; "India 'Overtly Cautious' about China's Sensitivities, but Beijing Does Not Reciprocate: Parliamentary Panel," *Economic Times*, 17 December 2018; Brahma Chellaney, "China's Unconventional War Is Inflicting Greater Damage on India," *Hindustan Times*, 5 January 2019.

are unlikely to alter the hedging course India has selected for the near to medium term.¹¹

Unlike India, Pakistan has embraced China as a strategic balancer against India, as an alternative to the US, and as an economic lifeline. Pakistan's historically close ties to China have deepened in recent years, especially in the wake of the inauguration of CPEC in 2015. China has been Pakistan's primary arms supplier since the 1990s, provided crucial support to Pakistan's nuclear and missile programs, and often shields Pakistan diplomatically, as it does in blocking India's entry into the Nuclear Suppliers Group and as it did for many years by repeatedly vetoing the designation of Jaish-e-Mohammad leader Masood Azhar as a global terrorist under UNSCR 1267. In addition to CPEC, China is Pakistan's largest trading partner and, reportedly, a source of critical recent loans to help Pakistan stay afloat in its debt and foreign exchange crisis. Considered nearly sacrosanct in Pakistani leadership circles, the China relationship is extolled with phrases such as "sweeter than honey" and "higher than the Himalayas."¹² This extravagantly favorable image of China has been nourished by the Pakistan military since at least 2002 in conjunction with unrelentingly negative views of the US. Consequently, China enjoys a high degree of popularity and trust within the armed forces and society at large.

Although the Pakistan government actively discourages criticism of China,¹³ questions about the uncritical acceptance of Chinese assistance and investment have arisen periodically and taken new emphasis under the government of Prime Minister Imran Khan.¹⁴ The opacity of terms in the CPEC projects and other Chinese loans (reportedly USD2 to USD4 billion since spring 2018) is a special cause of concern, raising fears of Pakistan being caught in a debt trap.¹⁵ There are also doubts

11 John H. Gill, "Challenges for India's Military Strategy: Matching Capabilities to Ambitions?" in Ashley J. Tellis, Alison Szalwinski, and Michael Wills, eds., *Strategic Asia 2017-18: Power, Ideas, and Military Strategy in the Asia-Pacific* (Seattle: National Bureau of Asian Research, 2017); Richard A. Bitzinger, "The Chinese People's Liberation Army in Transition: Implications for Indian Defence," in *Defence Primer 2018: An Indian Military in Transformation?* Pushan Das and Harsh V. Pant, eds. (New Delhi: Observer Research Foundation, 2018).

12 "Massive Chinese Investment Is a Boon for Pakistan," *Economist*, 9 September 2017; Shafiqat Ali, "US Pressurises Pakistan to Hide Its Afghan Defeat: Dastgir," *Nation*, 1 June 2018.

13 Author interviews with Pakistani journalists, 2017 through 2019.

14 Adnan Aamir, "Why Pakistan Is Backing Away from Chinese-Funded Infrastructure Projects," *South China Morning Post*, 19 October 2018; Khurram Husain, "CPEC on the Pivotal," *Express Tribune*, 13 December 2018.

15 Farhan Bokhari and Kiran Stacey, "Pakistan Turns to China to Avoid Foreign Currency Crisis," *Financial Times*, 23 May 2018; Haroon Janjua, "Pakistan Secures Further US\$2B in Funding

about Pakistan's ability to meet Chinese expectations.¹⁶ With bilateral trade already heavily tilted in China's favor, businessmen complain that inexpensive Chinese products undermine local manufacturers, farmers fear exploitation (e.g., unfair pricing, displacement of small farmers), and many in the politically and economically crucial province of Balochistan believe they are being excluded from CPEC's potential benefits.¹⁷ Security of the corridor, especially in restive Balochistan,¹⁸ is an additional worry. In the first place, Baloch separatists with long-nurtured grievances have seized upon CPEC as an opportunity to pressure the Pakistani state by conducting terror attacks and kidnappings that target Chinese. Additionally, with tens of thousands of Chinese workers now in Pakistan, there are signs that societal frictions between Chinese communities and local Pakistanis could have an adverse impact on bilateral relations.¹⁹ Meanwhile, Indians and other outsiders suspect the port of Gwadar on the Arabian Sea has more value as a potential Chinese naval base than as a commercial entrepôt.²⁰

These problems, extant and potential, will not alter Pakistan's reliance on China as the central pillar of its foreign policy, especially in the security realm. Islamabad will endeavor to limit Sino-Indian rapprochement and use Beijing as a lever in its dealings with Washington without totally alienating the US. It will also attempt to retain China's support in international forums—the International Monetary Fund (IMF) and the Financial Action Task Force (FATF) being the most important over the near term. For its part, China certainly hopes to gain strategically

from China to 'Avoid Economic Crisis,'" *South China Morning Post*, 3 January 2019.

16 Saad Khan, "Can Pakistan Pay CPEC Loans?" *Express Tribune*, 14 December 2017; Umair Jamal, "What Pakistan's Decision to Pull Out of a Mega Dam Project Tells Us about the Future of CPEC," *Diplomat*, 11 January 2018; Shahbaz Rana, "Pakistan Receives \$9.2b in Foreign Loans, but Reserves Still Plunge," *Express Tribune*, 19 May 2018; Moneed Ahmad Barlas, "The Mysterious Corridor," *Daily Times*, 6 June 2018; Shahbaz Rana, "8th JCC Meeting: 'Missing Paperwork' Delays CPEC Mass Transit Schemes," *Express Tribune*, 9 January 2019.

17 Shaid Iqbal, "Trade Imbalance Tilts Further in Beijing's Favour," *Dawn*, 6 August 2017; Mihir Sharma, "For Pakistan, China's an Expensive Date," *Bloomberg*, 22 May 2018; Aamir Shafaat Khan, "Eid for the Chinese, Say Manufacturers," *Dawn*, 3 June 2018; Aamir Shah, "Pakistani Farmers Fearful as China Eyes Agricultural Sector," *Arab News*, 17 December 2018; F. M. Shakil, "Balochistan Shocked over Its Poor Share in CPEC Projects," *Asia Times*, 17 December 2018.

18 Adnan Aamir, "Terrorist Attacks Show Pakistan's Need to Reassure China on Security," *Nikkei Asian Review*, 21 August 2018; Abdul Basit, "Attacks on Chinese Nationals and Interests in Pakistan Are Likely to Continue. Here's Why," *South China Morning Post*, 27 November 2018.

19 Saher Baloch, "The Pakistani Brides Being Trafficked to China," *BBC*, 15 May 2019.

20 Frédéric Grare, "Along the Road: Gwadar and China's Power Projection," *Carnegie Endowment for International Peace*, 31 July 2018; Maria Abi-Habib, "China's 'Belt and Road' Plan in Pakistan Takes a Military Turn," *New York Times*, 19 December 2018.

and commercially from its investments in Pakistan, but it has no desire to become the sole guarantor of Pakistan's economic well-being.²¹ Nor does Beijing wish to be responsible for Pakistan's security. Similarly, China does not want "to be maneuvered into the middle of US-Pakistan tensions" or see a complete breakdown in US-Pakistan relations.²² Poor US-Pakistan relations endanger China's goal of sustaining a stable and economically viable Pakistan on its southern border as Washington can pressure Islamabad through international institutions (such as the IMF and FATF) and can contribute to Pakistan's international isolation. Beijing does not want to be forced into the awkward position of taking sides between Washington and Islamabad, especially when it could be perceived as supporting a state that sponsors terrorism. Equally important, China is concerned about radicalism emanating from Pakistan, the potential for seepage into Xinjiang, and the overall stability of its junior partner. It hopes that CPEC and close engagement with the Pakistan military will incentivize responsible behavior, promote stability, and minimize the extremist threat to China's southwestern regions.²³

The other countries of South Asia have tried to respond to China's growing presence by walking a careful line between New Delhi and Beijing, while using Washington and the EU as alternative sources of support. Although India enjoys immutable geographic advantages, as well as a rich network of historical, cultural, and commercial links, China brings unparalleled economic clout and asks no uncomfortable questions of authoritarian regimes. India also suffers from its status as South Asia's major power; many of its smaller neighbors perceive New Delhi as perpetually arrogant and overbearing. Even if partly distorted, China can appear wealthy, distant, and relatively benign in this narrative.

Sri Lanka, for example, has a difficult history with India particularly Indian involvement with Tamil militants in the 1980s, its complex role in Sri Lanka's painful civil war, continuing accusations of interference in Sri Lankan domestic politics, and disputes over fishing rights. In contrast, China appears as a helpful outsider that provides assistance without imposing politically difficult conditions. Sri Lanka's former President, Mahinda Rajapaksa, for example, took advantage of China's interests in the Indian Ocean by offering land for a port facility at Ham-

21 Reyna Chang, "Andrew Small on China-Pakistan Relations," *Asia Experts Forum*, Claremont-McKenna College, 25 December 2018.

22 "Asia's New Geopolitics: An Interview with Andrew Small," *Business Recorder*, 11 June 2018.

23 Andrew Small, "Buyer's Remorse: Pakistan's Elections and the Precarious Future of the China-Pakistan Economic Corridor," *War on the Rocks*, 27 July 2018.

bantota on the country's southern coast. By no coincidence, this was also Rajapaksa's home district and political base. The port and associated airport, cricket stadium, and other facilities are not entirely without prospects²⁴ but the complex has so far proven a notorious white elephant. The unsustainable level of debt was a key factor in Rajapaksa's defeat in Sri Lanka's 2015 elections (his opponent was widely seen as India's preferred candidate among Sri Lankans). Ultimately, unable to pay the associated debts, Sri Lanka granted China a 99-year lease on the area in 2017 exciting global concerns that Beijing was indulging in "debt diplomacy."²⁵ China was also featured in the political turmoil during late 2018 when Rajapaksa attempted an unconstitutional return to power with Beijing's behind-the-scenes backing.²⁶ Beijing's sometimes questionable role in Sri Lanka's domestic politics notwithstanding, Colombo's debt problems are in many respects more the result of a "middle-income trap" rather than a Chinese "debt trap." That is, as Sri Lanka transitions from low-income to middle-income status, it no longer qualifies for the concessional loans from international institutions (e.g., Asian Development Bank) that have traditionally provided most of its development funding.²⁷ The Sri Lanka situation is thus more "a data point rather than a trend," but it represents a cautionary tale that has echoed across the region when discussion turns to dealings with China.²⁸

As with Sri Lanka, the other countries of South Asia seek to chart courses between India and China with the hope and expectation that they will receive support for their efforts from the US and Europe. Bangladesh, for example, has also been an arena of Sino-Indian rivalry, again relating to transit and seaports with potential military utility, especially Chittagong (Chattogram).²⁹ Dhaka, however, has thus far man-

24 Nilanthi Samaranyake, "Hambantota: Critical Node in the Asia-Africa Growth Corridor?" *Observer Research Foundation*, 1 January 2019.

25 Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *New York Times*, 25 June 2018; "China's Empire of Money is Reshaping Global Trade," *Bloomberg News*, 1 August 2018; "Sri Lanka Struggles to Repay Foreign Debt: PM," *Agence France Presse*, 10 January 2019.

26 Bharath Gopalaswamy, "Sri Lanka's Political Shake-Up Is a Win for China," *Foreign Policy*, 29 October 2018; "Sri Lanka Turmoil Points to China's Increasing Role," *Financial Times*, 15 November 2018.

27 For a nuanced and thoughtful assessment, see Nilanthi Samaranyake, "China's Engagement with Smaller South Asian Countries," *US Institute of Peace*, Special Report No. 446, April 2019.

28 "Asia's New Geopolitics," *Business Recorder*, 11 June 2018.

29 Forrest Cookson and Tom Felix Joehnk, "China and India's Geopolitical Tug of War for Bangladesh," *East Asia Forum*, 11 April 2018; Shakil Bin Mushtaq, "The Battle for Bangladesh: India vs China," *Diplomat*, 29 June 2018; Kiran Stacey, "Chinese Investment in Bangladesh Rings India Alarm Bells," *Financial Times*, 6 August 2018.

aged to navigate a careful path between its two giant Asian neighbors despite its close military ties with Beijing. India has even invited China to participate in Bangladesh-centered regional transportation infrastructure projects following the April 2018 Wuhan summit.³⁰ Such cooperation suggests a middle way may be possible in South Asia, though each country will chart its own path.

Similar contests, each with its own unique characteristics, are playing out in Nepal, Bhutan, and the Maldives as China employs its financial resources and disregard for liberal international norms to expand its influence in countries that India has previously regarded as its privileged preserves.³¹ Like Sri Lanka and Bangladesh, these three countries endeavor to retain their own sovereign autonomy by tacking between India and China, despite the highly politicized environment created by Beijing's One Belt, One Road (OBOR; 一带一路)³² initiative.³³

RECOMMENDATIONS

Despite the many complications and challenges presented by China's expansion into South Asia, the region presents a wealth of opportunities for the US. Reviewing China's growing presence in South Asia from the perspectives of regional countries allows us to draw several conclusions and offer relevant recommendations:

- Support alternatives to the "Chinese model." Efforts to construct an overtly anti-China front are unlikely to prosper. The US can best advance its interests by being actively and visibly present and engaged on a routine basis. The quiet but growing skepticism about OBOR provides openings for the US to offer viable alternatives to Chinese loans and projects. US efforts should take a nuanced approach, recognizing the varia-

30 "China Hails Move for NE Trade," *Telegraph*, 18 August 2018; Khalid ibn Muneer, "Dhaka Bringing Beijing and New Delhi Closer," *Asia Times*, 30 August 2018.

31 Rajeswari Pillai Rajagopalan, "Should Rising China-Nepal Military Ties Worry India?" *Observer Research Foundation*, 22 August 2018; Gunjan Singh, "Nepal's Shift from India to China: Will It Work?" *Asia Times*, 20 September 2018; Ajai Shukla, "Doklam a Year On: Bhutan More Worried about India than China?" *This Week in Asia*, 18 August 2018; Suhasini Haider, "Sovereignty and Sensitivity: On India-Bhutan Relations," *Hindu*, 20 August 2018; Ajai Shukla, "In the Maldives, India's Modi Sees the Glint of a Chinese Pearl," *This Week in Asia*, 24 November 2018; Viraj Solanki, "A Watershed for Indian Ocean Security Cooperation?" commentary, *International Institute for Strategic Studies*, 21 December 2018; Mike Ives, "Maldives Election Results Empower a Critic of China," *New York Times*, 8 April 2019.

32 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

33 Andrew Small, "The Backlash to Belt and Road: A South Asian Battle over Chinese Economic Power," *Foreign Affairs*, 16 February 2018.

tions among the region's states and remaining attuned to their concerns while promoting common values and addressing common security concerns. Maintaining the traditional US support for development and liberal values will be especially useful in countering trends towards exploitative economics and autocratic governance. By contrast, when the US appears not to be present and engaged with the region, perceptions of the US as unreliable and inconsistent create fissures that China can exploit to divide the US and its friends in South Asia.

- Steady, strong course with India. Building on the foundation established over the past twenty years, the US can continue to work with India as a key partner in South Asia and the larger Indian Ocean region. Overcoming past differences and building a strong relationship with India will require nuance and patience. The US will have to prioritize interests and make some compromises. The mid- to long-term strategic interest in a strong, deep partnership with India, for instance, will have to be balanced against concerns about short-term trade deficits. There can be no compromise, however, on fundamental values and the dangers posed by illiberal political trends. Working with India can help strengthen such values across the region and actively demonstrate American commitment.
- Keep pressure on Pakistan, work with China where possible. Pakistan represents one of America's greatest foreign policy conundrums, but it would be a mistake to view American and Chinese relations with Pakistan as a repeat of US-Soviet competition during the Cold War when one might "win" or "lose" a third country. Nor does this relationship necessitate any compromise on US counterterrorism goals in general or on specific objectives in Afghanistan. Washington has room to maneuver as Beijing has no interest in seeing US-Pakistan relations collapse or to have all Pakistan's manifold problems laid at its door. Moreover, the US and China share several significant objectives vis-à-vis Pakistan, such as preventing India-Pakistan confrontations, moderating Pakistan's behavior, resolving Afghanistan peacefully, and eradicating Pakistan-based terror organizations. The February 2019 India-Pakistan crisis only reaffirms the dangers inherent in Pakistan-based terror groups and the need to work with others, including Beijing, to curtail the threat these groups present.

- Sustained, tailored attention to the “smaller” countries. The other states of South Asia seldom loom large on Washington’s radar screen, but a relatively low level of sustained, sincere policy attention, appropriately resourced, will generate valuable economic, political, and security benefits for the US not only in bilateral relations with these states but in the larger context of South Asia. Continued promotion of common values and sustainable development best serve US interests and provide clear evidence of an enduring American commitment to a peaceful, stable South Asia with the larger context of the Indo-Pacific.

5 Chinese Foreign Policy towards Russia and Eurasia

Dr. Graeme Herd¹

1 The views and recommendations expressed are those of the author and do not necessarily reflect the policy or position of the George C. Marshal European Center for Security Studies, US Department of Defense, or US Government.

INTRODUCTION: WHAT ARE CHINA'S OBJECTIVES?

On the 70th anniversary of the foundation of the People's Republic of China (PRC), Xi Jinping's "Thought on Diplomacy" has defined "the mission purposes, fundamental principles, main tasks, and unique style of China's diplomacy," highlighting the "great renewal of the Chinese nation" and achieving the "Chinese Dream" (*Zhōngguó mèng*) as overarching goals.² This vision does not exist in a vacuum but is dependent on China's ability to create a favourable international environment (e.g., global norms, standards and institutions) that align more with China's governance model, its strategic requirement of moving "closer to center stage" in world affairs and determination to uphold its interests.³ In geostrategic terms, General Secretary Xi Jinping portrays China as a leader and guardian of the global economic and political order, pledging, on 1 January 2019, that Beijing would "always be a builder of world peace, contributor of global development and keeper of international order."⁴

In "Greater Eurasia," this overarching transformative agenda translates into three broad declaratory objectives for China. First, China wants to maintain and strengthen a strategic partnership with Russia. The glue that holds this partnership together is opposition to US-led containment and encirclement (as expressed by similar strategic narratives) and declarations on the need for parity, reciprocity, and equality within a post-Western polycentric multipolar world order. As part of public diplomacy efforts, both states believe power shifts from the old dysfunctional political West to the East, from the past to the future, with Russia and China on the right side of history. Second, they aim to uphold a Sino-Russian political consensus in Eurasia based on (i) strong states (able to provide order-producing, managerial roles in their neighbourhoods); (ii) hierarchical political systems (based on centralised decision-making); (iii) state-led economic development and interdependence (Russia exports raw materials to China in return for capital and technol-

2 "Opening a New Journey of Major-Country Diplomacy with Chinese Characteristics (2018 Year-end Interview Transcript by Renmin Ribao, China Central Television) – State Councilor and Foreign Minister Wang Yi," Ministry of Foreign Affairs of the People's Republic of China, in Chinese, 29 December 2018.

3 Liza Tobin, "Xi's Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies," *Texas National Security Review* 2, no. 1, 12 December 2018, <https://tnsr.org/2018/11/xis-vision-for-transforming-global-governance-a-strategic-challenge-for-washington-and-its-allies/>.

4 Jeff M. Smith, "China's Rise and (Under?) Balancing in the Indo-Pacific: Putting Realist Theory to the Test," *War on the Rocks*, 8 January 2019, <https://warontherocks.com/2019/01/chinas-rise-and-under-balancing-in-the-indo-pacific-putting-realist-theory-to-the-test/>.

ogy); and, (iv) conservative values (“Moscow/Beijing consensus”). Using United Nations Security Council Permanent 5 veto power, both states uphold norms conforming with narrow legal positivism (sovereignty is absolute; non-interference in internal affairs an axiom) and privilege justice as understood by ordered communal stability above western enlightenment notions of individual liberty. Both are undergoing systemic political shifts with greater emphasis placed on historical and charismatic (“Xi Jinping thought”; “the core”) legitimation than legal-constitutional, and the rise of conservative patriotism and nationalism. Third, China increases connectivity with Central Asia, both through integrative infrastructural developments, as well as through the provision of strategic credits and loans. The US pivot to the Asia-Pacific under Obama and the development of a “Free and Open Indo-Pacific” under Trump, raise fears in China that the US pursues a policy of offshore encirclement and containment of China. Eurasia represents an “onshore bulwark” to “break encirclement,” placing less reliance on maritime choke points, and reducing the fear of a Chinese strategic psychology of amphibious assault and colonization.⁵ Accordingly, from a Chinese perspective strategic rebalancing from maritime to continentalism or a “heartland” geopolitical strategy occurs. China’s intensified strategic engagement with Central Asia is a deflationary measure, which will help to reduce the containment pressures China faces elsewhere. However, while Russia and China share a preference for virtual domestic politics (China fakes communism while Russia fakes democracy), fundamental differences in worldview and trajectory are apparent: “Russia needs China more than China needs Russia;” Russia pivots to China, China pivots to the world.

Basic Chinese Communist Party (CCP) documents, such as the “19th Party Congress Work Report,” reference “world,” “world-class,” “community of common destiny for mankind,” and “global.”⁶ Chinese modernity involves economic restructuring, digitalization, 5G network, distribution ledger (block chain), neuro- and biotechnology, robotics,

5 For example, “the U.S. Navy was patrolling the Yangtze River from about the period of the 1850s onward, all the way through the 1920s. Now, think about that. What would you feel like if you knew that the Chinese navy was patrolling the Mississippi for almost a century of American history? It would make you see the world differently.” Lyle Goldstein and Brad Carson, “Jaw-Jaw: Rethinking Our Assumptions about Chinese Aggression,” *War on the Rocks*, 8 January 2019, <https://warontherocks.com/2019/01/jaw-jaw-rethinking-our-assumptions-about-chinese-aggression/>.

6 Peter Mattis, “The Party Congress Test: A Minimum Standard for Analyzing Beijing’s Intentions,” *War on the Rocks*, 8 January 2019, <https://warontherocks.com/2019/01/the-party-congress-test-a-minimum-standard-for-analyzing-beijings-intentions/>; Chinese scholar Yang Jiemian discusses “Promotion of Great Power Diplomatic Strategy,” *Waijiao Pinglun*, in Chinese, 5 January 2018, 1-15.

and artificial intelligence, challenging Western value chains. It is global in scope and benefits from globalization.⁷ With its 5,000-year history, a return to the status quo ante for China means a return to the Middle Kingdom's domination of East Asia and the tributary relations of, for example, the Tang dynasty (618-906 A.D.).

By contrast, Russia in the late Putin period de-institutionalizes. By not restructuring its economy and diversifying its economic connectivity, Russia de-modernizes and, though it is the projection of an anti-globalist narrative, Russia de-globalizes. For Russia, destabilization of the West constitutes a rational regime preservation strategy choice as it has emotional and practical political benefits for Putin. It helps maintain his popularity at a time when internal Russian economic reform is not on the table and all viable alternatives to structural reform are exhausted. It allows for military-patriotic mobilization of the Russian people against the West, while at the same time undercutting calls for reform, liberalization, and democratization of politics in Russia. A return to the status quo for Putin's Russia is a return to the "long 1970s," the symbolic high point of Soviet power projection and superpower status. Russia has far greater natural resources than China, but a much weaker manufacturing base. Russia's economy is four times smaller than China's and much more connected to Europe. Economically, China is the world's largest economy and a manufacturing giant, though with few natural resources. China's economy is more connected to the US economy, as opposed to the European, or indeed, Russia itself. As the world's largest gas consumer, China benefits from a sharp decrease in the price of hydrocarbons, in stark contrast to Russia, the world's largest gas producer, and China can drive hard bargains given Russia's confrontation with the West and has alternative non-Russian energy options available. Differences are starkest in terms of the strength of foreign currency reserves and percentage share of the global economy. These asymmetries in trajectories, perception of status, degrees of adaptability and outlooks, translate into a different set of unstated Chinese objectives in Eurasia over the longer term, suggesting less Sino-Russian alignment in practice. Eurasia illustrates tensions in Chinese foreign policy words/rhetoric/declarations of intent and deeds, actual performance, and outcomes.

Russia and China are dissatisfied with their place in the international order but China represents a rising power reliant on a stable in-

7 Glen Diesen, "China's Geoeconomics and the 'New Cold War,'" *Russia in Global Affairs*, 26 December 2018, <https://eng.globalaffairs.ru/valday/Chinas-Geoeconomics-and-the-New-Cold-War-19891>.

ternational order to displace the US, while Russia is stagnating and more prepared to take action to halt the relative decline. This difference in worldview and economic orientation means the two states seek decidedly different ends from the bilateral relationship. By harmonizing its Eurasia geo-economic development strategy and paying rhetorical lip service to the notion of a strategic partnership with Russia, China instrumentalizes Russia as a safe strategic rear and raw materials base to improve its ability to diversify energy supplies and transportation corridors.⁸ While “Moscow bears all the costs in protection of the states of Central Asia,” “Beijing derives all the economic dividends.”⁹ Though economic relations have improved, the relationship is marked by relatively low levels of investment and, notably, there are no significant projects between One Belt, One Road (OBOR; 一帶一路)¹⁰ and the Eurasian Economic Union (EEU). Meanwhile, China’s wholly or partially state-owned companies implement the West’s economic sanctions against Russia.

As compensatory alternatives, China supports the façade of integration through accepting face-saving OBOR-EEU rhetoric (the “integration of integrations”). China supports a non-Western Central Asia, whereas Russia pushes for an anti-Western space, underscoring the Sino-Russian working formula: “never against each other, but not always with each other.” China has not recognized the Russian status of Crimea or the independence of Abkhazia and South Ossetia. China does not welcome the notion of “Xinjiang as the Ukraine of Central Asia,” or a People’s Republic of Donetsk referendum transposed to Hong Kong, but refrains from publically criticizing Russia. China seeks both to contain any potentially destabilizing fallout from the Ukraine conflict from spreading to its borders and minimizes the possibility of Russia’s implosion, given Russia’s utility in the international system.

Second, China capitalises on Russia’s rivalry and confrontation with the West – particularly the effects of sanctions to exert collective Sino-Russian influence in the Arctic (this both exploits Russia’s lack of alternative partners and restores some balance to the fundamentally asym-

8 Alexandr Gabuev and Ivan Zuenko, “The ‘Belt and Road’ in Russia: Evolution of Expert Discourse: From Caution to Euphoria to Disappointment,” *Russia in Global Affairs*, 17 January 2019, <https://eng.globalaffairs.ru/number/The-Belt-and-Road-in-Russia-Evolution-of-Expert-Discourse-19915>.

9 Vladimir Frolov, “Procrastination Strategy: What Sort of Foreign Policy Has Russia Had This Year?” *Republic*, in Russian, 27 December 2018.

10 The Editors have chosen to conform to the “One Belt, One Road” formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p. 9.

metric partnership); and, strengthen Chinese-led financial instruments (investment funds, rating agencies, transaction and payment systems) and establish a *petroyuan* to rival the petro-dollar.¹¹ As Russia clashes with the West, China seeks entente with Russia rather than formal alliance.¹² China's pursuit of a "Great Power Diplomacy with Chinese characteristics" in practice means China can and will continue to have bilateral relations with the US, European Union (EU), and states in Eurasia (e.g., Georgia, Moldova, Ukraine) irrespective of how Russia relates to them. China will not allow Russia to have a veto over Chinese foreign and security policy decision-making. At the same time, it seeks to prevent the West from playing the "Russia card" against China.

HOW IS CHINA SEEKING TO ACHIEVE ITS GOALS?

In terms of harmonizing interests with Russia in Eurasia, China dominates the economic and development agenda through OBOR, while Russia the military security aspects. China achieves its partnership objectives through bilateral summits, which provide the basis for high-level political cooperation (leaders declared 2018-2019 "Bilateral Years of Russia-Chinese Inter-Regional Cooperation") and multinational engagements. The Shanghai Cooperation Organization (SCO), for example, is a talking shop rather than an effective instrument for collective security. Indeed, the inclusion of India and Pakistan into the SCO makes deeper cooperation harder. Paradoxically, its ineffectiveness enables China to meet partners bilaterally and reach a *modus vivendi* where their interests intersect in Eurasia; to introduce initiatives which, if necessary, can be implemented directly by China; to emphasize multilateral cooperation and peaceful rise; and to facilitate norms convergence (concern about "the three evils"—terrorism, extremism and separatism) and manage transnational politics. Cumulatively, these goals contain spill over processes that could exacerbate the "Xinjiang problem." China has stressed that the SCO operates not *against* the US and the West, but *without* it, and can be understood to represent a platform for wider cooperation with non-Western actors.

Rhetorically, China and Russia increasingly share strategic conceptions of how best to mitigate US containment efforts in the Indo-

11 "Russia Buys Quarter of World Yuan Reserves in Shift from Dollar," *Caixin Wang*, 11 January 2019, <https://www.caixinglobal.com/2019-01-11/russia-buys-quarter-of-world-yuan-reserves-in-shift-from-dollar-101368788.html>.

12 Dmitri Trenin, "Entente Is What Drives Sino-Russian Ties," *China Daily*, 12 September 2018, <http://global.chinadaily.com.cn/a/201809/11/WS5b973833a31033b4f46455613.html>.

Pacific, the Arctic (where Russia increasingly cooperates with China), the North Atlantic, and across the arc from the Baltic to the Mediterranean and Black seas. Chinese naval responses to US freedom of navigation operations (FONOPs) in the South China Sea and Taiwan Strait are relevant for Russia given similar US challenges to Russian claims, whether it be navigation in Peter the Great Bay opposite Russia's Pacific Fleet harbored in Vladivostok, or to support Ukrainian FONOPs efforts in the Sea of Azov and Black Sea. In 2010 and 2014 the *Vostok* strategic "anti-terrorist" exercises in Eastern Siberia had been purely Russian, but in 2018 they included a Chinese People's Liberation Army (PLA) brigade (3,200 troops, 30 aircraft, and 900 tanks and armored vehicles) and a Mongolian platoon for the first time, alongside 300,000 Russians.¹³ Chinese participation in the *Vostok* 2018 exercise provided the opportunity to study the Transbaikal military theatre, Russian combined-arms combat, and gauge Russian military learning from Syria. Since 2012, Russia and China have also conducted annual *Morskoe Vozaimodeystviye* exercises. However, the 2018 PLA Navy Northern Fleet led exercise in Qingdao was not held, suggesting underlying tension between the rhetorical veneers of cooperation.¹⁴ Meanwhile, Russia's use of kinetic force against the Ukrainian Navy on 25 November 2018 reflects a similarity with China in using minimal force in the right context (e.g., Scarborough Shoal and Mischief Reef) to achieve one's aims. China's "Three Warfares"¹⁵ (*sān zhǒng zhàn'fǎ*) approach, which adheres to Sun Tzu's precept of breaking the enemy's resistance without fighting, has commonalities with Russia's "limited action strategy" and the principle of "sufficiency of force."

HOW IS CHINESE ENGAGEMENT AND INFLUENCE PERCEIVED?

China's success or failure to achieve its objectives in Greater Eurasia is very dependent on whether we distinguish between what China claims it seeks to achieve, and what it actually achieves. It is difficult to identify a consensus in perception, though we can chart the spectrum of understanding. A majority of states in "Greater Eurasia" view China

13 Valeriy Gerasimov, "The 'Dagger' Will Become Sharper: The Forces Are to Receive New Precision Weapons, Unmanned Aerial Vehicles, and Robotic Systems," *VPK Voyenno-Promyshlennyy Kur'er Online*, in Russian, 25 December 2018.

14 Aleksandr Anatolyevich Khramchikhin, "Moscow at the Geopolitical Crossroads: Can the Russian Leadership Overcome the Centuries-Old National Stereotypes in Foreign Policy?" *Nezavisimaya Gazeta*, in Russian, 28 December 2018.

15 Peter Mattis, "China's 'Three Warfares' in Perspective," *War on the Rocks*, 30 January 2018, <https://warontherocks.com/2018/01/chinas-three-warfares-perspective/>.

in non-binary terms: it is both the largest economic and trading partner, and security threat and adversary.

For Russia, the China challenge is not addressed openly and, as a result, China pretends to believe Russia is a great power, though in reality China fears Russian unpredictability and views it through a prism of failure: Gorbachev's management of liberalization caused the system to crash whereas repression and control avoids system collapse.¹⁶ In turn, Russia pretends to believe China believes Russia is a great power ("sur-realistic realism"),¹⁷ though it fears China's pragmatism:

The calculation, if that's what it was, that Russia would be decisively supported by China is not working. Beijing is cold-bloodedly weighing the notional pluses, which in the form of Russian hydrocarbons it would get in any event, and the obvious minuses in the form of secondary American sanctions, which would complicate progress toward the strategic goal—the consolidation and modernization of the economy. Russia's banks and companies have already been impacted by China effectually having joined the West's financial anti-Russian sanctions.¹⁸

Russia's wariness is reinforced by the success the PRC has had engaging Central Asian states. From a standing start at the collapse of the Soviet Union in 1991, when Chinese economic and diplomatic relations with the Central Asian states were coordinated and managed by Moscow, China has displaced Russia as the primary economic actor in the region. Here the states that share a border with Xinjiang (Kazakhstan, Kyrgyzstan, and Tajikistan) are viewed by China through a transnational security agenda. However, these relationships are not without challenges. For example, there is growing anti-Chinese public sentiment in Kazakh-

16 David Shambaugh and Brad Carson, "Jaw-Jaw — Vicious Cycle: The Opening and Closing of Chinese Politics," *War on the Rocks*, 11 December 2018, <https://warontherocks.com/2018/12/jaw-jaw-vicious-cycle-the-opening-and-closing-of-chinese-politics/>.

17 Mikhail Karpov, "The Grandeur and Miseries of Russia's 'Turn to the East': Russian-Chinese 'Strategic Partnership' in the Wake of the Ukraine Crisis and Western Sanctions," *Russia in Global Affairs*, no. 3, July/September 2018, <https://eng.globalaffairs.ru/number/The-Grandeur-and-Miseries-of-Russias-Turn-to-the-East-19806>.

18 Nikolay Vardul, "Asymmetrical USSR: What Will the New Contract of the Citizenry and Government Look Like? Happy Future for Our Children and Grandchildren in Exchange for Superpower Status," *MK Online*, in Russian, 5 January 2019.

stan over its treatment of ethnic Kazakhs,¹⁹ as well as Chinese-purchased Kazakh agricultural land, underscoring the presence of a “cold publics, warm elites” sentiment through Central Asia. Similar anti-Chinese sentiment was expressed in Tajikistan following the ceding of 1158 square kilometers to the PRC in return for debt relief. The Kazakh, Uzbek, and Turkmen axis is an economic one, as is the corridor though Tajikistan to Afghanistan. Two anomalies can be detected: Kyrgyzstan, with its relatively vibrant civil society but weak economy, is bypassed by OBOR transport corridors; Turkmenistan’s dependence on China for gas exports (over 90 percent) and credit agreements coupled to a currency and socioeconomic crisis may force China to openly intervene to stabilize its economy, affecting their internal affairs, thereby violating the terms of the unwritten *modus vivendi* of the Chinese-Russian cooperation in Eurasia.²⁰ If China does intervene in Turkmenistan, it would graphically highlight an ongoing trend: Central Asian states orientate away from Moscow towards Beijing, highlighting China’s role as the new center of gravity in Central Asia, Eastern Siberia, and the Russian Far East. China’s investments in Central Asia are more than 10 times that of Russia.²¹ This change in orientation has been partially spurred by Russia’s rhetoric in support of *Novorossija* (New Russia, including eastern Ukraine) and the *Russkij Mir* (“Russian World” concept), resulting in a shift from Central Asian bandwagoning to balancing behavior, which China has capitalized on. Central Asian states are also uneasy over the Russian use of force against Ukraine—a former tsarist territory with internal divisions and a limited history of statehood, out of fear it could be directed at them.

In general, states in the region resist being dragged into a political battle between Russia and the West, and view China and other third powers (Turkey, Iran, Israel, Gulf Arab states) as a hedge and balance against Russia. Third powers provide alternative export markets, sources of investment, and political support through free trade agreements. Armenia and Belarus engage China to lessen dependence on Russia and drive up costs of integration with Russia in an attempt to gain concessions. Belarus, alongside Azerbaijan, also looks to links with China to

19 Michal Bogusz and Mariusz Marszewski, “Chinese-Kazakhstan Agreement on Oppressed Group of Kazakhs,” *OSW Commentary*, 16 January 2019, <https://www.osw.waw.pl/en/publikacje/analyses/2019-01-16/chinese-kazakhstan-agreement-oppressed-group-kazakhs>.

20 Jakub Jakóbowski and Mariusz Marszewski, “Crisis in Turkmenistan: A Test for China’s Policy in the Region,” *OSW Commentary*, 16 August 2018, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2018-08-31/crisis-turkmenistan-a-test-chinas-policy-region-0>.

21 “What Sort of Threat to Russia Do the Changes in Central Asia Contain? We Are Losing It,” editorial, *Gazeta.ru*, in Russian, 30 August 2016.

reduce European criticism of their political systems and human rights records. Ukraine, Belarus, Moldova, Georgia, Armenia, and Azerbaijan also support foreign and economic engagement with China to help offset losses resulting from sanctions and trade embargoes against Russia.²²

HOW ARE US NATIONAL SECURITY ISSUES AFFECTED?

US policy toward China reflects its long-standing goal of preventing a dominant hegemon emerging in Eurasia. China's potential hegemonic position would encourage China to test US resolve, erode the liberal international order, and constrain the ability of the US to advance its own security and national prosperity. Under the Obama administration, cooperation with China on climate change appeared to be privileged over US geostrategic interests in East Asia. The Trump administration's *National Security Strategy* states that political, economic, and military competitions with Russia and China will "require the United States to rethink the policies of the past two decades—policies based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners. For the most part, this premise turned out to be false."²³

There is a growing awareness in Eurasia of the challenge China poses, but no agreement on how to address it. The US has little possibility of leading a normative or institutional balancing coalition in Eurasia—as it can in other regions—as the balancing landscape is not favorable. Without Russia such coalitions would not form, as states in the region prefer to "row between two reefs," rather than alienate the two strongest states. There is no "thickening" of Eurasia security networks in terms of Western defence collaboration and joint military exercises, security-focused bilateral, trilateral, and multilateral dialogues, joint vision statements, and military interoperability agreements.²⁴ The region is not rich in longstanding and strong institutions, which might generate norms and standards in an attempt to "entangle" China in a web of institutions and agreements as in the Asia-Pacific. Rather the opposite is in evidence: limited security engagement with the West can be explained

22 Nicu Popescu and Stanislav Secieru, "Who Wins from Russia-West Tensions in the Post-Soviet Space?" *Carnegie Moscow Center*, 12 April: 2018, <https://carnegie.ru/commentary/76040>.

23 *National Security Strategy of the United States of America* (Washington, DC: White House, 2017) 3, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>.

24 Smith, "China's Rise and (Under?) Balancing in the Indo-Pacific."

by Russia's "Red Lines" ("no military bases; no military alliances") and the economic and diplomatic pressure that facilitated the closure of US bases at Karshi-Khanabad (Uzbekistan, 2005) and Manas (Kyrgyzstan, 2013).

Russia is a stalking horse for China, allowing it to free ride as Russia poses a direct threat to US interests in Europe (while remaining a European power through NATO), the Middle East, and North Africa, where Russia plays mediation, arbitration and spoiler roles. However, given the US has both fewer national interests at stake relative to other regions and less means of achieving them, the US position in Central Asia is not wholly different than Russia's, which is attempting to maintain relationships with regional states to prevent them from falling totally in the PRC's orbit. Putting aside the possibility of a Sino-Russian military alliance confronting the US, its friends, and allies, China is a bigger trading partner in Greater Eurasia than the US, making US leverage through trade a weak policy tool. Moreover, there are fewer allies and partners available to amplify US efforts. Western initiatives in the region include the US C5+1 initiative, the EU's Central Asia Strategy and granting major trading partner status, but despite these efforts, Western potential for influence is largely latent and constrained by the development of non-Western multilateral and regional organizations, such as SCO, EEU, and the Collective Security Treaty Organization (CSTO).

POLICY RECOMMENDATIONS SUPPORTING COMPETITION AND COOPERATION

The US, particularly by working in conjunction with friends and allies, can do more to facilitate or limit China's ability to secure preferred policy outcomes (i.e., exercise its power) than any other state. Three types of policy recommendations—or perhaps more accurately policy considerations—can be advanced. The first concerns the role of Department of Defense regional centers (RC) and the Daniel K. Inouye Asia-Pacific Center for Security Studies-led "China and the World" project. The second addresses the efforts of public affairs and diplomacy to counter China's strategic narrative by exposing the nature and reality of its governance. The third is generated by unpredictable dynamics in the region, and the possibility of Russia crossing the West's escalatory threshold though further use of kinetic coercive force along the Eastern flank. The possibility of strategic surprise highlights the critical role of Russia in the US's China strategic calculus.

- First, in order to generate evidence-based policy recommendations the US needs to build a China watching community that can help forge bipartisan consensus within the US and between the US, friends, and allies, as to how to constrain Chinese strategic behavior that undercuts western interests and values.

- RCs can be an intrinsic part of this community, able to leverage their unique selling points to generate a set of regionally-specific policy considerations, reflecting the reality that “world order” is the sum of the parts of a series of healthy regional orders underpinned by US power.

- For the George C. Marshall European Center for Security Studies, for example, this includes German partnership and the German perspective this brings, as well as an expansive alumni network (e.g., alumni in the National Security Councils of Mongolia and Kazakhstan), in an effort to pool collective knowledge about China. A putative agenda would include efforts to: map and scope China’s interactions within the region, including structural and cultural factors that limit cooperation with China; assess the opportunity costs and tradeoffs associated with the use of potential policy tools; explore Kazakhstan’s normative and symbolic significance as a lynchpin as the “Taiwan of Central Asia;” identify plausible hypotheses about causal relationships between international and domestic factors and Chinese foreign policy, thereby highlighting Chinese vulnerabilities and where, when, and how to maximize leverage; and, develop a set of regionally specific alternative competitive strategy considerations or even recommendations (e.g., a US grand strategy of “responsible competition” in defense of the liberal international order, of offshore balancing, or of managing regional spheres of influence).

- Workshops provide occasions to undertake cross-regional comparative analysis to help identify common elements in alternative competitive strategies, as well as the regionally specific elements. Together we create a framework that encapsulates compellence, coercion, and confrontation, as well as competition, coordination, and cooperation, while testing this framework for policy and narrative coherence. Debates in the 1960s over containment-with-isolation versus containment-without-isolation are useful to revisit, as is

the explicit identification and testing of assumptions that would underpin the theories of change which support the alternative strategies seeking to positively shape Chinese strategic behavior.

- Second, China argues that its global governance paradigm is based on sovereign equality, extensive consultations, and the absence of one or more dominant powers. This narrative should be publically contested by the US, its friends, and allies. The reality of how China practices domestic politics—CCP single party rule (“love the Party, protect the Party, serve the Party”), a surveillance state characterized by extrajudicial detention (“vocational education and training” concentration camps) in Xinjiang, and suppression of artistic, intellectual, and religious freedom—are lead indicators for the types of norms, rules, and leadership model to be practiced and exercised in an authoritarian Sino-centric global order. In Eurasia, China’s rhetoric of “peaceful development” and “constructive multilateralism” actually cloak neo-colonial and neo-mercantilist policies: China pays political tribute to the statehood (formal sovereignty and territorial integrity) of Eurasian states, while gaining economic concessions and importing raw materials from the region and exporting manufactured goods.
 - Clear and consistent messaging is critical to the success of US efforts to engage with the PRC. A critical perception turning point is underway, encouraging a paradigm shift in how China is viewed.
 - Debate on how to further an alternative “free and open system” would successfully contest the “China dream” and “Beijing consensus,” thereby constraining Chinese strategic behavior. This narrative should focus on the relationships between preventing violations, the proper method of governance, and how best to advance the provision of global public goods, while strengthening multilateral institutions. To that end, the US should cooperate with partners in areas of shared interest, especially in the promotion of good governance and development objectives, and continue to engage with friends and allies.
- Third, it is possible that relations with Russia could rapidly deteriorate, leading to much more effective and meaning-

ful Western cross-domain deterrence policies toward Russia.²⁵ New military aid packages for Ukraine (e.g., anti-ship missiles) could be made available by the West. For effective and meaningful cross domain deterrence (by denial and punishment) to be enacted, Germany and the US, which constitute the operational center of gravity in the political West, would need to reach a common strategic conclusion based on a shared risk calculus: the immediate known practical costs of Russia deliberately destabilizing the international order and the principles that uphold it would now outweigh the risks of the collapse of the Russian economy, and, with it, the unknowns associated with regime destabilization. Part of the calculation would also concern the probability of China's acquiescent response to Western escalation.

- o This perception would be based on a recognition that China exhibits a more deliberative, cautious, and risk-averse approach to strategic decision-making than Russia, is less willing to be labelled a pariah state, and, for now at least, is strategically relevant and benefits more from continuity than radical change, chaos, and unpredictability in the international system.
- o Deteriorating US-PRC relations increase Russian dependence on China for technology, however better relations raise the specter of a G2 and Russian strategic irrelevance as China forges ahead with OBOR.
- o Western-Russian crisis would encourage Russia to strengthen its partnership with China and provide the impetus for more cooperative Sino-US relations. In order to use the crisis as opportunity the US has to think how best to manage and engage China so that: China does not offer Russia more than rhetorical support under conditions of escalatory Western response; Western cross domain deterrence of Russia has a demonstration model effect on shaping and constraining China's strategic behavior; and policies are in place to mitigate the unintended consequences of negative spill-over effects from dual containment of Russia and China on potential US friends and allies in Greater Eurasia.

25 King Mallory, "New Challenges in Cross Domain Deterrence," *RAND Perspectives*, 2018, <https://www.rand.org/pubs/perspectives/PE259.html>.

6 Chinese Relations with the Middle East and North Africa

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1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Near East South Asia Center for Strategic Studies, US Department of Defense, or US Government.

This chapter examines China's policy in the Middle East and North Africa (MENA). The analysis underscores the following points: First, unlike East and Southeast Asia, the Middle East is not Beijing's main regional priority. Despite China's fast-growing military, economic and strategic capabilities, the nation's primary focus is on its immediate neighborhood. Second, China's interest and influence in the Middle East have grown significantly in the last two decades. Third, as China (and other economies grow), the United States (US) share of the world economy will shrink. However, this does not mean China (or other countries) is about to replace the American position. The competition between the US and China should not be seen in zero-sum terms. In the foreseeable future, the US will maintain its position as the most crucial global power in the Middle East and elsewhere.

China's relations with the MENA region go back several millennia. In the Middle Ages the Silk Road highlighted the extensive trade volume between the two civilizations. The Silk Road was not only about exchanging commodities, but, more important, it was about the two regions becoming more familiar with each other's cultures, religions, languages, political and social lives. In modern times, however, the two sides came under European colonialism and were overwhelmed by their internal weaknesses and their efforts to establish themselves as credible players in the emerging global system. Most Middle Eastern countries were either under the protection of the British or the French empires or were parts of these two empires, they were not sovereign states and did not have independent foreign policy from the one dictated to them by their colonial masters. In the aftermath of the Second World War, ideology was the main driver of China's domestic and foreign policies and Beijing was largely consumed by internal developments such as the Great Leap Forward and the Cultural Revolution.² In foreign policy, China lacked the necessary financial muscle and military capability to attract allies in the Middle East and elsewhere.

Within this context, there was very little interaction between China and the MENA region. One exception was Egypt's recognition of the People's Republic of China (PRC) in 1956. In the ensuing decades, China gradually transformed from a regional power with limited economic and military capabilities into a global one trying to assert and

2 Jon B. Alterman, "China in the Middle East," 6 June 2013, <https://www.csis.org/analysis/china-middle-east>.

defend its growing strategic interests.³ A milestone in this transformation was Beijing's assumption of the United Nations (UN) Security Council seat held by Taipei in 1971. Another major milestone was China's adoption of economic reform since the late 1970s and early 1980s. As a result, the Chinese economy has become one of the fastest growing economies in the world and Chinese cheap products (including weapons) have flooded the world. Stated differently, in the last few decades China's diplomatic, economic, and military interests and footprint have substantially expanded in the Middle East and elsewhere. This expanding Chinese leverage was the underlying force behind diplomatic recognition and growing economic and military ties with almost all MENA countries. In other words, by January 1992 China had established diplomatic relations with all countries in the Middle East, which laid a solid political foundation for mutual economic cooperation.⁴

A close look at the mushrooming Beijing's commercial and military ties in the MENA region illustrates the depth of the relations between the two sides. China is the largest trade partner to several regional powers. It has USD65 billion in investment agreements with Saudi Arabia; it is building a USD10.7 billion Sino-Oman industrial city in Duqm (Oman); it is a large and growing player in the Israeli high-tech sector and in 2017 its trade volume with Iran exceeded USD37 billion.⁵ Chinese tourism in Egypt has been growing fast since a comprehensive strategic partnership was signed between the two countries in 2014 and Beijing is taking the lead in building a new capital and enlarging the Suez Canal.⁶

These large and fast-growing economic ties have been supplemented by equally important arms sales and other forms of military engagement. China opened a naval base in Djibouti on the periphery of the MENA region in 2017 and in the last few years Chinese ships have conducted port calls in the Persian Gulf, Egypt, Israel and other regional powers. Despite these growing military activities, it is important to point out that Chinese leaders are aware of the limitations on their capabilities

3 François Godement, "China Analysis: The End of Non-interference?" *European Council on Foreign Relations*, 24 October 2013, https://www.ecfr.eu/publications/summary/china_analysis_the_end_of_non_interference216.

4 Xiaodong Zhang, "China's Interests in the Middle East: Present and Future," *Middle East Policy* 6, no. 3 (1999): 150-59, doi:10.1111/j.1475-4967.1999.tb00332.x.

5 Daniel Kilman and Abigail Grace, "China Smells Opportunity in the Middle East's Crisis," *Foreign Policy*, 14 June 2018, <http://foreignpolicy.com/2018/06/14/china-smells-opportunity-in-the-middle-east-s-crisis>.

6 Heba Saleh, "Egypt Sees Chinese Investment, and Tourists as a 'Win-Win' Boost," *Financial Times*, 30 October 2018, <https://www.ft.com/content/e490d960-7613-11e8-8cc4-59b7a8ef7d3d>.

to project power and have sought, so far, to avoid direct involvement in regional disputes.

REGIONAL PERCEPTION OF CHINA

This growing economic and military Chinese presence in the MENA region raises an important question: Why have regional powers welcomed cooperation with Beijing? The answer varies from one country to another based on historical, economic, and strategic circumstances. Generally, the following reasons can explain the rising Chinese role in the region:

- Unlike other global powers (Europe, US and Russia), China has neither historical baggage, i.e., colonialism or perceived bias toward one side in regional conflicts nor ideological drive. Most peoples and governments in the MENA region perceive China as more pro-Arabs and less pro-Israel or at least taking a more even-handed approach to the Arab-Israeli conflict than Europe and the US;
- China has the financial resources most MENA countries, particularly non-oil producing countries need. The Asian Infrastructure Investment Bank (AIIB) and the One Belt, One Road (OBOR; 一带一路)⁷ initiative, both launched by China in the last few years, have the potential to create thousands of jobs and support economic development in the MENA region, particularly in Egypt, Turkey and Iran;
- China became a net oil importer in the early 1990s and has since deepened its dependence on supplies from the Persian Gulf. In the coming two decades most oil exports from Gulf producers will go to China.⁸ This ensures energy security to China as the world's largest oil consumer and income for Persian Gulf states as the world's largest oil producers and exporters. In the last few years the US energy outlook has substantially improved and the nation has become a net natural gas exporter and much less dependent on oil and gas supplies from the Middle East;
- The so-called "Chinese Model" appeals to many countries

7 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

8 "BP Energy Outlook," BP Global, accessed 25 November 2018, <https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html>.

in the MENA region. In the last few decades the Chinese economy has grown by an impressive rate while maintaining domestic stability. In other words, China has pursued economic reform with little, if any, political reform. Many regional leaders value this dual strategy. A close examination of policies adopted by Crown Prince Mohammad bin Salam of Saudi Arabia and President Abd al-Fatah al-Sisi of Egypt (among others) shows how MENA region leaders are interested in pursuing economic reform and show little, if any, interest in political liberalization;

- Unlike Western partners, the Chinese leaders do not “lecture” their MENA counterparts on human rights, democracy, and transparency. Beijing has refrained from intervening in the MENA countries’ domestic affairs and has refused to take sides in domestic disputes;
- Despite relatively low quality, China has emerged as an important arms supplier to several countries in the MENA region and elsewhere, particularly to those under restrictions from buying Western weapons. Banned from buying American and European weapons for decades, Iran has turned to China. Similarly, when the US Congress refused to allow the sale of some missile systems to Saudi Arabia in the early 1980s, Riyadh bought similar systems from China. When the US refused to sell armed drones, the United Arab Emirates and other countries bought them from China. In the recent controversy over the murder of the Saudi journalist Jamal Khashoggi, President Trump has argued that if the US does not sell arms to Saudi Arabia, it will buy them from Russia and China;
- Finally, some MENA leaders perceive warming relations with China as a counterbalance to the US. Having a competitor to the US, the argument goes, would improve their bargaining position. The doubt and concern some MENA countries have toward the US made this option more appealing. The list of developments that have contributed to rising suspicion in US intentions and commitments includes the Iraq War, the Barack Obama administration’s response to the Arab uprisings in 2011, the Syrian civil war, the negotiations with Iran that led to the signing of the Joint Comprehensive Plan of Action (JCPOA), and the Trump administration’s calls for withdrawing American troops from the Middle East. This tactic of playing one global power off against another global power is further complicated

by the wrong perception that the US is a declining global power that seeks to disengage from the MENA region while China is a rising power with plans to expand its economic and strategic ties with the region.

IMPLICATIONS FOR THE UNITED STATES

- **US-Sino competition in the MENA region should not be seen in zero-sum terms.** In August 2014 President Obama described China as a free rider that has refused to be a responsible stakeholder in the international system over the past thirty years.⁹ Some in China want a new more assertive role in the MENA region and they see opportunities. Developments in Washington, Beijing and in the MENA region suggest that China is likely to expand its presence in the region in the coming few decades. This is not bad news for the US. China's economic engagement in the region and its expanding trade and investment volumes have the potential to create jobs, accelerate economic development, and contribute to political stability. These objectives, if realized, would serve the interests of the peoples in the region, in China and in the US. Indeed, Washington should press Beijing to expand OBOR to countries in need of reconstruction assistance, such as Iraq, Syria, and Yemen and contribute to post-conflict reconstruction efforts.

- **Expand military and security ties.** Several MENA countries face a strategic dilemma: While the US remains their principal security ally, China has become their major trading, investment and overall economic partner.¹⁰ Despite China's growing presence in several MENA nations, security ties with Washington are not likely to be impacted. For several decades the US has invested in arming and training several regional militaries. These are long-term relations. Furthermore, military cooperation between the two sides has been cemented by legally-binding defense agreements and the presence of military bases in several countries. Simply stated, China does not have the military capabilities and infrastructure to match the US security strategy in the MENA region. While Washington has

9 Thomas L. Friedman, "Obama on the World," *New York Times*, 9 August 2014, <https://www.nytimes.com/2014/08/09/opinion/president-obama-thomas-l-friedman-iraq-and-world-affairs.html>.

10 Bates Gill and Benjamin Schreer, "Countering China's 'United Front,'" *Washington Quarterly* 41, no. 2 (5 July 2018), <https://doi.org/10.1080/0163660X.2018.1485323>.

had military bases in several Middle Eastern countries for decades, Beijing officially established its first base in Djibouti in 2017. The US has a number of military bases and thousands of American troops are deployed in several countries in the Middle East. China does not enjoy these advantages. To date, Beijing has given few indications that it is determined to directly challenge US predominance in the region.¹¹ Rather, Chinese diplomacy and military activities have continued to exhibit strong signs of “cautious incrementalism” and “careful balancing.” The bottom line is: China’s immediate neighborhood remains its foreign and security policy’s priority. This is not likely to change in the foreseeable future.

- **Take advantage of US dominant soft power.** Finally, the US and China compete over economic and defense targets in the MENA region. But, when it comes to soft power, Washington, by far, has the upper hand. A large number of the political leaders, senior military officers, economic elite and public opinion makers are educated in the US and have strong contacts with their counterparts there. American soft power reinforces the nation’s strong military and economic presence in the MENA region. This is not likely to change any time soon. China’s growing role in the Middle East does not pose serious challenge to the US predominant presence and the decades-long relations it has in the region.

To sum up, while there is a divergence in how China and the US approach the Middle East, their interests are largely compatible. Beijing focuses on trade and investment while Washington is the key security partner. Still, both global powers want a Middle East that enjoys economic prosperity and political stability. Domestic stability and regional peace would serve the interests of both China and the US as well as the peoples of the Middle East. Whether the two global powers can work together to promote these objectives remains to be seen.¹²

11 John Calabrese, “China and the Middle East: Redefining the International Order?” December 2018, <https://www.dur.ac.uk/resources/alsabah/publications/insights/JCalabreseSabahPapers.pdf>.

12 Jonathan Fulton, “China’s Changing Role in the Middle East,” *Atlantic Council*, 5 June 2019, accessed 11 June 2019, <https://www.atlanticcouncil.org/publications/reports/china-s-changing-role-in-the-middle-east>.

7 China in Africa: Opportunities, Challenges, and Options

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1 The views and recommendations expressed in this chapter are those of the authors and do not necessarily reflect the policy or position of the Africa Center for Strategic Studies, US Department of Defense, or US Government.

INTRODUCTION

The People's Republic of China's (PRC) diplomatic, economic, and security engagements with Africa have deepened since the turn of this century. The PRC and private Chinese firms, many of them backed by central and local governments, are visiting Africa more frequently, while foreign direct investment (FDI) and development assistance are trending upward.² In addition, growing People's Liberation Army (PLA) engagement with African countries and regional institutions is evidenced by increased security assistance, consistent support for peacekeeping initiatives, and a growing military footprint. Understanding the geo-strategic implications of these developments requires a careful analysis of four key questions. Does the recent acceleration constitute a trend? How much influence does the PRC derive from these engagements? How do African countries perceive recent developments? How do Beijing's interventions compare to those of Africa's other external partners?

This chapter starts with a strategic analysis of the evolution of China-Africa relations to unpack the drivers of this relationship. While it is true that China has had a long-standing relationship with Africa and tends to play the long game, the historical overview also highlights important transactional dimensions. Chinese officials often make short-term decisions based on their national self-interest or policy adjustments. Meanwhile, African governments are becoming more selective and circumspect as pressure grows from African civil society, academics, and private sector leaders for more equitable deals with the Chinese that enhance transparency, eliminate corruption, and avoid unsustainable debt.

While many African countries acknowledge China's role in critical areas, like infrastructure development and peacekeeping operations, some have become wary of potential downsides of dependency, dumping, security arrangements that compromise human rights, and onerous debt. Increasingly, Chinese involvement is being evaluated within the context of the roles, activities, and relative costs of opportunities provided by other development partners. Consequently, in Africa, any analysis of the implications of Chinese engagements must include a broader discussion of other external partners.

² For purposes of this chapter the terms People's Republic of China (PRC) and China are used interchangeably.

EVOLVING HISTORICAL TRENDS

Historical records of China-Africa relations date back fourteen centuries to the early years of the Tang dynasty when merchants from China and Eastern Africa traded in porcelain, silk fabric, ivory, gold, silver, and wildlife among other commodities.³ Vibrant trade was established along the ancient Silk Road that eventually led to the establishment of formal diplomatic relations with ancient Egyptian, Ethiopian, and Somali kingdoms in the 7th and 8th centuries.⁴

The China-Africa relationship evolved in many significant ways (as documented in Table 1 on page 108) but three things have remained constant in recent decades. First, the relationship has always been driven by internal political dynamics in China. Records show that China-Africa relations expanded during periods of prosperity and stability in China and declined during periods of domestic turmoil.⁵ Second, China, has long sought alliances with African countries for economic, security, and diplomatic reasons. African diplomatic support has been crucial to China because African states hold the most votes as a single bloc at United Nations (UN) institutions and other multilateral bodies. Third, the goal of the “Great Rejuvenation of the Chinese Nation” (*zhōnghuá mínzú wěidà fùxīng*; 中华民族伟大复兴) is a defining feature of the PRC’s accelerated Africa engagement. Africa in recent years has emerged as an important node in China’s One Belt, One Road initiative (OBOR; 一带一路), an ambitious program to develop strategic trade corridors and infrastructure globally.⁶

3 John Shen, “New Thoughts on the Use of Chinese Documents in the Reconstruction of Early Swahili History,” *History in Africa* 22 (January 1995): 349-358.

4 Xinru Liu, *The Silk Road in World History* (London: Oxford University Press, 2010).

5 Christopher Alden and Ana Cristina Alves, “History and Identity in the Construction of China’s Africa Policy,” *Review of African Political Economy* 35, no. 115 (2008): 43-58.

6 The editors have chosen to conform to the “One Belt, One Road” formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p. 9.

Table 1. A Brief Historical Overview of China-Africa Relations

| Year(s) | Activity | Implications |
|-----------|--|--|
| 618-907 | Trade during Tang dynasty. | Commercial relations established. Egypt, Ethiopia, and Somalia had envoys in China. |
| 960-1644 | Trade expansion from the early-Song through the mid-Ming dynasties. | China is the preeminent global maritime power. Maritime contacts expanded to modern-day Kenya, Tanzania and Mozambique. |
| 1405-1433 | Seven voyages by Ming Admiral Zheng He. | Recurrent visits to Kilwa, Lamu, Malindi, Mogadishu, Mombasa, and Zanzibar. |
| 1628-1644 | Internal strife within the Ming Court. | Maritime fleet dismantled. Foreign expansionism and trade decreased. Africa contacts dwindled progressively. China turns inward. |
| 1912 | Collapse of the Qing dynasty leads to civil war. | China's self-isolation from the world continues. Africa contacts minimal. |
| 1949 | People's Republic of China founded. | Diplomatic and trade relations renewed. Africa contacts slowly revived. |
| 1955 | Bandung Conference is inaugurated. | Maoist struggle for the global South initiated. Contemporary China-Africa diplomacy launched. |
| 1955-1980 | Active support for Africa's independence and anti-apartheid struggles. | Over USD150 million in military aid is provided. Attendance at Afro-Asia People's Solidarity Conferences rose from 6 to 50 African countries. Contemporary China-Africa military diplomacy launched. |
| 1970 | Financed USD150 million Tanzania-Zambia railway. | China's first mega-project. Symbolic South-South cooperation. Contemporary China-Africa infrastructure diplomacy launched. |

| | | |
|-------|---|--|
| 1990s | Deng Xiaoping “Reform and Opening Up” breaks with Maoist tradition. | Economic reforms and regime security promoted. Contemporary China-Africa commercial diplomacy launched. |
| 1999 | Jiang Zemin sanctions the “Go Out” policy. | China’s foreign engagements accelerate and intensify, including in Africa. Regime “stability” becomes an important hedging strategy. |
| 2000 | Forum for China Africa Cooperation (FOCAC) is launched. | China institutionalized a revamped Africa policy. Commercial diplomacy intensifies. |
| 2015 | Decision to commit 8,000 troops to a UN Standby Force and USD100 million in military assistance to the African Union over five years. | China broadens its engagement in Africa. Deployments deepen ties with regional and continental organizations, and support China’s expanding foreign policy interests. |

China’s strategy in Africa during the 1960s and 1970s was also shaped to a significant degree by the Sino-Soviet conflict. Clashes between Chinese and Soviet-backed African movements were common and continued long after independence. Nevertheless by 1985 China had firmly established itself as an important player in Africa’s anti-colonial and anti-apartheid struggles becoming an ideological mentor to many newly independent African states.

Following his consolidation of power in 1978, Deng Xiaoping adopted a more market-determined economic growth model and launched an aggressive drive to develop a strong middle class society. Known as “Reform and Opening Up” (*Gǎigé kāifàng*, 改革开放), this policy saw the PRC move away from “leading the developing world and fighting Western imperialism” to building pragmatic relationships with the West.⁷ Africa decreased in importance to Chinese foreign policy as

7 Despite increasingly common usage in the literature, the editors have encouraged the authors not to use the term “state-capitalism” to describe the PRC’s economic system. For the editors’ explanation of why this term should not be used, please see the Introduction, p 10. The authors of this chapter encourage a full exploration of the issue and direct the reader to Joshua Kurlantzick, *State Capitalism: How the Return of Statism Is Transforming the World* (New York: Oxford University Press, 2016).

Beijing turned its attention to securing Western FDI and advanced technologies, none of which the continent could provide.

The international backlash over the PLA's crackdown on student protestors in Tiananmen Square, coupled with an acute sense of threat within the Chinese Communist Party (CCP) following the collapse of the Soviet Union quelled Beijing's international leadership ambitions. The United States (US) froze all military and technological contact with China and imposed sanctions.⁸ Sensing China's vulnerabilities, Deng adopted the doctrine of *tāoguāng yǎnghuì* (韬光养晦) which required China to "keep a low profile, bide our time, and never claim leadership."⁹ This policy demanded the continued economic reforms at home, a non-confrontational approach abroad, and deterring hostile coalitions from outside that could destabilize or even overthrow the CCP. With this in mind Deng refused several invitations by African countries to reassert China's leadership of Global South causes. The impact on China-Africa relations was immediate. China's exports to Africa fell sharply, aid levels plummeted, and diplomatic overtures waned.

From 1999, however, the China-Africa relationship returned to an upward trajectory when President Jiang Zemin issued a directive known as "Go Out" (*Zōuchūqū Zhànliè*; 走出去战略) to encourage Chinese companies to exploit opportunities in emerging and developed markets. Africa received increased attention because it was seen as a "high dividend, high risk" market with minimal competition from other powers.

In establishing themselves in Africa, Chinese companies cultivated relationships with local politicians and elites through personal ties, favors, and informal hierarchies. This is known in Chinese culture as *guanxi* (关系), which is essentially the Chinese version of the idiom "you scratch my back and I'll scratch yours."¹⁰ The practice has allowed Chinese state-backed industrialists and entrepreneurs to make inroads in the largely under-regulated African political and business environment where personal ties often trump regulations and accountability.¹¹

8 David Skidmore and William Gates, "After Tiananmen: The Struggle over US Policy toward China in the Bush Administration," *Presidential Studies Quarterly* 27, no. 3, The Presidency in the World (Summer 1997): 514-539.

9 Qingmin Zhang, "Taoguang Yanghui or Not? China's Discourse on Foreign Policy Strategy," *China Files*, 26 April 2011, <http://www.china-files.com/thinkinchina/sixth.html>.

10 Chao C. Chen, Xiao-Ping Chen, and Shengsheng Huang, "Chinese *Guanxi*: An Integrative Review and New Directions for Future Research," *Management and Organization Review* 9, no. 1 (March 2013): 167-207.

11 J.R. Mailey, "The Anatomy of the Resource Curse: Predatory Investment in Africa's Extractive Industries," Africa Center for Strategic Studies, Special Report no. 3, 31 May 2015, <https://>

RECENT ECONOMIC AND INVESTMENT TRENDS

China's recent economic and investment in Africa are directed towards supporting OBOR infrastructure projects. Unlike the 1980s and 1990s when Chinese firms sought exclusive control of their investments (particularly hydrocarbons), recent years have seen a move towards partnerships.¹² Increasingly, the search for partners appears to be a risk-pooling strategy (particularly by the Chinese private sector). Some partnerships have been the result of new laws and regulations in African countries, that seek to loosen investment regulations to attract more FDI. These include tax exemptions, holidays and breaks, matching funds, and enhanced processing of visas and permits, among other incentives.

Another noteworthy transition is that the Chinese investment portfolio in Africa is no longer dominated by natural resources. Estimates in 2017 suggest that manufacturing (31%), services (25%), trade (22%), and infrastructure (15%) were most important.¹³ China increasingly views Africa as a growing market for Chinese goods and services. There has been a gradual shift from a predominantly extractive, natural resource-driven trading relationship.

The role of the Chinese private sector is also growing. According to a 2017 study by McKinsey, only 16 percent of Chinese investments in Africa were by state-owned enterprises; the vast majority were by private Chinese firms.¹⁴ Although most Chinese firms source financing from state-owned banks and export credit agencies, the increased private sector involvement suggests a trend towards more nuanced commercial diplomacy, a greater focus on profitability, and less risk tolerance in the future. Questions however remain about the nature of the Chinese private sector and how it interacts with the government and ruling party.

africacenter.org/publication/the-anatomy-of-the-resource-curse-predatory-investment-in-african-extractive-industries/.

12 Richard Schiere, "China and Africa: An Emerging Partnership for Development?— An Overview of Issues," African Development Bank Group, *Working Paper Series*, no. 125, May 2011, <https://www.afdb.org/en/documents/document/working-paper-125-china-and-africa-an-emerging-partnership-for-development-an-overview-of-issues-23693>.

13 David G. Landry, "Comparing the Determinants of Western and Chinese Development Finance Flows to Africa," China Africa Research Initiative, Policy Brief no. 29, 2018, <https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/5c117edd758d4648f78db670/1544650461960/PB29-Landry-DevelopmentFinance.pdf>.

14 Kartik Jayaram, Omid Kassiri, and Irene Yuan Sun, "The Closest Look Yet at Chinese Economic Engagement in Africa," McKinsey and Company report, June 2017, <https://www.mckinsey.com/featured-insights/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa>.

In the late 1990s the CCP issued regulations calling upon private enterprises with three or more party members to establish a branch (*dǎng zǔhìbù*; 党支部) within their corporate and decision-making structures.¹⁵ This push accelerated after OBOR got underway in 2013 in line with CCP requests for “comprehensive party building in the private sector,” including foreign companies operating in the PRC. By 2016, the ratio of private enterprises that had CCP branches had risen to almost 70 percent.¹⁶ This has blurred the lines between private and public sector decisions, making it increasingly difficult to distinguish between public and private Chinese investments with any degree of accuracy.

The McKinsey report also suggests local labor is being increasingly integrated into value chains related to Chinese investment. It found that there were more than 10,000 Chinese enterprises in Africa and 89 percent of their workers were local hires (the figure drops to around 40 percent at the managerial level). The report implies that Chinese firms are increasingly complying with domestic regulations and responding to some African concerns, such as participation of the domestic labor force, technology and skills transfers, and adherence to internationally-recognized labor standards.

These investments are part of broader bilateral packages and do not always benefit from rigorous project assessments and oversight that meet African and international standards. When deals lack rigorous oversight and public engagement, loan quality is badly affected and the likelihood of a default greatly increased.¹⁷ A number of other risks (political turmoil, foreign currency fluctuation, commodity price volatility, and violent unrest) could also hinder the African countries’ ability to service their Chinese loans.

EXTERNAL DEBT

Africa’s total external debt (public and private) is around USD415 billion. With an estimated debt stock of USD132 billion in official and commercial loans, China is Africa’s single largest creditor na-

15 Catherine Tai, “China’s Private Sector Is under Siege,” *Diplomat*, 22 December 2018, <https://thediplomat.com/2018/12/chinas-private-sector-is-under-siege/>.

16 Zhang Lin, “Chinese Communist Party Needs to Curtail Its Presence in Private Businesses,” *South China Morning Post*, 25 November 2018, <https://www.scmp.com/economy/china-economy/article/2174811/chinese-communist-party-needs-curtail-its-presence-private>.

17 Lynsey Chutel, “No, China Is Not Taking over Zambia’s National Electricity Supplier. Not Yet, Anyway,” *Quartz Africa*, 18 September 2018, <https://qz.com/africa/1391111/zambia-china-debt-crisis-tests-china-in-africa-relationship/>.

tion.¹⁸ Approximately, 32 percent of external African government debt is owed to China. However, 35 percent of Africa's total debt is owed to multilateral institutions such as the World Bank and another 32 percent to private lenders, including Chinese ones.¹⁹ According to the United Kingdom-based Jubilee Debt Campaign, 55 percent of all interest payments go to private firms compared to only 17 percent to Chinese government lenders. Of greater concern than who holds the loans is debt vulnerability, defined as national debt greater than 50 percent of Gross Domestic Product (GDP). Of the 17 African nations considered under debt stress or at risk of such stress by the International Monetary Fund (IMF) in January 2019, Chinese debt is a factor in only three: Djibouti, Zambia, and Cameroon.²⁰ Even in African countries where China is the largest single creditor, the majority of Africa's debt is held by multilateral and commercial creditors.

Does Chinese debt pose a systemic risk to African countries? Continentally, the answer is not yet. However, it is almost a foregone conclusion that more Chinese debt will be taken on as more and more OBOR projects come on line. If African governments continue avoiding public accountability in their dealings with the PRC and private Chinese corporations, and if deals continue to be signed on unfavorable terms, then Chinese debt could become a major issue.

There is some indication that some Chinese investors are likely to seek contractual or market-based redress. In 2018 the China Export and Credit Insurance Corporation (the financiers of the Ethiopia-Djibouti railway) decided to sell its debt to the Hong Kong Mortgage Corporation, who would eventually securitize or repackage them for sale to investors.²¹ If successful, this Corporation will be used to buy a diverse portfolio of infrastructure debts in Africa. This market-based approach is different from the past, when Chinese state-owned or state institutions assumed responsibility for the debt and subsequently undertook endless

18 Elvis Mboya, "Rethinking Africa's \$124 Billion Debt to China, Ahead of Beijing's September Summit," *Investigative Africa*, 26 August 2018, <http://iaafrica.com/rethinking-africas-120-billion-debt-to-china-ahead-of-beijings-september-summit/>.

19 Peter Fabricius, "Indebted Africa Returns to the International Monetary Fund," *ISS Today*, 20 September 2018, <https://issafrica.org/iss-today/indebted-africa-returns-to-the-international-monetary-fund>.

20 Larry Madowo, "Should Africa Be Wary of Chinese Debt?" *BBC News*, 3 September 2018, <https://www.bbc.com/news/world-africa-45368092>.

21 Allan Olingo, "China Plans to Sell off Its African Infrastructure Debt to Investors," *Daily Nation*, 5 November 2018, <https://www.nation.co.ke/news/world/China-plans-to-sell-off-its-African-infrastructure-debt/1068-4837516-g5f4j3/index.html>.

rounds of rescheduling. The inexorably slowing Chinese economy suggests the Chinese government is less likely to underwrite the full value of private sector liabilities, as it did in the past. However, there are fears that the securitization of debt could increase African countries' indebtedness as it would encourage them to borrow more.

Loans extended by the Chinese government are likely to be treated differently. They will likely be forgiven in exchange for diplomatic and security assurances from debtors, as China has done in the past. The upside is that China has been much more selective in its choice of projects than it has been in the past. Provided that African countries can follow prudent policies, investments in some countries are likely to succeed and contribute to enhanced economic productivity.

Africa's citizens are also voicing concern about the dearth of transparency and opaqueness of Chinese loans to various governments as recent media revelations in Kenya and Zambia have shown. Beijing should be concerned about the debt sustainability of its African partners, especially as the pace of its economic growth slows and world commodity prices slide downward due to reduced global demand.

FORUM ON CHINESE AFRICAN COOPERATION

Established in 2000 the Forum for China Africa Cooperation (FOCAC) has provided greater focus to China's relationship with Africa. In between its triennial summits, around 33 agencies oversee the implementation of decisions. Several committees, from working level to ministerial level, discuss initiatives ranging from trade and investments to institution building and security assistance. The seventh FOCAC hosted in Beijing in 2018, was attended by more Africa heads of state and government than attended the UN general assembly that year. From relatively humble beginnings, FOCAC has grown to become an important gathering of African heads of state; second only to the African Union. Presided over by the Chinese president, FOCAC affords African countries an opportunity to discuss, not just requests for support, but contemporary foreign policy and global challenges. Most FOCAC attendees report that they feel valued and listened to, and generally come away from the discussions with tangible and timely commitments.

Table 2. Recent Evolution of FOCAC Declarations²²

| | 2000 | 2015 | 2018 |
|----------------------------|---|---|--|
| Word Count | Approx. 1,700 | Approx. 2,700 | Approx. 2,900 |
| Ideology | Five Principles of Peaceful Coexistence | Five Pillars | Five Nos ²³ |
| Development-Security Nexus | Millennium Development Goals not mentioned | Sustainable Development Goals mentioned | Sustainable Development Goals are central |
| Diplomacy | Veiled reference to international diplomacy | Explicit reference to One China policy and desired reform of international diplomacy (UNSC) | African support for One China policy, China reunification and China's efforts to solve maritime disputes |
| Development Themes | Vague reference to economic development | Mention climate change, industrialization and Ebola pandemic | Mention climate change, industrialization and migration |
| Global Ambitions | Not mentioned | Explore China-Africa synergies with Silk Road initiative | OBOR is central to China-Africa relations |
| Trade | Vague mention | Oppose protectionism. Reform International finance | Call for WTO-centered multilateralism; support for Africa Continental Free Trade Agreement |
| Security Cooperation | Not mentioned | Support for peacekeeping missions and collective security mechanisms in Africa | Support predictable UN funding for peace support operations; support the operationalization of the African Standby Force |

22 Information for this table is culled from the respective FOCAC declarations, which could be found here: https://www.focac.org/eng/ljhy_1/dyjbzjhy_1/CI12009/.

23 The Five Nos, which represent a repudiation of Western principles, partnerships and strategy

| | | | |
|-------------------|---------------|---|---|
| African Protocols | Not mentioned | Support for African Union's Agenda 2063 | Support for African Union's Agenda 2063; strong synergies between OBOR and continental goals and agreements |
|-------------------|---------------|---|---|

As Table 2 (above) shows, China has used FOCAC as an effective economic, foreign policy, and signaling tool. Not only have the FOCAC communiqués become more substantive and less perfunctory, they have gradually included themes that resonate in African capitals (principally, the Sustainable Development Goals, and peacekeeping operations) as well as in Beijing (the One China policy). FOCAC has also been the venue where China signals trends in its development and security assistance to Africa.

Until 2018, there had been a tradition of significantly increasing Chinese development assistance and investment.²⁴ Many eyebrows were therefore raised when the 2018 overall envelope of USD60 billion over three years was the same as the 2015 pledge (researchers at Johns Hopkins University suggest that the real figure for 2015 is USD50 billion).²⁵ This represents China's gradual shift from offering grants and concessional loans, to providing loans on commercial terms. Another noticeable trend has been the shift from emphasizing China's principles of international engagement, to the 2018 communiqué which was a thinly veiled repudiation of Western values (as intimated in Table 2). China purports to offer African countries an alternative philosophy.

DIPLOMATIC AND INTERNATIONAL RELATIONS

From a global perspective, Africa does not occupy the same level of importance in China's foreign policy priorities as Southeast Asia, Latin America, or the US. Through much of the second half of the 20th Century, the Chinese foreign policy outlook on Africa focused on gaining

are explained here: http://www.xinhuanet.com/english/2018-09/06/c_137447556.htm.

24 Paul Nantulya, "Grand Strategy and China's Soft Power Push in Africa," Africa Center for Strategic Studies, Spotlight, 30 August 2018, <https://africacenter.org/spotlight/grand-strategy-and-chinas-soft-power-push-in-africa/>.

25 Deborah Brautigam, "China's FOCAC Financial Package for Africa 2018: Four Facts," blog, China Africa Research Initiative, 3 September 2018, <http://www.chinaafricarealistory.com/2018/09/chinas-focac-financial-package-for.html>.

international recognition. Joining the post-independence, anti-colonialist movement in Africa of the 1960s, Beijing cast itself as a partner in the “South-South” dialogue and the Non-Aligned Movement. Chinese aid in this context was leveraged to support its “One China” policy and gain broader international recognition. Success was due not only to traditional “checkbook diplomacy,” but by the attractiveness of trade. Minimal Western (read US) concern was another contributory factor. Today, only one African country, Eswatini (formerly Swaziland), maintains formal diplomatic relations with Taiwan.

Whereas the focus of the past was to widen the PRC’s international legitimacy, the focus today is on leveraging all elements of national power to support strategic objectives, what Chinese leaders refer to as Comprehensive National Power (*zōnghé guó lì*, 综合国力).²⁶ Therefore, Chinese diplomacy is focused on supporting economic, military, and commercial interests across the continent. China’s high economic growth rates and rising personal incomes have dramatically increased its resource requirements. Africa has become China’s second largest source of petroleum with Angola, the Republic of the Congo, and Sudan as principal suppliers of African crude. Similar demand for African copper, iron, steel, and other minerals have spurred a rapid increase in exports to China. Supporting this growth in commodity exports has been a dramatic increase in Chinese investment. Only ten of Africa’s 54 countries make up the bulk of Chinese investment and trade: Ethiopia, Kenya, Angola, Sudan, South Sudan, Djibouti, South Africa, Algeria, Nigeria, Cote d’Ivoire, and the Republic of the Congo.²⁷ In each of these countries the purpose of Chinese engagement is different. For example, while Ethiopia, Algeria, South Africa, and Nigeria offer growing markets for Chinese exports and manufacturing investment, China’s relationships with Angola, Zambia, Sudan, and Congo reflect its need to source essential commodities (oil and copper).

The USD200 billion AU headquarters in Addis Ababa, built and fully funded by China as a “gift” to Africa, is emblematic of China’s adeptness at employing grand gestures to generate political support. In May 2017, China signed an agreement with the Economic Community of West African States (ECOWAS) to build its new headquarters in Abuja, Nigeria. In September, construction of a logistics depot for the

26 Ni Lexiong, *Zhanzheng yu wenhua chuantong: dui lishi de ling yi zhong guancha* [War and Cultural Tradition: Another Perspective on History], (Shanghai: Guji Chubanshe, 2000).

27 “Data: Chinese Investment in Africa,” China Africa Research Initiative, data report, May 2017, <http://www.sais-cari.org/chinese-investment-in-africa>.

Southern African Development Community Standby Force got underway with Chinese funding and expertise.

China has also used “soft tools” to promote positive views among African communities. Africa hosts about 70 “Confucius Institutes” spread across 40 countries, China’s answer to the US State Department’s “American Corners.”²⁸ These institutes have popularized the learning of Chinese language and culture on the continent and quadrupled the number of Africans studying in China. In 2017 China surpassed the US and United Kingdom as the top destination for Anglophone African students.²⁹

SECURITY COOPERATION TRENDS

The PLA’s military and security activities in Africa follow the larger shift in Chinese policy from ideologically rooted relations to pragmatic engagement. During the 1960s and 1970s Beijing limited its security assistance to countries governed by former liberation movements and socialist governments. Today, it has security and military relationships with countries of all ideological stripes, including those with deep ties to the US such as Kenya, Senegal, Botswana, and Liberia.

The most visible aspect of China’s security and military profile is arms sales. Data from the Stockholm International Peace Research Institute shows that China is now the top supplier of weapons to sub-Saharan Africa, accounting for 27 percent of the region’s imports between 2013 and 2017.³⁰ This represents a 55 percent increase between 2008 and 2012. Algeria, Angola, Gabon, Mozambique, Nigeria, South Sudan, and Uganda are among the 22 African countries that have imported Chinese weapons in recent years. China has also diversified from sales in small arms and light weapons to tanks, armored personnel carriers, maritime patrol craft, aircraft, missiles, unmanned aerial vehicles, and artillery systems. Beijing is also building defense institutional capabilities. China’s State Administration for Science, Technology, and Industry for National Defense (SASTIND), for instance, has bilateral agreements with 45 African countries covering the sharing of defense technologies and build-

28 Abhishek G. Bhaya, “Confucius Institutes a Bedrock of China’s Growing Cultural Ties with Africa,” *CGTN Report*, 22 August 2018, https://news.cgtn.com/news/3d3d514f346b544e79457a6333566d54/share_p.html.

29 Paul Nantulya, “Grand Strategy and China’s Soft Power Push in Africa.”

30 Salem Solomon, “Deepening Military Ties Solidify China’s Ambitions in Africa,” *Voice of America*, 15 July 2018, <https://www.voanews.com/a/deepening-military-ties-solidify-china-ambitions-in-africa/4483010.html>.

ing defense industries.³¹ Sudan, Uganda, and, more recently, Kenya have been enthusiastic customers of this type of Chinese assistance.

The 2019-2021 China-Africa Action Plan (CAAP) sets the broad policy framework for China's military and security activities in Africa.³² Three new mechanisms, the China Africa Defense Forum, the China Africa Law Enforcement and Security Forum, and the China Africa Peace and Security Forum provide avenues for regular consultation between Chinese and African security sector leaders to identify priorities for implementation. Since 2018, about 50 new security assistance programs have been established, in part to build local capacity among China's African security partners and address growing security risks to Chinese investments and personnel.³³ Beijing's central concern is that the rapid expansion of investments and commercial activity around the world is exposing Chinese citizens and assets to the threats of transnational terrorism, civil unrest, and anti-Chinese sentiment.

In 2015 the PRC issued a new Defense White Paper and a Counterterrorism Law (Order No. 36 of the President of the PRC) that allows, for the first time, the overseas deployment of the PLA and its Special Operations Forces, the PLA Navy (PLAN), and the People's Armed Police (PAP).³⁴ Under this law the PLA opened its first overseas military base in Djibouti in 2017, which primarily supports China's naval deployments in support of peacekeeping operations in Mali, Sudan, and South Sudan, humanitarian assistance in the Horn of Africa, and international counterpiracy patrols in the Gulf of Aden.

During the first half of 2018, the PLAN's 27th and 28th anti-piracy task forces made port calls to Cameroon, Gabon, Ghana, and Nigeria in what appear to be efforts to more closely align China's military activities to the expansion of the OBOR to the West African coast.³⁵ The

31 Jon Grevatt, "China Deepens Defense Engagement in Africa," *Jane's Defense Weekly*, 3 July 2018, <https://www.janes.com/article/81483/china-deepens-defence-engagement-in-africa>.

32 Paul Nantulya, "Chinese Hard Power Supports Its Growing Strategic Interests in Africa," Africa Center for Strategic Studies, Spotlight, 17 January 2019, <https://africacenter.org/spotlight/chinese-hard-power-supports-its-growing-strategic-interests-in-africa/>.

33 Helena Legarda and Meia Nouwens, "Guardians of the One Belt One Road: The Internationalization of China's Private Security Companies," Mercator Institute for China Studies, China Monitor, 16 August 2018, <https://www.merics.org/en/china-monitor/guardians-of-belt-and-road>.

34 Joel Wuthnow, "China's Overseas Basing: Will the PLA Follow the Renminbi?" *National Interest*, 17 February 2018, <https://nationalinterest.org/feature/chinas-overseas-basing-will-the-pla-follow-the-renminbi-24551>.

35 Michael Kovrig, "China Expands Its Peace and Security Footprint in Africa," *International Crisis Group*, 24 October 2018, <https://www.crisisgroup.org/asia/north-east-asia/china/china-expands-its-peace-and-security-footprint-africa>.

China Harbor Engineering Company signed an agreement in 2018 with Nigeria to construct its first deep water port in Lekki.³⁶ In September an additional agreement was signed that will see the Guangzhou Port Authority work with its Nigerian counterpart to build the capacity of Nigeria's ports in management, logistics, and port operations. Chinese firms are also building ports in Ghana and Cameroon.³⁷

China has stepped up its engagements with the African Union and Africa's regional economic communities. Its strategy in this regard prioritizes the operationalization of the African Standby Force (ASF) and the African Capacity for Immediate Response to Crises (ACIRC). In 2017, the China-Africa Peace and Security Fund committed USD100 million towards building the ASF and developing African states' capabilities to deploy it to crisis situations. In February 2018, the fund disbursed USD25 million to the ASF's logistics base in Cameroon and a further USD30 million was extended to Tanzania's Chinese-funded military training center which is expected to play a role in capacity building for the East African Standby Force.³⁸

AFRICAN PERSPECTIVES

China's growing role in Africa has largely been welcomed across the continent. A 2015 attitudes survey by the Pew Research Center found Africans more favorably disposed toward the PRC than any other continent, with majorities in all African countries surveyed expressing a positive view of China.³⁹ Seven in ten in Ghana, Ethiopia, Tanzania, Burkina Faso, Nigeria, Senegal, and Kenya hold favorable views of Beijing. A 2016 Afrobarometer survey conducted in 36 African countries found that 63 percent of respondents thought China's economic and political influence was positive.

Two main factors explain China's generally positive reputation in Africa. First, Chinese investment in infrastructure resonates well with Africans because it is a core priority for virtually all African countries as spelt out in the China-AU Strategic Compact and the AU's Agenda 2063.

36 Zhou Pingjian, "China, Nigeria to Boost Bilateral Win-Win Cooperation," *People's Daily*, 7 September 2018, <http://en.people.cn/n3/2018/0907/c90000-9498465.html>.

37 Pauline Bax, "Chinese-Built Port Evokes Dreams of El Dorado in Cameroon," *Bloomberg*, 29 August 2018, <https://www.bloomberg.com/news/features/2018-08-29/china-stakes-its-claim-on-west-africa>.

38 Michael Kovrig, "China Expands Its Peace and Security Footprint in Africa."

39 "Global Indicators Database," *Pew Research Center*, <http://www.pewglobal.org/database/indicator/24/group/5/>.

China has capitalized on this by presenting OBOR as a boon for both sides. Second, African countries are far-removed from China's periphery and have not experienced or witnessed Chinese military aggression against an African nation.

Unsurprisingly, positive views about China in Africa are highest among governments and regional organizations such as the AU and its security communities. China's engagements with African leaders and officials are highly personalized and do not demand adherence to established norms and values, such as accountability and respect for human rights. It also provides them with an "alternative" to Western lenders, which is a highly popular narrative among African leaders.

However, opinions about the PRC are not uniform on the continent. Views about China among private sector leaders are more nuanced. These ties have been weak as Beijing prefers to secure business opportunities directly with host governments through relationships beyond the reach of public and private sector accountability. Chinese companies also enjoy preferential access to government decision-makers which allows them to win lucrative contracts at the expense of suitably-qualified local firms. This sometimes leads to conflicts between African and Chinese contractors, with the former pushing their governments for greater accountability in awarding contracts.

African private sector leaders have begun to use their influence to draw attention to Africa's growing indebtedness to Chinese lenders. Industrialists like Jimnah Mbaru (former director of the Nairobi Stock Exchange), Aly Khan Satchu (founder of Rich Management Group and a leading Kenyan investment banker), Diana Layfield (chief executive officer of South Africa's Standard Bank), Ramathan Ggoobi (a Kampala-based financial analyst), and many others, have added their voices to the call for greater public awareness of Chinese investment practices.

African civil society and grassroots organizations are perhaps the least enthusiastic about China's engagements in Africa. Beijing has historically viewed African civil society with suspicion, and shares the dominant view propounded by African governments that civil society organizations are a front for Western interests, destabilization, and even regime change. China's civil society engagements therefore tend to be restricted to institutions linked to ruling parties (such as trade unions, youth and women's leagues, and state media).

The ability of civil society organizations to mobilize public awareness and influence policy changes on China-Africa relations varies across the continent. In South Africa, the powerful Congress of South

African Trade Unions (COSATU), a partner of the ruling African National Congress (ANC) alliance championed the adoption of anti-dumping legislation to protect local textile workers from the impact of cheap Chinese textiles. In Zambia, the Civil Society Initiative, a coalition of local civil society organizations, initiated an awareness campaign in the media and through protests that forced the National Assembly to hold a debate on Zambia's debt burden to China. This activism was prompted by rumors that Zambia had surrendered control of its power utility to China after defaulting on a loan. In Ghana, a coalition of environmental activists has organized several petitions against a multi-million dollar deal that would see a Chinese company mining bauxite in an environmentally sensitive region.

SOME POLICY CONSIDERATIONS

Over the next few decades, Africa's population will double to over 2 billion people.⁴⁰ By the year 2050, one in four human beings living on the planet will be African. The majority of Africans will be urbanized. From an economic growth perspective, a young, urbanized population is an important ingredient for higher levels of economic growth, provided investments in infrastructure, human capital, and social services move in parallel with these demographic changes. To meet the demands of a population seeking employment, education, and services, African countries will need to invest significantly over the next 10 years.⁴¹ This is Africa's existential challenge. Supporting African countries as they seek to address these challenges will require careful consideration of the following:

- **External assistance must augment, and not supplement domestic African resources.** While domestic resources will meet some of these requirements, external assistance and foreign investment will be required. This offers an opportunity for closer engagement between Africa and its international partners, not least the US and PRC. At the same time, Africa's investment gaps create opportunities for strategic synergies with other complementary projects.

40 Gilles Pison, "There's a Strong Chance a Third of All People on Earth Will Be African by 2100," *Quartz Africa*, 10 October 2017, <https://qz.com/africa/1099546/population-growth-africans-will-be-a-third-of-all-people-on-earth-by-2100/>.

41 Rene Vollgraaff and Ntando Thukwana, "Africa Development Bank Seeks to Plug Africa \$170 Billion Infrastructure Needs," *Bloomberg*, 8 May 2018, <https://www.bloomberg.com/news/articles/2018-05-08/afdb-seeks-funds-to-plug-africa-170-billion-infrastructure-gap>.

- **FDI and development assistance must be mutually supportive.** There are opportunities for the US to support such initiatives as part of its Africa policy to ensure that investment and assistance flows can be complementary and mutually supportive. The US can also look to bolstering international financial institutions to ensure that their activities reinforce investment climates that attract and sustain private-sector led growth, while ensuring debt sustainability. A US-China strategic dialogue on sustainable and accountable investments and economic development could be one way through which the US might influence the PRC's investment practices to make them compatible with international standards.
- **Leverage the continent to build great power cooperation.** Beyond the economic and commercial, Africa is a region where strategic rivalry and competition between China and the US is at its lowest. This could be turned into an opportunity for closer diplomatic, development, and security cooperation aimed at addressing Africa's challenges in ways that enhance human and citizen security, promote political stability, and even good governance. Part of this discussion will undoubtedly involve efforts to understand differences in approach and how these might impact US and Chinese policy priorities in Africa.
- **Create opportunities for strategic cooperative dialogue.** Such a dialogue, co-chaired by the US, PRC and African Union, could address issues that underpin institutional resilience and accountable development in Africa. The US and China both have a strategic long-term interest in African countries that are democratic and accountable and pursue inclusive development with justice.
- **Pursue synergy, coordination and collaboration with multilateral organizations and initiatives.** Multinational institutions could support the longer-term investments African countries need by providing technical assistance and concessional finance. These institutions also subscribe to international debt sustainability mechanisms, which could help allay fears of unsustainable debt burdens in the future. Other multilateral infrastructure connectivity initiatives such as the Asia-Africa Growth Corridor, created by the AU and the governments of Japan and India, could be beneficial.

These economic, diplomatic, developmental, and security recommendations are not based on altruism or some naïve view of US-Chinese relations. They are posited to address the hard reality that, if left unaddressed, Africa's existential challenges of today will continue to hamstring development and prove catastrophic not only for the people of Africa, but for the individual and shared national interests of the US and China in the second half of this century.

8

China and Europe

Dr. Valbona Zeneli¹

1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the George C. Marshal European Center for Security Studies, US Department of Defense, or US Government.

INTRODUCTION: WHAT ARE CHINA'S OBJECTIVES IN EUROPE?

China's designs in Europe are economic and geopolitical. European policymakers are waking up and responding to Beijing's commercial and diplomatic policies in Europe. In a revolutionary change for the diplomatic language of the European Union (EU), China has shifted from a "strategic partner" to a "negotiating partner." This change has been the result of new economic and security developments in Europe driven by Beijing's efforts to extend its political influence in the continent. The EU is seeking to find a balance of interests with China as an "economic competitor" in the pursuit of technological leadership, and as a "systemic rival" promoting alternative models of governance, according to the EU Commission's "EU-China: A Strategic Outlook," published in March 2019.²

China is the largest partner for EU's imports, and the second largest partner for its exports.³ The current trade volume of USD575 billion is heavily tilted in favor of China by about USD176 billion,⁴ but the aim is to reach USD1 trillion in trade volume, in line with the EU-China 2020 Strategic Agenda for Cooperation.⁵ The main change is the increased Chinese investment footprint in Europe, mainly from state-owned enterprises (SOE), initially facilitated by the need for financing in several European countries severely affected by the Eurozone crisis.

Chinese investment in the EU is both strategic and long term. Beijing's interests in Europe are manifold, from the need for new technologies and knowledge, to broader access to the European market for their goods and services, as well as access to third markets, such as the United States (US). Chinese investors are looking for brand names to improve marketability of their products (both at home and abroad) and become key players in integrated regional and global value chains. These interests are focused on strategic investment in the core European Union countries and infrastructure development projects in its periphery, both

2 "EU-China: A Strategic Outlook," European Commission and High Representative of the Union for Foreign Affairs and Security Policy, 12 March 2019, <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>.

3 "China-EU: International Trade in Goods Statistics," March 2019, https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics#EU_and_China_in_world_trade_in_goods.

4 "EU Bilateral Trade and Trade with the World: China," 15 September 2006, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf.

5 "EU-China 2020 Strategic Agenda for Cooperation," http://eeas.europa.eu/archives/docs/china/docs/eu-china_2020_strategic_agenda_en.pdf.

aiming at higher political and diplomatic influence in Europe.⁶ The stable legal, regulatory, and political environment in Europe offers unique business opportunities for Chinese investors, who need its open markets, intellectual property, and strategic location.

Investment Paradigm Shift

The current trend of investment unbalance is much more concerning than the long existing trade unbalance in Sino-European relations. Chinese foreign direct investment (FDI) in the EU has increased almost 50 times in eight years, from less than USD840 million in 2008, reaching a record USD42 billion in 2016.⁷ Total Chinese investment in Europe, including mergers and acquisitions (M&A) and Greenfield investments, amount to USD348 billion, and includes Chinese takeover of more than 350 well-established European companies.⁸

Cumulative Chinese FDI in Europe remains low, representing only 2.2 percent of total FDI, and minimal compared with the 38 percent held by the US in 2016. Similarly, EU countries held only 4 percent of total FDI in China in 2016, compared to 36 percent in the US.⁹ While still comparatively low from a global perspective, Chinese investments in the EU are evolving rapidly. China is investing nine times more in Europe than in North America as a result of escalating Sino-US trade disputes and stricter US national security screening procedures. These measures were reflected in the 92 percent drop of Chinese FDI into the US, from USD24 billion to USD2 billion. Tellingly, in the first six months of 2018, newly announced M&As into Europe were USD20 billion compared to USD2.5 billion in North America.¹⁰

While Europe is a net investor in the global economy, and European investment into China has historically been higher than Chinese

6 Valbona Zeneli, "Central and Eastern Europe: China's Stepping Stone to the EU?" *Diplomat*, 30 November 2016, <https://thediplomat.com/2016/11/central-and-eastern-europe-chinas-stepping-stone-to-the-eu/>.

7 Thilo Hanemann and Mikko Huotari, "A New Record Year for Chinese Outbound Investment in Europe," Rhodium Group, 16 February 2016, <https://rthg.com/research/a-new-record-year-for-chinese-outbound-investment-in-europe/>.

8 Andre Tartar, Mira Rojanasakul, and Jeremy Scott Diamond, "How China Is Buying Its Way into Europe," *Bloomberg*, 23 April 2018, <https://www.bloomberg.com/graphics/2018-china-business-in-europe/>.

9 Eurostat, "The EU Continues to Be a Net Investor in the Rest of the World," Eurostat news release, 12 January 2017, <https://ec.europa.eu>.

10 Niall McCarthy, "China Is Investing Nine Times More in Europe Than North America," *Forbes*, 18 July 2018, <https://www.forbes.com/sites/niallmccarthy/2018/07/18/china-is-investing-nine-times-more-in-europe-than-north-america-infographic/#5fa51e397a8c>.

flows into Europe, the tide has turned. In 2016, new Chinese investment in the EU was more than four times European FDI in China (USD9 billion). In 2017, Chinese outbound investment represented 12.3 percent of its Gross Domestic Product (GDP),¹¹ these levels are still low compared to the most advanced countries, such as United Kingdom (UK) (58%), France (56%), Germany (43%), and US (40%), meaning the room for expansion is quite big.

“Going Out” Strategies

China is now the world’s second largest economy, after the US, with a 2018 GDP of USD13.5 trillion. It is the largest exporter of goods, comprising 17 percent of world exports, and the third largest importer, with 12 percent of global imports.¹² Since 1980, the Chinese economy has been growing at almost 10 percent annually.

While economic growth rates in China remain high by international standards, they are in steady decline. General Secretary Xi Jinping’s promise to maintain economic growth rates has been described by some as “sustaining the unsustainable.” Following the guidelines of the Chinese Communist Party’s (CCP) five-year economic plan, Beijing’s focus is on the internalization of Chinese companies, both SOEs and private firms, aiming to restructure SOEs, advance innovation, and promote Chinese entrepreneurship in the global economy. As the Chinese economy matures, outbound FDI is becoming one of its main drivers to promote economic growth at home, and thereby ensure the future political stability of the CCP. In fact, the speed of Chinese investment in the global economy has been unprecedented. From 2001 when China was invited to join the World Trade Organization (WTO), its outward investment has increased by 30 times, from USD6.9 billion (1% of global FDI) to USD197 billion in 2017 (almost 13% of global FDI).

Beijing is currently implementing its second “Go Out” phase. The first one, in the early 2000s, was directed at exploring viable market opportunities, trade relations, and access to natural resources in the developing world (Asia, Africa, and Latin America). In the current “go global” phase, Beijing’s main objective is to move up the high technology ladder—focusing its investments on advanced technologies and knowledge industries—by increasing its footprint in developed economies.

11 Author’s calculations based on United Nations Conference on Trade and Development data, <https://unctad.org/en/Pages/Home.aspx>.

12 “China-EU: International Trade in Goods Statistics.”

As technological innovation becomes the primary source of economic development and wealth, Beijing's main long-term objective in Europe is to engage more closely with advanced Research and Development (R&D) networks. China is not yet an innovation powerhouse, although its spending on R&D is rising rapidly, reaching almost 2 percent of GDP in 2015. Continuing to display high growth in R&D, China accounted for nearly one-third of the global R&D spending growth over the 2000-2015 timeframe.¹³ The United States is by far the largest R&D performer (USD1.9 trillion) making up almost 30 percent of the world total, followed by China, which has now surpassed the EU.

Notwithstanding China's rapid advances, high-technology manufacturing in China continues to be heavily dependent on lower value-added activities, such as final assembly, and is reliant on technologies supplied by foreign firms. Chinese companies are good at incremental innovation, but lag behind advanced countries when it comes to disruptive innovation. For Beijing to implement its "Made in China 2025," a ten-year plan to speed the development of high tech industries, it needs to take over important companies in Europe.¹⁴

HOW IS CHINA SEEKING TO ACHIEVE THESE OBJECTIVES? (ACTIVITIES AND RESULTING INFLUENCE)

One Belt, One Road

Since 2013, many Chinese projects in Eurasia have been incorporated into the One Belt, One Road (OBOR; 一带一路)¹⁵ initiative. A brain child of Xi Jinping, OBOR is a foreign policy narrative that exports the "China Dream" and now includes more than 70 countries and international organizations. The importance of OBOR was cemented when the 19th Party Congress wrote it into the constitution of the CCP.

Emulating the ancient Silk Road, with trading links between the Middle East, Europe, and China, OBOR is proactively spelling out the new Chinese international vision, placing China as a leader in the global economy. China aims to build new transportation networks to

13 "Overview of the State of the U.S. S&E Enterprise in a Global Context," National Science Foundation, 2018, <https://nsf.gov/statistics/2018/nsb20181/report/sections/overview/r-d-expenditures-and-r-d-intensity>.

14 "Made in China 2025," State Council, 7 July 2015, accessed 26 February 2019, <http://www.cittadellascienza.it/cina/wp-content/uploads/2017/02/IoT-ONE-Made-in-China-2025.pdf>.

15 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

Europe, one going through Central Asia to Europe, and the other across the oceans from China's coastal regions, across the India Ocean, and through the Mediterranean Sea.

Xi Jinping described OBOR as a massive economic platform, with the objective to extend beyond infrastructure construction and linkages, to include greater financial integration, lower barriers for trade and investment, and an Information Silk Road linking regional information and communication technology networks.¹⁶ This mega project would not only unlock the potential for new sources of growth and export some of China's excess industrial capacities in its struggling industries (construction, steel, and cement), but also diversify the PRC's resource supply routes, which still largely transit the narrow Strait of Malacca.

Like the old Silk Road, OBOR will stimulate geopolitical competition, allowing China to project its power across several continents. One hears echoes of the claim made one hundred years ago by the father of geopolitics, Halford Mackinder, and his warnings that China would one day threaten to upset the global balance of power by organizing resources of Eurasia and becoming a sea power. This insight clarifies the strategic implications of OBOR—why the PRC needs to expand relations with Europe, strengthen diplomatic and economic inroads into Africa, and build its capacity to employ sea power.

China seeks to accomplish these goals by building infrastructure and networks, while rallying diplomatic and political benefits to Beijing. Having promised to contribute more than USD700 billion in infrastructure projects and loans to partner governments, Beijing repeats the mantra of a “win-win” situation, where everyone comes out with something. While at the beginning OBOR was seen as a potential boost for European economic recovery, it has recently brought growing concerns. After a few years of the “wait and see approach,” in 2018 the European Commission published its “Strategy on Connecting Europe and Eurasia,” addressing transport, energy, digital economy, and people-to-people contacts, based on western economic and institutional norms and principles. This document completely ignores OBOR.¹⁷ While the EU was slowly formulating its strategy towards OBOR, China was carefully targeting

16 “Full Text of Xi Jinping's Report at 19th CPC National Congress,” *Xinhua*, 3 November 2017, http://www.xinhuanet.com/english/special/2017-11/03/c_136725942.htm.

17 “Connecting Europe and Asia: Building Blocks for an EU Strategy,” European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions, and the European Investment Bank, 19 September 2018, https://eeas.europa.eu/sites/eeas/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf.

individual European countries. Currently, fourteen EU member states have signed bilateral agreements with Beijing, officially becoming members of OBOR, including the main southern entry points into Europe: Greece, Italy, and Portugal. While the EU waited, the PRC has slowly penetrated its “softer” central and southern periphery, with the aim of taking control of the main shipping ports in South Europe as entrepôts for the Chinese products.

Diversified Strategy in the EU

In the eyes of Chinese investors, Europe is portioned into three zones based on variances in economic wealth, technological advancement, and geographical location—west, south, east. This particular view drives a diversified strategy of Chinese investments in Europe.

In Western Europe, mainly the UK, Italy, France, Germany, and the Netherlands, Chinese investors aim to engage with Europe’s strategic assets and R&D networks. The four largest European economies have attracted the most Chinese investment. In 2017 the UK (USD70 billion), Italy (USD31 billion), Germany (USD20 billion), and France (USD13 billion) accounted for 75 percent of total Chinese FDI in the EU.

In Southern EU countries, new opportunities for Chinese companies have been created by the economic crisis and its consequences, which highlighted the need for capital through large-scale privatization and post-crisis restructuring. Southern Europe is strategic for Beijing for its geography, and three countries are crucial for OBOR’s objectives: Italy, Greece, and Portugal, all of them formal members of the initiative.

In Italy, Chinese investments since 2014 have soared to almost USD5.5 billion, corresponding to around 10 percent of total Chinese investment in European stock markets.¹⁸ Italy has a two-fold importance for China: internationally recognized brands and technology—which is why it receives investment levels similar to Western Europe—and for its geographic position. In the framework of China’s 21st century Maritime Silk Road (MSR), an integral part of OBOR, Italy represents one of the most important geostrategic locations for China in Europe.¹⁹

In Greece, the MSR began a few years ago with the flagship investment of the Chinese SOE giant COSCO (China Ocean Shipping

18 Andrea Franceschi, “Chi sono e cosa comprano i grandi investitori cinesi in Europa,” *Il Sole 24 Ore*, 4 May 2017.

19 Its flagship project is the five-port initiative involving the Italian ports of Venice, Trieste, and Ravenna, plus Capodistria (Slovenia) and Fiume (Croatia), linked together in the North Adriatic Port Association (NAPA).

Company) in the Port of Piraeus. By 2017 it had taken over 67 percent of the port authority and was granted a 40-year concession. As Europe's largest passenger port, serving more than 15 million passengers annually, it has subsequently become the main entry point for Chinese goods in Europe, handling more than 6 million containers yearly.²⁰ Considered "China's gateway to Europe," shortening shipping times by one week, Greece is central to Beijing for its strategic position connecting Europe, Near East, and Africa.²¹

In terms of per capita FDI, Portugal has become one of the largest European recipients of Chinese investments—almost USD10 billion.²² China arrived in the aftermath of the 2010 financial crisis, investing in a broad range of strategic assets, such as electricity, transportation, oil, financial services, insurance, health, and real estate.

In the fast-growing Eastern European region, prices for acquisition are lower, demand for preferential lending is high, human capital is cost-effective, and concessions for Chinese investors are plentiful. Above all, its location is a perfect bridgehead to the EU market and a key transit corridor for OBOR. In 2012—before the launch of OBOR—China formally launched the "16+1" Cooperation, which includes countries in Central, Eastern, and Southeastern Europe (from the Baltic to the Balkans), with the aim to increase trade, investment, cultural exchange, and people-to-people connectivity.²³ In April 2019, Greece joined the group, bringing the number of EU member states to 12 and changing the name to "17+1."²⁴ These countries present a heterogeneous group, including 11 EU countries and five EU candidate countries in the Balkans.²⁵ The differences across the region are significant, including the level of

20 Measured in TEU (twenty-foot equivalent units).

21 Frans-Paul Van Der Putten, "Chinese Investment in the Port of Piraeus: The Relevance for the EU and the Netherlands," *Clingendael Report*, February 2014, <https://www.clingendael.org/sites/default/files/pdfs/2014%20-%20Chinese%20investment%20in%20Piraeus%20-%20Clingendael%20Report.pdf>.

22 Philippe Le Corre, "Chinese Investments in European Countries: Experiences and Lessons for the Belt and Road Initiative in Rethinking the Silk Road," in Maximilian Mayer, *Rethinking the Silk Road: China's Belt and Road Initiative and Emerging Eurasian Relations* (Singapore: Palgrave-MacMillan, 2018), see <http://carnegieendowment.org/2017/11/27/chinese-investments-in-european-countries-experiences-and-lessons-for-belt-and-road-initiative-pub-74838>.

23 16+1 Summits: Warsaw (2012), Bucharest (2013), Belgrade (2014), Suzhou (2015), Latvia (2016), Budapest (2017), Sofia (2018).

24 Jens Bastian, "China in Europe: Greece Joins the 17+1 Network," *Corner*, 22 April 2019, <http://thecorner.eu/world-economy/china-in-europe-greece-joins-the-17-1-network/79551/>.

25 EU member states: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia. Non-EU member states: Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia.

economic development, per capita income, and institutional framework. Despite this, China approaches them as one region that maps to its main objectives: transportation networks for OBOR and investment locations for further capital expansion across the EU. Poland and Hungary, and their strategic geographic position, are seen as key players as transportation hubs for OBOR, both the overland route transiting Central Asia and the maritime route coming through the Balkans. Through the development of land-based transportation routes between the Greek Port of Piraeus and western European markets—including the high-speed Belgrade to Budapest railway—Beijing aims at creating conditions to dominate Eurasia.

Bilateralization of Relations with EU Member States

The increased presence of Chinese investment in the strategic sectors of several European countries has created economic interdependence for political ends. Beijing is trying to bilateralize relations with EU countries, a real danger that would affect the internal cohesion of the EU. By building strong economic and diplomatic relations with individual EU member states, Beijing can weaken EU unity on important issues sensitive to China, thus allowing Beijing to improve access to important markets, strategic assets, and new technologies without fearing confrontation. For example, the cooperation with eleven new EU members under “16+1” has created concerns in the EU that by building assets in Eastern Europe and fostering competition among the target countries, China is increasing its political influence in the region, enhancing its bargaining power with the EU, and increasing its ability to “divide and rule” Europe.²⁶ There is evidence foreign policy decisions in countries where the Chinese presence is higher have aligned with Beijing against EU common decisions on issues ranging from human rights to the South China Sea.²⁷ Greece, a “strategic partner” of China since 2006, joined by Hungary and Croatia, took a divergent view from the EU on two major occasions, plunging the EU’s foreign policy into disarray. In July 2016, they prevented the EU from backing the Permanent Court of Arbitration’s ruling in favor of the Philippines petition against China regarding South China Sea maritime claims. Greece also blocked the EU from issuing a statement on the PRC’s human rights records, calling it

26 Philippe Le Corre, “China’s Rise as a Goeconomic Influencer: Four European Case Studies,” *Carnegie Endowment for International Peace*, October 2018, <https://carnegieendowment.org/2018/10/15/china-s-rise-as-geoeconomic-influencer-four-european-case-studies-pub-77462>.

27 Ibid.

“unconstructive criticism of China.”²⁸ Similarly, Hungary was the only EU member that refused to sign a report criticizing Beijing’s OBOR in April 2018.²⁹ More recently, while the EU was trying to put in place a wide investment screening mechanism to ensure the security of strategic sectors in Europe, Italy (one of the three countries that had originally requested it), abstained from the vote in March 2019.³⁰

China is leveraging the EU unanimity rule to block statements or actions that are considered disadvantageous for Beijing. Similarly, when it comes to the Qualified Majority Voting (QMV), used in almost 80% of EU legislation, a group of 13 member states is enough to defeat any EU measure. With 14 EU member states now members of OBOR, it is increasing easy for Beijing to paralyze the EU decision-making process.

While the EU has published a common strategy towards China, the “EU-China: A Strategic Outlook,” to effectively implement it, European states will have to work together. This will be increasingly difficult in light of divergent interests of European countries vis-à-vis China. Furthermore, these differences are being leveraged and exacerbated by targeted PRC investment and diplomacy. If Beijing’s strategic investment in cash-starved and debt-burdened countries makes them more reluctant to take positions against Beijing, ruptures in the EU policy cohesion are likely to increase.

How Are These Activities and This Influence Perceived in the Region?

Many European economies, still not fully recovered from the Eurozone crisis, have looked positively at Chinese investments as a source of financial capital, growth, tax revenues, employment, infrastructure development, and market opportunities. Only in the last few years have concerns emerged, while European capitals struggle to find the right balance between the core principles of economic openness and security concerns related to a bigger footprint of China in Europe. Concerns include the role of the Chinese state in the economy, lack of reciprocity and fair competition, risk of losing national competitiveness, and

28 Ibid.

29 Dana Heide, Till Hoppe, Stephan Scheuer, and Klaus Stratmann, “EU Ambassadors Band Together against Silk Road,” *Handelsblatt Today*, 17 April 2018, <https://www.handelsblatt.com/today/politics/china-first-eu-ambassadors-band-together-against-silk-road/23581860.html>.

30 Valbona Zeneli, “Italy Signs on to Belt and Road Initiative: EU-China Relations at Crossroads?” *Diplomat*, 3 April 2019, <https://thediplomat.com/2019/04/italy-signs-on-to-belt-and-road-initiative-eu-china-relations-at-crossroads/>.

technological leadership, as well as more traditional security concerns related to critical infrastructure, strategic assets, and defense technologies.³¹ One initiative to address these concerns is proposed European Commission legislation to establish a common European framework for screening incoming FDI out of the fears Beijing might gain access to sensitive technology and know-how, as well as gain political influence.

Unfortunately, there is not a unified European response towards China. As old rivalries between EU member states resurface over issues of economy, sovereignty, and immigration, Beijing is joining the fray. In this respect, issues of national sovereignty over investment policies could prove a core theme of EU disagreement. The diverging views inside the EU are representative of diverging interests relative to the strengths and needs of European national economies. Technology and innovation-driven economies will tend to seek greater protection combined with careful exposure to the Chinese market. Those economies that are more reliant on internal consumption, tourism, and foreign capital see bigger benefits from Chinese investments and, therefore, have a different assessment of the risks that these investments entail for the protection of intellectual property and the loss of competitiveness.

As mentioned above, OBOR may emerge as a weapon in the hands of Beijing to create divisions inside the EU, but it also may be used by some European capitals not only to generate Chinese investment in their countries, but to assert their national independence from the EU institutions. In this framework, some smaller-sized new EU member states are concerned the proposed EU-level investment screening mechanism could be used by larger member states or the Commission itself to the benefit of some to the detriment of others.

Without a coordinated European approach, Chinese engagement in Central and Eastern Europe through “16+1” carries growing EU concerns about the possibility of the region becoming a “contested geo-economic space” between China and the EU. Among the most immediate challenges is the potential to shape the future decision-making in the EU or paralyze it when it comes to sensitive issues for China.

On the other side, the growing Chinese footprint in the Balkans has raised concerns over new geopolitical competition, with the EU warning “the Balkans can easily become one of the chessboards

31 John Seaman, Mikko Huotari, and Miguel Otero-Iglesias, eds., “Chinese Investment in Europe. A Country Level Approach,” European Think-Tank Network on China (ETNC) report, December 2017, <https://www.ifri.org/en/publications/publications-ifri/ouvrages-ifri/chinese-investment-europe-country-level-approach>.

where the big power game can be played.”³² Chinese investment could potentially give a massive infrastructure boost to countries in the Balkans—who definitely lag behind the EU countries in infrastructure and economic development. But Chinese money will not come without financial and political costs for debt-burdened countries in the Balkans, which risk ending up in “debt traps,” bringing additional concerns about future relations of these countries with the EU. Fears exist that China would use the Balkans as an entry point into the European market and promote its own political model at the expense of the EU’s model of liberal governance.³³ Stronger Chinese business presence, significant infrastructure investment, and cultural and media activities are increasing bonds between Beijing and individual Balkan governments, ready to partner with China.³⁴ In the absence of public debate about these issues, these initiatives are helping create popular perception favorable to China. The flow of PRC FDI is also distorting markets in favor of PRC businesses and creating political divisions across the continent.

HOW DOES ALL THIS AFFECT US NATIONAL INTERESTS IN THE REGION?

Europe is one of the most important engines of the global economy, with the biggest market in the world, a GDP of more than USD22 trillion, and some of the world’s highest levels of per capita incomes and relative purchasing power. The EU market remains the most important for the US, and the transatlantic economy is still the dominant force in the global economy. But emerging economic powers, especially China, seem to have shifted the value of the transatlantic economy from a position of preeminence with more than 45 percent of global GDP (in purchasing power parity) in 2000, to only 31 percent in 2018.

The transatlantic economy is a natural partnership consisting of mature, well-developed, and consolidated markets on one hand, and a strong defense relationship based on the North Atlantic Treaty Organization (NATO) on the other. Economic integration is the backbone of the transatlantic economy and centers on mutual investment. US in-

32 Michael Makocki, “China in the Balkans: The Battle of Principles,” *European Council on Foreign Relations*, 6 July 2017, https://www.ecfr.eu/article/commentary_china_in_the_balkans_the_battle_of_principles_7210.

33 Sigmar Gabriel, “The West Lacks a Strategy to Deal with China,” *Handelsblatt Today*, 17 September 2018, <https://www.handelsblatt.com/today/opinion/beijings-hegemony-the-west-lacks-a-strategy-to-compete-with-china/23583354.html?ticket=ST-745404-cHq23LZJQH2IHAl3xbL-ap1>.

34 Philippe Le Corre, “Chinese Investments in European Countries.”

vestment makes up 38 percent of FDI in the EU, which accounts for 36 percent of FDI in the US. The transatlantic economy is also the innovation powerhouse of the global economy, driving investment, management, and consumption. Coupled with common western values and liberal principles, this relationship has itself become a key interest of the US in Europe.

The increased Chinese footprint on Europe challenges concepts of traditional economic and geopolitical practices not only in Europe, but throughout the transatlantic economy. The US *National Security Strategy* (NSS) makes clear that China is seen as a great power rival not only militarily, but technologically. In his prophetic writings more than one hundred years ago, Mackinder warned that the strategic implications of an increased Chinese footprint in Eurasia and China's control of resources in the "Heartland," combined with Beijing's investment in sea power, could threaten to upset the global balance.

The increased flow of Chinese money and influence into Europe could position Beijing to shape the European economic landscape and its politics, thereby reordering the foundations of intra-European relations. OBOR will allow Beijing to project power in several continents with a vision towards shifting geostrategic power to China. While OBOR is often compared with the old Silk Road, the new incarnation extends Chinese presence into foreign places, unlike the Silk Road which brought goods from China to Europe.

In fact, the timing of OBOR reinforces the perception that geopolitics was a motivating factor. Chinese investment in Europe skyrocketed during negotiations for the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU. China likely saw the potential agreement as a threat to Beijing's vision of dominance in the global economy. Hoping to drive a wedge between the US and Europe and direct European economic relations away from the Atlantic towards the Eurasian landmass, OBOR took life during the TTIP negotiations. Perhaps in the final assessment, this was intended as a Chinese countermeasure to disrupt even closer transatlantic relations.

By refusing to grant China its coveted market-status at the WTO, the EU and US seem to be signaling they have lost hope that China will reform its economy or allow greater access to its markets. Meanwhile, the PRC is using the openness of western countries to make large scale investments and open new transportation routes to serve as conduits for political and normative influence. Chinese money could make Beijing attractive, not only as an economic partner, but as an ideological standard-

bearer. By exporting its domestic economic practices, especially in the EU accession countries of the “16+1” initiative, Beijing could present itself as an alternative to the liberal Western model and competitor to the US.³⁵ In short, OBOR expands competition beyond the economic, diplomatic, and military domains and into ideological competition between western free market capitalism and Chinese state-driven mercantilism.

The weaker institutions in Eastern and Southern Europe seem less likely to resist Chinese coercion through financial flows and investments. Equally, dispersion of Chinese tools to control public opinion and oppress discontent could result in a steady decline in individual freedoms. According to Freedom House’s latest report, China’s campaign in developing countries leverages these tools to appeal to autocrats.³⁶ These fears are exacerbated by infiltration of Chinese SOEs into sectors considered critical to European prosperity and security, especially in the technology, communication, and media sectors. Chinese access in areas of sensitive technologies in Europe, such as installing vulnerable 5G networks, could pose a national security threat to the US, possibly affecting transatlantic intelligence and security cooperation.

Taken together, these points of influence underline why the US NSS identifies China’s “strategic foothold” in Europe as a concern to individual European countries, the integrity of the EU as a whole, and the US. China’s ever-expanding unfair trade practices and investment in key industries, sensitive technologies, and infrastructure continue to be the most pressing challenge.³⁷ Other challenges relate to political and military misdeeds, human rights abuses, or the larger context of norms, rules, and institutions that govern the global economy.³⁸ Most of these concerns are also shared in European capitals and EU institutions, meaning the US and EU increasingly recognize common threats, share common interests, and need to pursue effective policies towards China cooperatively.

35 Yan Xuetong, “How China Can Defeat America,” *New York Times*, 21 November 2011, <https://www.nytimes.com/2011/11/21/opinion/how-china-can-defeat-America>.

36 Adrian Shahbaz, “Freedom on the Net 2018: The Rise of Digital Authoritarianism,” *Freedom House*, 2019, <https://freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism>.

37 *National Security Strategy of the United States of America*, White House, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

38 Vice President Mike Pence, “Administration’s Policy toward China” (speech, Hudson Institute, Washington, DC, 4 October 2018), <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>.

POLICY RECOMMENDATIONS SUPPORTING COMPETITION AND COOPERATION

Both the US and EU have realized strategic competition with China is now a reality. EU references to China as a “systemic competitor” represent a conscious recognition of the changing calculus in the trade-off between economic benefits and security concerns. European and US policies must converge with the objective of tracking on a mutually supportive and complimentary path. China’s rise needs to be managed by an artfully designed strategy that includes a coalition of countries that share common interests, economic power, technological progress, and, most importantly, liberal values:

- **The US and EU governments must develop a joint China strategy in keeping with the liberal standards supporting the global economy:** The US and EU must work together and maintain a high bar for global economic rules. The value of the transatlantic partnership must be revisited constantly and advertised as an alternative to less desirable options. The transatlantic economy and its contributing components drive innovation in the global economy. The US and EU have a limited window to reestablish a commitment to a rules-based international order based on liberal values or cede the field to illiberal standards set by China.

The partnership between the US and EU was built on shared commitments to open markets and cooperation on the development of principles regulating issues of global concern such as labor rights, environmental protection, food safety, and the promotion of innovation and entrepreneurship by securing intellectual property rights. Despite profound changes in the world economy, the US and EU are currently able to provide genuine leadership in the world economy. In the strategic communications realm, China is quick to promote a model of harmony, multi-polarity, non-interference, and balance.³⁹ Chinese actions paint a different story, and the West must point out their duplicity.

39 Kerry Brown, *The World According to Xi: Everything You Need to Know About the New China* (London: I.B. Taurus, 2018).

Considering the existing divisions inside the EU related to China, engagement with the US is needed to define an active role for both parties in crafting common policies towards China. The bipartisan consensus on Capitol Hill concerning China on trade, cyber-theft, and human rights should be the starting point for partnership with the EU on a joint strategy towards China. Policy-makers on both sides of the Atlantic must inform their respective constituents about the consequences if we fail to act collectively. Any strategy must include measures for dialogue with China to avoid and manage potentials for miscalculation that could result in an unintended crisis. Beijing can be expected to focus on maintaining the conditions necessary for the country's economic growth, while attempting to exploit economic, political, and technological weak spots in the EU and US. In response, policymakers should exploit the opportunity for the US and EU to show political unity and invest more in a mature relationship with common values.

- **The US, in collaboration with the EU, should increase its outreach in areas such as the Balkans, Black Sea, and Central Asia:** Engagement with non-EU countries in Europe, must be recapitalized with an emphasis on energizing democratization processes in regional states and expanding Euro-Atlantic integration. While East and Southeast European countries will realize immediate benefits from Chinese investment in infrastructure and economic development, they should not be abandoned. This would cause a shift away from liberal values, market rules, procurement standards, justice, and rule of law. The EU and US should use its strong leverage in the Balkans as the main donors, while enhancing and integrating strategic communication to ensure the public understands the purpose and benefit of this assistance.
- **The US Department of Defense regional centers must focus more on evidence-based research and policy recommendations for the stakeholders:** The George C. Marshall European Center for Security Studies (GCMC), as a German-American partnership, should serve as a venue for promoting the perspective of the German government, which has been vocal in raising security concerns about the increased influence of China, not only in the EU, but in the broader European con-

continent. The GCMC should be required to extend its research to address the broader Eurasia context of Chinese activities and compare findings with the other regional centers of the US Department of Defense.

9 Understanding and Responding to Chinese Activities in Latin America and the Caribbean

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1 This chapter was written while the author was employed by US Army War College Strategic Studies Institute and consulting for the William J. Perry Center for Hemispheric Defense Studies. The views and recommendations expressed are those of the author and do not necessarily reflect the policy or position of the US Army, William J. Perry Center for Hemispheric Defense Studies, US Department of Defense, or US Government.

BACKGROUND

Since the 1999 award of port concessions in Panama to the Hong Kong-based company Hutchison-Whampoa, the expanding activities of the People's Republic of China (PRC) in Latin America and the Caribbean has increasingly attracted the attention of the region's political and business elites, as well as that of Washington. To date, that expanding presence has been mostly economic. It includes (1) trade with the PRC, which has grown from USD12 billion in 2000 to USD278 billion in 2017,² (2) USD150 billion in loans to the region by China's major policy banks,³ eclipsing that of the Interamerican Development Bank and World Bank, and (3) expanding equity investment, which reached almost USD114 billion by 2017.⁴ The later contributed to an economically and politically significant new presence of Chinese companies on the ground in the region. PRC engagement within the area has also included modest but significant and expanding military activities, including arms sales, training, education, and institutional exchanges, and humanitarian visits by PRC military units. Chinese technology engagement in Latin America has also raised concerns, including building and launching satellites for Brazil, Venezuela, Bolivia, and Ecuador, as well as Chinese construction of a deep-space radar installation in Argentina and Chinese space observatories in Chile.

Complementing such Chinese advances, with the end to the informal truce for diplomatic recognition between the PRC and Taiwan, in a fourteen-month period from 2017-2018, three Latin American and Caribbean states traditionally aligned closely with the United States (US)—Panama, the Dominican Republic, and El Salvador—switched diplomatic relations from Taiwan to the PRC with no warning to the US, then engaged in a flurry of activities signing MOUs and contracts which substantially increased the PRC commercial and political position in each.

2 "Direction of Trade Statistics," International Monetary Fund, accessed December 2018, <http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&slId=1409151240976>.

3 "China-Latin America Finance Database," *Interamerican Dialogue*, accessed 9 December 2018, https://www.thedialogue.org/map_list/.

4 Enrique Dussel Peters and Samuel Ortiz Velásquez, "Monitor of China's OFDI in Latin America and the Caribbean (2001-2016)," *Red ALC-China*, 5 June 2017, http://www.redalc-china.org/monitor/images/pdfs/menuprincipal/DusselPeters_OrtizVelasquez_2017_MonitorOFDI-chinaALC_English.pdf.

PRC OBJECTIVES IN LATIN AMERICA AND THE CARIBBEAN

China's objectives in Latin America and the Caribbean are principally economic, but nonetheless strategic, driven by the ambitions and imperatives of its rise. To achieve what General Secretary Xi calls the "Chinese dream" of a strong and prosperous state, to date, the PRC has employed export-led growth, leveraging initial comparative advantage in cheap labor and the support of the Chinese state to grow its industries while systematically appropriating the technology of its partners to move up the value-added ladder. To date, it has sought to move into new markets, and as indicated by its plan "Made in China 2025," seeks to move into the highest value-added portion of the production chain. When examined from Deng Xiaoping's opening to the market in 1978 to present, China's rise is the story of a deliberate, persistent (if not always linear) effort to move from being an impoverished nation producing for others at the lowest point of the value-added chain, to one day own those production chains, reaping the returns of its capital globally, and reserving the decision-making and the best paying management, design and technical jobs for its own citizens. The rest of the world would be permitted a "win-win" relationship with the Chinese system by selling the PRC their resources with little value added, and working in PRC-owned factories, and buying PRC-made goods in support of the new global order in which wealth is generated in the periphery and flows to the Chinese "imperial center."⁵

As the PRC aspires to achieve the end state described in the previous paragraph by using its exports and government-supported predatory practices to increase its ownership of global production (particularly targeting strategically valuable technologies and sectors), its focus in Latin America and the Caribbean (and elsewhere in the world) is principally on securing reliable sources of the raw materials that it requires for industrial production, capital formation, and urbanization in the PRC, agricultural inputs to produce food for 1.35 billion Chinese, markets for Chinese goods and services, and technology.

China's strategic economic needs drive a series of political, economic, and military imperatives in the region that challenge the US. Because such activities occur in a global institutional order not of its own making, and because China's strategic goals fundamentally challenge the

5 See James A. Millward, "Is China a Colonial Power?" *New York Times*, 4 May 2018, <https://www.nytimes.com/2018/05/04/opinion/sunday/china-colonial-power-jumping.html>. For a more in-depth discussion of this argument, see also R. Evan Ellis, "The Future of Latin America in the Context of the Rise of China," *Center for Strategic and International Studies*, 21 November 2018, <https://www.csis.org/analysis/future-latin-america-and-caribbean-context-rise-china>.

equities of the dominant states and economic interests, the PRC is arguably driven to reshape global institutions and relationships to achieve these goals. Doing so implies working to alter not only political institutions, but also the structure of commercial interactions and finance.

In politics, China's self-protection drives it to promote multipolarity, including a strategic interest in the survival of populist socialist regimes such as Venezuela, whose existence and activities preclude the US from cementing an ideological consensus in the region around ideals of open markets, competitive procurements, Western democracy and universal rights.

Because the PRC fears that the US will try to block it from re-ordering the world system in support of Chinese wealth and power, it is driven to seek a level of military knowledge and relations within the region, that will allow it to be able to conduct a portion of a future war from the Western hemisphere.⁶

Beyond such strategic objectives, in the near-term the PRC also seeks to isolate its rival Taiwan by eliminating its diplomatic and other relationships in Latin America and the Caribbean. In contrast to the previously mentioned strategic *economic* goals that have supporting elements of *political* engagement the isolation of Taiwan is arguably a more explicitly *political* goal, with supporting elements of *economic* engagement.

PRC APPROACH TO PURSUING ITS OBJECTIVES

Per the discussion in the previous section, the Chinese government, associated firms and other entities conduct activities that support its strategic goals in three interdependent areas: (1) expanding strategic sectors and capturing global added value, (2) shaping a world safe for China's continued pursuit of its developmental interests, and (3) stripping Taiwan of its diplomatic allies in the region.

Expanding Strategic Sectors and Capturing Global Added Value

To grow strategic sectors in the region and move up the value-added chain, the PRC pursues an incremental, and fundamentally mercantilist approach. Its pursuit of strategic economic objectives in individual sectors is complimented by the use of broader tools, including people-to-people (cultural) engagement, and the branding of the One

⁶ R. Evan Ellis, "China's Activities in the Americas," testimony to the Joint Hearing of the Subcommittee on the Western Hemisphere and the Subcommittee on Asia and the Pacific, US House of Representatives Foreign Affairs Committee, 10 September 2015, <http://docs.house.gov/meetings/FA/FA07/20150910/103931/HHRG-114-FA07-Wstate-EllisE-20150910.pdf>.

Belt, One Road (OBOR; 一带一路)⁷ initiative which leverages and focuses hopes of gain from engaging with China to the latter's benefit.

Commercial Engagement by Sector

The PRC conducts its economic engagement in Latin America through a combination of state guidance and support, initiatives of state-owned enterprises (SOEs) and other favored Chinese companies. These national champions leverage Chinese government support in both the Chinese domestic and targeted foreign markets (including technology that it has acquired from foreign partners), and easy access to credit, to opportunistically grow market share and presence.

In petroleum and mining, Chinese national champions such as China National Petroleum Company (CNPC), China National Offshore Oil Company (CNOOC), Minmetals and China Aluminum Company (CHINALCO)⁸ among others, have generally used mergers and acquisitions to buy and develop proven reserves in need of a substantial infusion of capital. However, they have increasingly participated in public auctions and in the riskier exploration and development arena as they have grown more capable.⁹

In agriculture, Chinese enterprises such as Chongqing Grain and Sanhe Hopeful have tried to build agro-logistics complexes, competing with international players such as ADM, Bunge Cargill and Dreyfus.¹⁰ In the end, however, they have ultimately settled for purchasing key technologies and market presence. One example is the 2014 USD3 billion COFCO acquisitions of HK Noble and Nidera.¹¹

7 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

8 "Minería CHINALCO, S.A.," China Aluminum Corporation Peru, official website, accessed 5 April 2019, <http://www.chinalco.com.pe/en/operations>.

9 For a detailed discussion of the activities of Chinese companies in Latin America sector by sector, see R. Evan Ellis, *China on the Ground in Latin America* (New York: Palgrave-Macmillan, 2014).

10 "China plans to invest 10 billion USD in soy production and processing in Brazil," *Mercopress*, 11 April 2011, <https://en.mercopress.com/2011/04/11/china-plans-to-invest-10-billion-usd-in-soy-production-and-processing-in-brazil>.

11 R. Evan Ellis, "Las iniciativas por parte de las firmas agrícolas chinas para establecer su presencia en América Latina y el Caribe," *Política Exterior China: Relaciones Regionales y Cooperación*, Raquel Isamara León de la Rosa and Juan Carlos Gachúz Maya, eds. (Puebla, Mexico: Benémerita Universidad Autónoma de Puebla, 2015), 307-336.

In motorcycles, automotive, heavy equipment and other manufacturing industries, Chinese producers have generally entered the market by leveraging the sales and distribution networks of local partners.¹² Later, particularly in large markets such as Brazil and Mexico, they have moved from distribution and sales networks to building assembly facilities, often to escape import taxes.¹³

In telecommunications, Chinese companies Huawei and ZTE (rather than the players dominant in the PRC itself: China Telecom, China Unicom and China Mobile) have built a presence from the ground up in telephone and component sales, as well as construction of networks for commercial providers such as Telefonica and Claro, and government telecommunication entities in the region.¹⁴ That incremental approach has forced them to learn how to integrate local sales forces and technical personnel, making them some of the most effective Chinese firms operating as local actors in the region.

In the financial sector, China Development Bank and China Ex-Im Bank quickly expanded their portfolio in the region by loaning money to its governments (initially mostly socialist-populist) to perform infrastructure works using PRC-based construction companies.¹⁵ They also extended loans to national resource firms like Petrobras in Brazil¹⁶ and PEMEX in Mexico¹⁷ to help them expand production capabilities, in the process, facilitating advances by other Chinese firms in those sectors.

In the case of Venezuela and Ecuador, Chinese policy banks controlled their risks through short maturities (in the case of Venezuela) and high interest rates (in the case of Ecuador), and by securing the loans through parallel contracts for repayment through the delivery of oil (whose production was also under the control of a Chinese firm).

12 “China, S.A. como empresa local en América Latina,” *Temas de Reflexión*, Universidad EAFIT, May 2013, <http://www.eafit.edu.co/centrodepensamientoestrategico>.

13 Ellis, *China on the Ground in Latin America*.

14 R. Evan Ellis, “The Strategic Dimension of Chinese Activities in the Latin American Telecommunications Sector,” *Revista Científica “General José María Córdova,”* 11, no. 11 (January-June 2013): 121-140.

15 Robert Soutar, “Is China Scaling Back Latin America Loans?” *Dialogo Chino*, 26 February 2019, <https://dialogochino.net/24019-is-china-scaling-back-latin-america-loans/>.

16 Paul Kiernan, “Brazil’s Petrobras Signs \$10 Billion China Loan Pact,” *Wall Street Journal*, 26 February 2016, <https://www.wsj.com/articles/brazils-petrobras-signs-pact-for-10-billion-in-loans-from-china-1456529796>.

17 Justin Villamil and Cynthia Aurora Barrera Diaz, “Embattled Pemex Gets \$8 Billion Loan to Ward Off Junk Status,” *Wall Street Journal*, 13 May 2019, <https://www.bloomberg.com/news/articles/2019-05-13/pemex-to-refinance-2-5-billion-of-debt-renew-bank-lines>.

Separately, more commercially-oriented banks such as China Construction Bank and International Commerce Bank of China have expanded their presence in the region initially by offering representative services for Chinese commercial clients, but later by entering into branch banking, particularly in the Southern Cone.¹⁸

In construction, Chinese firms initially advanced through gifts and government-to-government projects for populist-socialist states (Venezuela, later, Ecuador, Bolivia, and, for a time, Argentina) funded by loans from Chinese policy banks. Their work also extended to loan-funded work in Caribbean states, whose small size made them more willing to depart from traditional procurement processes to do special deals with the Chinese in exchange for needed financing. In recent years, large Chinese construction companies have increasingly won projects under streamlined procurement provisions of “public-private partnerships,” in which the builder invests some of its own money. These include the Colombian government’s award of a “4th Generation” highway construction project to Sinohydro.¹⁹

PRC-based companies have also employed their own funds (leveraging their own domestic banking partners) to finance projects.²⁰ Examples include the USD4.2 billion Baha Mar resort in Nassau²¹ and the North-South highway in Jamaica.²² China Harbour self-financed the later in return for rights to land adjacent to the highway—which became enormously valuable once the highway was completed. In Brazil, where half of all PRC investment has gone (USD55 billion in the last decade),²³ the fall of the national champion construction firm Odebrecht and the development bank Bandes due to the 2014 *Lava Jato* (car wash) scandal, opened a strategic sector from which Chinese firms had previously been

18 See, for example, “ICBC Acquires 60% of Standard Bank,” *Xinhua*, 3 February 2015, http://www.china.org.cn/business/2015-02/03/content_34722729.htm.

19 R. Evan Ellis, “New Developments in China-Colombia Engagement,” *Manzella Report*, 14 October 2014, <http://www.manzellareport.com/index.php/world/910-new-developments-in-china-colombia-engagement?tmpl=component&print=1&layout=default&page=>.

20 Ellis, *China on the Ground in Latin America*.

21 Shiviani Vora, “In the Bahamas, a Long-Awaited Opening for Baha Mar Resort,” *New York Times*, 17 April 2017, <https://www.nytimes.com/2017/04/17/travel/bahamas-baha-mar-resort-nassau-hotel-casino-opening.html>.

22 “Chinese-Built Highway Opens in Jamaica,” *ECNS*, 25 March 2016, <http://www.ecns.cn/business/2016/03-25/204313.shtml>.

23 David Biller, “China Expands Brazil Frontier as Investment Grows during Crisis,” *Bloomberg*, 25 April 2018, <https://www.bloomberg.com/news/articles/2018-04-25/china-expands-brazil-frontier-as-investment-grows-during-crisis>.

effectively excluded, including the construction of ports and other Brazil infrastructure.²⁴

In the electricity sector, the combination of Chinese construction, supply of components, and self-financing, together with the use of local partners for knowledge and legal representation has been particularly effective in taking renewable energy projects forward, including hydroelectric facilities, and wind and photovoltaic (solar) generating facilities, including a USD1 billion Chinese solar cell farm in Chile's Atacama Desert.²⁵

In electricity transmission, China's largest utility, State Grid, as well as others such as China Three Gorges and State Power Investment Corporation, have spent billions of dollars to acquire companies with existing infrastructure, then used their access to inexpensive components, construction and finance, to outbid others for new work.²⁶

People and Cultural Engagement Support to Pursuit of Objectives

The PRC compliments the previously mentioned commercial engagement through cultural engagement which both leverages and helps to extend its position in the country as an investor. The PRC, for example, regularly provides funds for persons from the region to study in the PRC (approximately 6,000 such scholarships are promised in the China-CELAC action plan for the period 2019 through 2021),²⁷ trips to China by Latin American academics, party leaders, media members and other elites (1,000 such trips are promised during the period),²⁸ and the establishment of Confucius Institutes for the officially-sanctioned teaching and promotion of the Chinese language and culture in the region (there are currently 39 Confucius institutes and additionally 18 Confucius classrooms in the region).²⁹

24 Ibid.

25 "Chile's Solar Energy Yield Enhanced by China," *ThisIsChile*, 20 May 2014, <https://www.thisischile.cl/chiles-solar-energy-yield-enhanced-by-china/?lang=en>.

26 R. Evan Ellis, "China's Activities in the Petroleum, Renewable Energy, and Transmission Sectors of Latin America and the Caribbean," in *After the Fall: Energy Security, Sustainable Development and the Environment*, Bruce Bagley, Suzanne Loftus, Hannah S. Kassab, and Dina Moulioukova, eds. (Lanham, MD: Rowman and Littlefield, 2018), 139-158.

27 "China to Offer LatAm 6,000 Scholarships within Five Years," *Sina English*, 18 July 2014, <http://english.sina.com/china/2014/0718/719642.html>.

28 "China to Offer LatAm 6,000 Scholarships within Five Years."

29 "Confucius Institute/Classroom," Hanban, accessed 9 December 2018, http://english.hanban.org/node_10971.htm.

In advancing and resolving difficulties with such economic and cultural engagement at the country level, the PRC employs the administrative vehicle of the “strategic partnerships,” including its newly created category of “comprehensive strategic partner.” China currently has nine such partners in the region. The status includes establishment of a multi-area ministerial level working group (more functional in some countries than others) which, in principal, meets at least once per year to review and facilitate projects in each economic area it is tracking (and in the ideal, coordination on political and other matters as well).

One Belt, One Road Initiative as Part of Strategy

As in other parts of the world, China’s OBOR initiative, extended to Latin America in 2017, has been a powerful marketing tool for channeling the previously noted hopes for economic and personal gains into package deals that reinforce and magnify the Chinese advance. While the actual benefits of participation in OBOR are not specified, the implicit promise seems to be to attach the joining country to the PRC “economic engine,” including presumed access to its markets, loans and investment, to advance the country’s national development. The implicit price is accepting the use of Chinese companies and personnel to build the infrastructure, operate the ports, and transport the products in and out of the country. What is unclear is whether participation in OBOR leads the PRC to privilege a country in its flows of commerce, loans and investments, over non-participants. For instance, will Panama’s participation in OBOR lead China’s national logistics champion COSCO to use the Panamanian port of Balboa as a regional logistics hub, over the competing (non-OBOR) Colombian port of Buenaventura?

Creating a World Safe for the Rise of China

Beyond working in Latin America and elsewhere toward its economic objectives, the PRC shapes the international strategic environment to facilitate, or at least not obstruct, its pursuit of economic objectives. It does so through multilateral and trans-regional engagement vehicles, promotion of the Chinese currency (RMB) via contracts and banking relationships, development of military ties, and by providing special support for anti-US regimes.

Multilateral Engagement

Although the PRC has been an active observer in the Organization of American States (OAS) since 2004, it has chosen the Commu-

nity of Latin American and Caribbean States (CELAC), a forum that includes all of the states of the hemisphere except the US and Canada, as its principal multilateral engagement vehicle with the region.³⁰ As with China's principal vehicle in Africa, FOCAC, CELAC lacks a standing Secretariat and other permanent institutions. Consequently, CELAC serves as a forum in which China can periodically "convene" the states of the region and advance its agenda with their blessing in the form of a joint action plan (the most recent covers the period 2019-2021),³¹ while minimizing their ability to coordinate their own position regarding what they wish from the PRC.

Transnational Engagement

The Chinese have also used trans-regional organizations such as the Brazil-Russia-India-China-South Africa (BRICS) forum, and to a lesser extent, the Asian Infrastructure Investment Bank (AIIB) for connecting "key" players in the region (including Brazil in the case of the BRICS) with those in other regions to advance China's agenda as the dominant partner.³² Indeed, it was in the annual BRICS meeting in Fortaleza, Brazil in July 2014 that General Secretary Xi Jinping announced his 1+3+6 PRC cooperation framework with the region.³³

Advancing Internationalization of the RMB

In structuring contracts for commodities (including oil in Venezuela, and soy in the southern cone), the PRC has increasingly sought to denominate them in RMB to advance the currency's use internationally, and thus move the world away from a global financial order dominated by the dollar. For the same reason, it has engaged in bank swap

30 Stephen Kaplan, "China Is Investing Seriously in Latin America. Should You Worry?" *Washington Post*, 24 January 2018, https://www.washingtonpost.com/news/monkey-cage/wp/2018/01/24/china-is-investing-seriously-in-latin-america-should-you-worry/?hpid=hp_hp-top-table-main-china-investing-seriously-in-latin-america%3Ahomepage%2Ft11711fe4.

31 "CELAC and China Joint Plan of Action for Cooperation on Priority Areas (2019-2021)," Ministry of Foreign Affairs of Brazil, 22 January 2018, <http://www.itamaraty.gov.br/images/2ForoCelacChina/Joint-Action-Plan-II-CELAC-China-Forum-FV-22-01-18.pdf>.

32 Ajejandro Frenkel, "China Leads the BRICS: Building an Alternative to US Hegemony," *Open Democracy*, 28 September 2017, <https://www.opendemocracy.net/en/democraciabierta/brics-and-chinese-expansive-multilateralism/>.

33 "Xi Jinping Attends China-Latin America and Caribbean Summit," Ministry of Foreign Affairs of the People's Republic of China, 14 July 2018, https://www.fmprc.gov.cn/mfa_eng/topics_665678/xipzxcxjzgdldrclchwdxbxagtwrlgbjxgsfwbxczlldrhwt1176650.shtml.

transactions in Brazil and Argentina and has created a clearing bank relationship with the Bank of Chile.³⁴

Military Engagement

With respect to the PRC military posture in the region, China has openly acknowledged its intention to interact on defense matters, in its 2008 and 2016 white papers toward Latin America,³⁵ as well as in its May 2015 defense strategy white paper.³⁶ Accordingly, the Chinese People's Liberation Army (PLA) has periodically conducted deployments to Latin America, including sending military police to the UN-led MINUSTAH Peacekeeping force in Haiti from 2004-2012, three progressively longer and more complex deployments of its hospital ship *Peace Ark* to the region (2011, 2015, and 2018),³⁷ and regular visits to Latin American defense institutions, including participation in courses at the "Lanceros" special forces school in Tolemaida, Colombia and the Jungle Warfare school in Manaus, Brazil.³⁸ The Chinese government has regularly brought Latin American and Caribbean military and defense sector officials to the country for professional military education and training, including short courses at the PLA National Defense University in Beijing, year-long Army and Navy command and staff courses in Nanjing, attendance of Latin American cadets at the PLA military academy, and sales of an increasingly broad range of sophisticated arms to an ever larger group of countries in the region.³⁹

From an initial posture of principally selling military clothing, non-lethal gear and small arms to the region, Chinese companies have won contracts to sell it fighter aircraft, military transports, combat heli-

34 R. Evan Ellis, "Chile and China: The Fight for the Future Regime of the Pacific," *China Brief* 17, no. 15 (22 November 2017): 16-20, <https://jamestown.org/program/chinas-relationship-chile-struggle-future-regime-pacific/>.

35 "Full Text of China's Policy Paper on Latin America and the Caribbean," *Xinhua*, 24 November 2016, <http://en.people.cn/n3/2016/1124/c90000-9146474.html>.

36 "Full Text: China's Military Strategy," *China Daily*, 26 May 2015, http://www.chinadaily.com.cn/china/2015-05/26/content_20820628.htm.

37 "Rumours Fly of US Naval Buildup off the Coast of Venezuela," *Caribbean News Now*, 8 October 2018, <https://www.caribbeannewsnow.com/2018/10/08/rumours-fly-of-us-naval-buildup-off-the-coast-of-venezuela/>.

38 Eben Blake, "Chinese Military Seeks Jungle Warfare Training from Brazil," *IBI Times*, 10 August 2015, <https://www.ibitimes.com/chinese-military-seeks-jungle-warfare-training-brazil-2046473>.

39 For a detailed discussion of Chinese military engagement, see R. Evan Ellis, *China – Latin America Military Engagement* (Carlisle Barracks, PA: US Army War College Strategic Studies Institute) August 2011, <https://ssi.armywarcollege.edu/pubs/display.cfm?pubID=1077>.

copters, radars, armored vehicles, self-propelled mortars and multiple-launch rocket systems, and patrol boats, among other systems, to clients that include not only anti-US regimes such as Venezuela, Ecuador and Bolivia, but also Peru⁴⁰ and Trinidad and Tobago,⁴¹ among others.

Such military engagement not only supports the PRC in maintaining multi-dimensional relationships with countries of the region, but also helps Chinese defense companies to improve their products, associated international maintenance, training and logistics operations, and sustain their defense industrial base. China's deployments to the region, and interactions with its defense institutions and personnel similarly help the PLA improve its working knowledge of its Latin American counterparts, defense institutions and countries, facilitating its ability to operate in the region, and potentially use its ports, airfields and other facilities in an extended military conflict with the US in the future, without necessarily establishing formal alliances or base access agreements.

Sustaining Actors which Challenge the US-Dominated Order

With respect to anti-US regimes such as Venezuela, the PRC arguably recognizes their value not only as a source of commodities and markets, but also in blocking the consolidation of a block aligned with the US on economic and political issues.

Stripping Taiwan of Its Remaining Diplomatic Allies

The PRC resumed its diplomatic struggle against Taiwan in Africa in 2016 (establishing relations first with Gambia, and later Sao Tome and Principe). It expanded the struggle to Latin America in June 2017, when it established relations with Panama (and obligated Panama to cut relations with Taiwan). It subsequently established relations with the Dominican Republic in May 2018, and El Salvador in August 2018, obligating each to break relations with Taiwan.⁴² Nothing in the PRC posture suggests it will not continue to pursue relations with the other nine nations in the hemisphere which continue to recognize Taiwan--with Haiti

40 "China donará US\$ 7 millones en materiales militares a Perú," *Peru 21*, 8 June 2019, <https://peru21.pe/peru/china-donara-us-7-millones-materiales-militares-peru-483253>.

41 "China Sending Ships to Trinidad and Tobago," *Power 102*, 25 February 2014, <https://news.power102fm.com/china-sending-ships-to-trinidad-and-tobago-16727>.

42 "China Establishes Diplomatic Relations with El Salvador," *ECNS*, 22 August 2018, <http://www.ecns.cn/news/politics/2018-08-22/detail-ifyxccrz0970180.shtml>.

the islands of the Lesser Antilles, and possibly Honduras arguably at heightened risk.⁴³

While such diplomatic changes reflect the economic lure of the PRC, they also help the PRC to advance its economic goals in the region. Recognition, creates an opportunity for the PRC to sign a flurry of MOUs and other agreements which substantially expand the PRC economic position in the country, creating opportunities to make even greater progress in the future. Recognition is typically accompanied with agreements to facilitate access for Chinese banks, agreements for specific projects using Chinese companies and financing (with terms shrouded in secrecy), the sending of business delegations to the PRC and the associated negotiation of phytosanitary agreements for the export of traditional products (effectively using hope for gains to recruit or at least neutralize key business elites with respect to the change). It also includes PRC establishment of an embassy, and a new ambassador reaching out to the Chinese community previously loyal to Taiwan, construction of a Confucius Institute, scholarships to study in the PRC, and impetus to negotiate a free trade agreement, further opening up the local market to Chinese products and services.

PERCEPTION OF CHINESE ACTIVITIES IN THE REGION

As noted previously, the PRC is viewed with a combination of hope and distrust in Latin America and the Caribbean. Individual political and business leaders hope for benefits from access to the presumed vast Chinese market, loans and investment, including opportunities for local businessmen to make money by establishing a relationship with a Chinese partner, leveraging his production capabilities and access to capital.

Skeptical attitudes in the region toward the PRC are loosely correlated with states with politically relevant manufacturing sectors that are adversely affected by competition with the Chinese, including Mexico, Brazil, and Argentina.

Attitudes toward the PRC in the region are only loosely correlated with attitudes toward Chinese communities there. With some exceptions, such as Panama, Peru, Guyana, and Suriname, those communities represent only a small portion of the population. Yet where present,

43 For a detailed discussion, see R. Evan Ellis, "Taiwan's Struggle for Partners and Survival," *Global Americans*, 7 December 2018, <https://theglobalamericans.org/2018/12/taiwans-struggle-for-partners-and-survival/>.

such communities are generally seen as productive, frugal, and somewhat apart from the rest of society.

At the country level, the political orientation toward the PRC roughly can be separated into four groups:

- (1) populist-socialist countries such as Venezuela, Bolivia, and Dominica whose leadership embraces the PRC as a source of resources which may partially liberate the regime from Western economically-based pressures
- (2) ideologically-neutral countries captured by Chinese money, generally smaller states, such as Jamaica and Barbados
- (3) mainstream market-oriented democratic states, whose leadership views the PRC as a source of opportunity, but insists in varying degrees in also adhering to free markets, democratic practices, and good relations with the US and West (by far the largest group)
- (4) Very conservative, US-aligned regimes. The later arguably includes the Ivan Duque regime in Colombia, and possibly the new government of Jair Bolsonaro in Brazil.

Cuba, ironically, has been slow to fully embrace the PRC, possibly due to its long role in leading the ideological left in the region. In addition, the Sandinista regime in Nicaragua, despite previously recognizing the PRC while in power from 1979-1990, did not restore diplomatic relations upon returning to power in 2007. In addition, Ecuador has moved away from the PRC to a friendly but more centrist position under the current government of Lenin Moreno.⁴⁴ Moreover, the embrace of China by the Venezuelan and Bolivian governments does not necessarily track with that of its people.

It is possible for some governments such as Panama, the Dominican Republic, or El Salvador to move toward a much deeper, albeit more ideology-free relations with the PRC due to growing Chinese projects combined with spats with the US. Others such as the new government of Andres Manuel Lopez Obrador (AMLO) could be pushed toward China, despite structural economic competition, due to escalating political frustrations with the US in the future (although AMLO may avoid reaching out to the PRC, preferring to maintain a focus on domestic issues).

44 "Ecuador Seeks to Renegotiate China Debt, Does Not Rule Out IMF -Moreno," *Reuters*, 6 December 2018, <https://www.reuters.com/article/ecuador-china-idUSL1N1YB1YZ>.

IMPACT ON US NATIONAL SECURITY INTERESTS

In the short and medium term, the greatest impact of China's expanding economic, political, and military presence in the region (and associated soft power) is the corresponding loss of US leverage to advance its agenda of democracy, free markets, transparency, and rule of law there.

While expanded Chinese police and security cooperation with Latin American countries could theoretically help to combat insecurity in the region, there are no indications to date that the structure or quality of Chinese assistance has had a meaningful positive effect on security. Indeed, there are reasons for concern that the expanded export of Chinese surveillance and social control systems (e.g., ECU-911,⁴⁵ BOL-110, the Colon Free Trade Zone, Uruguay,⁴⁶ and Argentina,⁴⁷ or ZTE's support to the Venezuelan ID card⁴⁸) could empower non-Democratic pro-Chinese governments to more effectively repress their own people.

Chinese money will help populist regimes to expand engagement with other extra-hemispheric actors inclined to more directly challenge US interests in the region, including Russia and Iran, and reduce the region's motivation to resist military or other cooperation with them.

Finally, as noted previously, in the undesirable occurrence of a war with the PRC, China's political and economic, as well as, military presence in the hemisphere will support the PRC conduct of a warfight that is global in scope and impair the ability of the US to respond. At the outset of such a conflict, Chinese economic and political (and possibly personal) leverage over leaders in the region will make them reluctant to pressure or condemn the PRC in international forums or join an anti-PRC coalition. During the military campaign itself, China's massive presence in the telecommunications and space sector will support its technical intelligence collection against the US and its allies from the region. The presence of PRC companies in all sectors could facilitate the projection and sustainment of Chinese agents, in support of observing

45 Charles Rollett, "Ecuador's All-Seeing Eye is Made in China," *Foreign Policy*, 9 August 2018, <https://foreignpolicy.com/2018/08/09/ecuadors-all-seeing-eye-is-made-in-china/>.

46 "Uruguay refuerza su vigilancia fronteriza con cámaras donadas por China," *Yaboo*, 28 February 2019, <https://es-us.noticias.yahoo.com/uruguay-refuerza-vigilancia-fronteriza-cameras-donadas-china-184400557.html>.

47 Shen Weiduo and Bai Yunyi, "Argentina Secures ZTE Deal Amid US Assault against Chinese Tech Companies," *Global Times*, 28 March 2019, <http://www.globaltimes.cn/content/1143862.shtml>.

48 Angus Berwick, "How ZTE Helps Venezuela Create China-Style Social Control," *Reuters*, 14 November 2018, <https://www.reuters.com/investigates/special-report/venezuela-zte/>.

or disrupting US deployment and sustainment flows, or perhaps causing diversionary crises, exploiting US commercial and financial dependencies on the region.

If the conflict in Asia becomes protracted, the PRC could convince or oblige select Latin American countries to permit access to their port facilities, airports, or other assets for military purposes, in support of strikes against the continental US.

RECOMMENDATIONS

Effectively responding to PRC advances in the region requires an authoritative, coordinated inter-agency strategy, with clear lines of action, responsibilities, and measures of effectiveness, guided by a coherent and compelling strategic concept.

- Correspondingly a focus on strengthening governance and developing enforceable “rules of the game” should be at the core of the US approach. The sovereignty of Latin American and Caribbean states, coupled with global commercial and financial interdependence, makes attempts to “block” the region from engaging with China unrealistic. Helping Latin American and Caribbean states to have the institutional capacity to plan a strategic roadmap of their development, which takes advantage of potential exports to China, loans and investment from China, as well as others, and make competent, transparent, decisions regarding contracts and other commitments that support that plan, will help the region get the most out of working with China. Minimizes the risk the PRC exploits institutional weaknesses and personal interests to secure Chinese objectives at the expense of those of the region.
- The US should also work with like-minded governments, such as those of the free-market oriented Pacific Alliance, and extra-hemispheric partners such as Japan, Korea, Australia, New Zealand and Taiwan, to advance an institutional framework with transparency and enforceable protections against non-tariff barriers and intellectual property theft, so that all states can interact on a level playing field. In support of this concept, rejoining the Trans-Pacific Partnership and expanding it to include the PRC and an expanded group of states in Latin America would be an important first step.

- The US should continue its coordinated messaging to partners in the region regarding the risks of engaging with the PRC from a position of institutional weakness. In the interest of the strategic priority of addressing the challenge from China, as reflected in the National Security Strategy, the US should consider avoiding actions in Latin America which undermine its credibility, including reductions in funds for regional assistance programs, elimination of Temporary Protected Status and Deferred Action for Childhood Arrivals, and rhetoric which appears disrespectful to Latin American countries and peoples.
- The US should also promote, apply, and broaden programs such as the Build Act, which provide an alternative to Latin American dependency on China for development funds.
- In the region, the US should maintain vigilance over the activities of PRC-based companies in sensitive areas particularly telecommunications and space in the military. It should be particularly leery of Chinese attempts to sell surveillance and security systems, and social credit systems, to authoritarian regimes. It should work toward transparent public procurement practices and prepare to bring pressure through sanctions where it is not the case.
- In strategic sectors in the region targeted by the Chinese such as ports and logistics, the US should call attention to, and work against deals that would allow Chinese partners to acquire dominant positions in the sector, and force others out.
- With respect to military engagement, the US should “borrow” from the Chinese approach and increase funds for programs at all levels that bring military personnel and defense officials from the region to the US for training and professional education. This includes expanded funding for tactical and operational courses at the Western Hemisphere Institute for Security Cooperation (WHINSEC), the Command and General Staff and Senior Service colleges of military institutions, and more funding and personnel for short courses offered through the William J. Perry Center for Hemispheric Defense Studies. The Regional Centers should also continue collaboration to fund billets for officials from Latin America and other regions to the Daniel K. Inouye Asia-Pacific Center for Security Studies, in order to give defense officials from the region the opportunity to interact with those from Asian countries, and study Asian se-

curity issues, without having to do so through Chinese military institutions.

- In preparation for a global conflict with the PRC, US Indo-Pacific Command (INDOPACOM) should expand work with US Northern Command (NORTHCOM) and US Southern Command (SOUTHCOM) to identify scenarios for how deployment and sustainment flows could be disrupted by the PRC in wartime, and the impact this could have on war plans in INDOPACOM. Reciprocally, NORTHCOM and SOUTHCOM should expand contingency plans to counter Chinese intelligence and disruption operations from the hemisphere in time of conflict and assess the political risks and geographic possibilities of where in the hemisphere the PRC might seek to conduct military operations from during a large-scale military conflict.

10

China's Strategic Messaging What It Is, How It Works, and How to Respond to It

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¹ The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Daniel K. Inouye Asia-Pacific Center for Security Studies, US Department of Defense, or US Government.

Communication is a ubiquitous tool to change the behavior, even the thoughts and preferences, of others. Messaging, therefore, is a key instrument of power and statecraft. States often send messages to influence its population and the outside world in one way or another, but few are conscious of the powers of strategic messaging and have invested as much into it as the People's Republic of China (PRC). Beijing's strategic messaging has helped to shape others' perceptions of China, spread narratives to assist China's policies, and create an uneven playing field that favors China. Equipped with an enormous messaging capacity, the PRC has undeniable advantages when it engages in strategic competition with the United States (US). What is China's strategic messaging? How does it work? How should the US respond to it? This chapter will answer these questions.

UNDERSTANDING STRATEGIC MESSAGING

One way to understand strategic messaging is to discuss how it differs from the concepts that are associated with it. Strategic messaging is sometimes equated with propaganda or strategic influence; other times, it is used interchangeably with political warfare, information warfare, information operations, and sharp power; still other times, it is thought to be similar to public diplomacy or soft power. Some of these concepts may be closely related as members of a family, but each denotes a different phenomenon.

Strategic influence is the most overarching of these terms. It refers to anything that influences another or others at the strategic level. It can use any means possible, ranging from military, economic, and diplomatic to social, cultural, normative, and informational. It operates through a variety of ways: warlike and peaceful, coercion and inducement, manipulation and persuasion, and structuring the playing field and social exchange.

Political warfare is strategic influence short of war but is conducted in the spirit of a struggle—to overcome one or more opponents to achieve national political objectives. George Kennan, who introduced the term at the onset of the Cold War, defines political warfare as “the employment of all the means at a nation's command, short of war, to achieve its national objectives.”²² In the context of the early Cold War, Kennan elaborated:

2 George F. Kennan, “Policy Planning Staff Memorandum,” National Archives and Records Administration, RG 273, Records of the National Security Council, NSC 10/2, 4 May 1948, <https://history.state.gov/historicaldocuments/frus1945-50Intel/d269>.

Such operations are both overt and covert. They range from such overt actions as political alliances, economic measures (as ERP), and “white” propaganda to such covert operations as clandestine support of “friendly” foreign elements, “black” psychological warfare and even encouragement of underground resistance in hostile states.³

As Kennan's definition indicates, political warfare can have many different forms, including information warfare, psychological warfare, political alliances, economic measures, and others. *Information warfare* is political warfare waged by the means of information. Information warfare is a subset of psychological warfare because it works on the perception, cognition, and psychology of the audience. *Psychological warfare* is broader than information warfare because it can manipulate the environment and the social setting, not the field of information *per se*, to achieve its goals. Psychological warfare can use propaganda, but also political, economic, and military measures. *Information operations* and *psychological operations* refer to the operational level, as opposed to the strategic and tactical levels, of these types of warfare. The terms “political warfare,” “information warfare,” and “psychological warfare” are often used interchangeably because of the widespread view that these “wars” rely chiefly on the use of words, images, ideas, and information, but this conflation is not useful for reasons stated above.

Two other terms often associated with the power of ideas and the use of information are soft power and sharp power. Joseph Nye, who coined the term *soft power* at the end of the Cold War, defines it as “the ability to get what you want through attraction rather than coercion or payments,” with the former “getting others to want what you want” while the latter “getting others to do what you want.”⁴ Going beyond Nye's original idea, the contemporary widespread sense is that soft power is a form of power that is either non-coercive or intangible. But equating it with non-coercion and associating it with intangible resources both deprive the term of its analytic power.⁵ It is the misunderstood

3 Ibid.

4 Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs, 2004), x; Joseph S. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990), 31.

5 Nye has repeatedly warned that “the relationship [between soft power and intangible resources] is imperfect” and “intangibility is not a *necessary* condition for soft power.” See Nye, *Bound to Lead*, 267; Nye, *Soft Power*, 7; and Nye, *The Future of Power* (New York: PublicAffairs, 2011), 21, 243 (emphasis in original).

association of soft power with the wielding of influence in the fields of ideas, information, media, and culture that led Christopher Walker and his colleagues to coin a new term, *sharp power*, and argue that “[w]hat we have to date understood as authoritarian “soft power” is better categorized as “sharp power” that pierces, penetrates, or perforates the political and information environments in the targeted countries.”⁶ In this sense, sharp power is no different than information warfare. However, when the term “sharp power” is used, an emphasis is made on the ways, not the means, of the operations. The term “information warfare” emphasizes the means of information. Sharp power is different from soft power in that the former “centers on distraction and manipulation” and the latter is “principally about attraction and persuasion.”⁷

Strategic messaging has much in common with the phenomena denoted by the terms above, but it is different from each of them in significant ways. In a broad sense, strategic messaging is strategic influence through messages. If strategic influence and political warfare use threats, benefits, and other things to influence people, strategic messaging works through the *messages* that these threats, benefits, and other things send, but not through these things themselves. Strategic messaging thus often relies on some second-order effects of action.

Public diplomacy and information warfare are domains of government work specifically dedicated to carrying out strategic messaging, but strategic messaging is not limited to these domains; it also involves a vast variety of actions that are not typically covered by public diplomacy or information warfare. For example, when the People’s Liberation Army (PLA) conducted an anti-satellite missile test in January 2007, it sent a strong message about China’s military capabilities. This action can be seen as part of Beijing’s strategic influence and political warfare, but not of information operations or public diplomacy. A month after the test, when China called for talks on a space weapons treaty, it conducted an act of public diplomacy, which sent another message—this time about China’s intentions. Strategic messaging was involved in both events, but each time in a different way.

Strategic messaging can carry the work of any kind of power, defined along the mechanisms through which outcomes are obtained. As soft power and sharp power refer to different mechanisms of pro-

6 “Sharp Power: Rising Authoritarian Influence,” International Forum for Democratic Studies, National Endowment for Democracy, 2017, 6, <https://www.ned.org/wp-content/uploads/2017/12/Sharp-Power-Rising-Authoritarian-Influence-Full-Report.pdf>.

7 Ibid.

ducing audience effects, each represents a distinct set of ways by which strategic messaging works. Thus, strategic messaging goes beyond public diplomacy, soft power, sharp power, and information warfare and can emanate from strategic influence, political warfare, and many other domains of government action.

As its very name indicates, strategic messaging works by means of messages. Messages can be sent in many different ways—through specialized means of communication or simply by behaving in a specific way. Statements, books, pictures, movie, and music are some of the many specialized means of communication that have been used by governments for strategic messaging. But any action, as well as absence of action, by a government can send a message. When China built artificial islands in the South China Sea, it sent a message about its capabilities, intentions, commitment, and resolve. When the US conducted freedom of navigation operations in the South China Sea, it sent a message about its commitment to freedom of navigation in that region. But the absence of more aggressive actions by the US also sent a message about Washington's intentions and, inadvertently, its commitment and resolve. Whether the messages are noticed and whether they are correctly understood is dependent on not only the way the messages are sent but also the perception of the specific audience.

It is important to note that strategic messaging is a process that can use any media and is flexible with regard to the tools it employs. This process consists of the production and transmission of messages to produce perceptions and, ultimately, changes in behavior, thinking, or preference of an audience. The appropriate methodology for analyzing strategic messaging must therefore be process-oriented rather than medium-oriented. More specifically, the study of strategic messaging must cover the entire process of communication, which Harold Lasswell has described as “who, says what, in which channel, to whom, with what effect,” with due attention to each of the components of this process.⁸ Strategic messaging as a process includes five components: the communicator, the contents of the message, the media for the transmission of the message, the audience of the message, and the effect in the audience of the message.

The influence effects of strategic messaging can be grouped into four major categories: intimidation, solidarity, confusion, and con-

8 Harold D. Lasswell, “The Structure and Function of Communication in Society,” in Lyman Bryson, ed., *The Communication of Ideas: A Series of Addresses* (New York: Institute for Religious and Social Studies, 1948), 37-51.

viction, with all the shades of gray between them. The messaging of superior capabilities and resolve can *intimidate* an audience, deter it from undertaking certain actions, and cause it to accommodate the intimidator. *Solidarity* effects such as friendly attitude, alignment of policy, respect, and commitment to a shared value, identity, cause, or belief can be achieved by signaling kindness, competence, and commitment to the same value, identity, cause, or belief. As messages carry information, perspectives, insights, and arguments, they can cause an audience to either believe in—reinforce *convictions*—or doubt the truth of something—sow *confusion*. In short, strategic messaging can shape the mind of an audience, thereby changing the thoughts, preference, and behavior of the audience and help the initiator get what it wants without further physical coercion or material rewards.

THE PRC'S STRATEGIC MESSAGING

This broad concept of strategic messaging allows us to see China's messaging and its effects far beyond the concrete actions of Beijing's propaganda, public diplomacy, and information operations. Anything the PRC does or does not do can send a message and is potentially part of China's strategic messaging. While it is impossible to talk about all the tools employed by the PRC in its strategic messaging, it is imperative to characterize the PRC's primary approaches to strategic messaging and its major effects.

Two historical traditions—the Soviet and the ancient Chinese—blend together to shape the PRC's approach to strategic messaging. As a Leninist state, the PRC's governance system relies heavily on the state's control and manipulation of the information environment. Propaganda, censorship, as well as coercive and non-coercive measures to ensure self-censorship are not just indispensable parts of the daily work of the PRC, but also belong to its most treasured toolkit. In foreign countries, beyond the realm of Beijing's direct control, the PRC relies on *united front work* as a key weapon of its political warfare and a key tool to spread propaganda, enforce censorship, and ensure self-censorship.⁹ Inspired by the

9 Alexander Bowe, "China's Overseas United Front Work: Background and Implications for the United States," US-China Economic and Security Review Commission Staff research report, August 24, 2018; Anne-Marie Brady, "Magic Weapons: China's Political Influence Activities under Xi Jinping" (paper, "The Corrosion of Democracy under China's Global Influence," Arlington, VA, 16-17 September 2017), <https://www.wilsoncenter.org/article/magic-weapons-chinas-political-influence-activities-under-xi-jinping>; June Teufel Dreyer, "A Weapon without War: China's United Front Strategy," *Foreign Policy Research Institute E-Notes*, 6 February 2018, <https://www.fpri.org/article/2018/02/weapon-without-war-chinas-united-front-strategy/>; Thomas G. Mahnken, Ross Babbage, and Toshi Yoshihara, *Countering Comprehensive Coercion: Competitive Strategies Against Authoritarian Political Warfare* (Washington, DC: Center for Strategic and Budgetary Assessments,

Leninist theory of uniting with lesser enemies to defeat greater ones, the idea of the united front is to create alliances of convenience, to co-opt influential people (such as politicians, business people, journalists, and intellectuals, both in and outside the Chinese diaspora) and neutralize potential opposition to Beijing's policies.

The PRC has also inherited a long tradition of employing strategic messaging to influence others from ancient Chinese thinkers, most notably Sun Tzu (also transliterated as Sun Zi). Sun Tzu's *Art of War*, the most influential Chinese strategy book, states, "All warfare is based on deception."¹⁰ It is strategic messaging in the broad sense that causes deception. Another main principle in this tradition is the idea of winning without fighting. The *Art of War* enunciates, "[w]hat is of supreme importance in war is to attack the enemy's strategy. . . . For to win one hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme of skill."¹¹ Taken together, these dictums advocate an indirect pathway to victory that relies primarily on strategic messaging to manipulate the opponent's perceptions, break its will and alliances, change its calculations, and frustrate its strategy.

Sun Tzu's dictums of "breaking the enemy's strategy" and "winning without fighting" serve as guiding principles for China's propaganda, information warfare, and strategic messaging vis-à-vis the outside world. Their underlying rationale is that a weaker actor can defeat a stronger opponent by outwitting the latter. Manipulating the information environment is central to outwitting one's enemy. Following this idea, the PLA has developed the concept of "unrestricted warfare" and emphasized the "three warfares" (*sān zhàn*)—legal warfare, public opinion warfare, and psychological warfare—that would enable the PRC to win a war against the US without firing a bullet.¹²

2018), ch. 4.

10 Sun Tzu, *Art of War*, trans. Samuel B. Griffith (New York: Oxford University Press, 1963), 66.

11 Sun Tzu, *Art of War*, 77.

12 Qiao Liang and Wang Xiangsui, *Unrestricted Warfare* (Beijing: PLA Literature and Arts Publishing House, 1999), translated by FBIS, <https://www.c4i.org/unrestricted.pdf>; Dean Cheng, "Winning without Fighting: Chinese Public Opinion Warfare and the Need for a Robust American Response," *Heritage Foundation Backgrounder* no. 2745, 21 November 2012, <https://www.heritage.org/asia/report/winning-without-fighting-chinese-public-opinion-warfare-and-the-need-robust-american>; Elsa Kania, "The PLA's Latest Strategic Thinking of the Three Warfares," *China Brief*, 16, no. 13, August 22, 2016, <https://jamestown.org/program/the-plas-latest-strategic-thinking-on-the-three-warfares/>; Peter Mattis, "China's 'Three Warfares' in Perspectives," *War on the Rocks*, 30 January 2018, <https://warontherocks.com/2018/01/chinas-three-warfares-perspective/>.

The higher goal of Beijing's strategic messaging is to make the world safe for the Chinese Communist Party (CCP) to pursue its "China dream" (*Zhōngguó mèng*). China's strategic messaging takes three major routes in the pursuit of this goal. In the first route, its messaging emanates directly from China's actions and communications: aid to a foreign country, behavior of the PLA, law enforcement and militia in the maritime domain, statements of PRC officials, and news stories by the official Xinhua news agency.

In the second route, it borrows the hands of others, or as Chinese propagandists say, "to borrow a boat to go out on the ocean."¹³ The "borrowed boat" may be a foreign government, a private media provider, a foreign film producer, a radio or television station in a foreign country, a private think tank, a foreign university, and similar institutions in the target country.¹⁴ There are many ways for the PRC to "borrow a boat" in the West to exert influence, spread its narratives, and restrict the information environment. China's efforts to influence Hollywood, through investment or by leveraging the Chinese market's growing centrality to the film industry, have "raised concerns about self-censorship, the co-opting of the American film industry to advance Chinese narratives, and ultimately, the risk that the industry will lose its independence."¹⁵ *China Daily*, a mouthpiece of the PRC, regularly runs publications in leading Western media outlets such as the *Washington Post* and the *New York Times*. Although the *China Daily* inserts are paid advertisements, their layout has the effect that many readers think they are a sort of op-ed page or news reporting of the host paper. In more indirect ways, the "boats" may be "borrowed" through ownership of, funding from, and cooperation with PRC-linked entities or individuals. Figure 1, based on the research of Anders Corr, portrays the complex relationship between western media outlets and PRC organizations. This increasingly complex "borrowed boat" approach, which often works indirectly and unobtrusively, raises concerns about self-censorship and loss of independence at several well-known media in the West.¹⁶

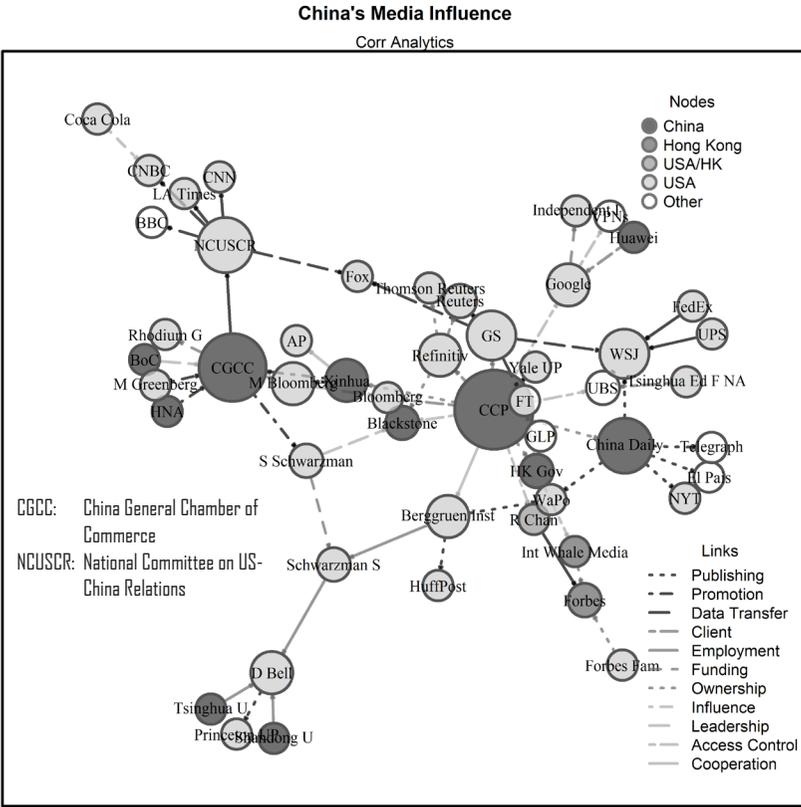
13 Brady, "Magic Weapons," 10.

14 For examples, see Brady, "Magic Weapons"; Working Group on Chinese Influence Activities in the United States, *Chinese Influence and American Interests: Promoting Constructive Vigilance* (Stanford, CA: Hoover Institution Press, 2018); Clive Hamilton, *Silent Invasion: China's Influence in Australia* (Melbourne: Hardie Grant, 2018); Anastasya Lloyd-Damnjanovic, *A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education* (Washington, DC: Woodrow Wilson International Center for Scholars, 2018).

15 *Chinese Influence and American Interests*, 111.

16 For a report of the PRC's influence in elite Western media, see Anders Corr, "The Big Busi-

Figure 1. China's Media Influence



Note: This graph is illustrative of the broader problem and does not necessarily reflect the views of the author.

In the third route, China's messaging exploits the freedoms people can enjoy in open societies. Individuals, companies, and organizations sponsored or supported by the PRC can operate in a free society in the same manner as any other individual, but with the financial and networking support of the PRC, they have all the advantages to outcompete and crowd out the alternative voices. This has already happened with the Chinese-language media in several countries, including Australia, Cambodia, New Zealand, and the US, where most Chinese-language media is

ness of Self-Censorship over China," UCANews.com, 19 June 2019, <https://www.ucanews.com/news/the-big-business-of-self-censorship-over-china/85391>. Figure 1 illustrates the network of Chinese influence reported in this article and is used with the permission of Corr Analytics.

now controlled by PRC-linked corporations.¹⁷ The presence of Chinese media, news agencies, education, and research programs also brings with it Chinese propaganda, censorship, and self-censorship as an extension of China's domestic information governance.

China's strategic messaging aims not just to shape public opinion; its goals also include building reputations and setting norms. More specifically, its objective is to promote China's positive reputation, counter negative opinion about China, spread negative views about its opponents, and cultivate norms that favor China in relations with other countries.

The reputation China's strategic messaging wants to build is one of kindness, generosity, competence, and resolve. When the Chinese state television channel CCTV set up its branch in Africa, it told local journalists that its African channel would give them the chance to "tell the story of Africa" from African perspectives. However, as Louisa Lim and Julia Bergin have noted, "the overriding aim appeared to be emphasising Chinese power, generosity and centrality to global affairs."¹⁸

China's aid programs play a major role in promoting the receivers' perception of China as their good friend. The gifts appear to be selected strategically to maximize their soft power effects—they are often either of valuable personal use or great public visibility. Examples of China's gifts to foreign officials and governments include laptops, scholarships, important government buildings, big stadiums, and large bridges.¹⁹

China's acts of audacity help it both gain a position of strength and build a reputation for competence and resolve. Beijing's conduct in the South China Sea is full of examples of this kind. A key part of China's strategy in the South China Sea is to spread the narrative of China being reactive to, but fearless of, others' provocations. The "unprofessional" and "dangerous" acts of Chinese vessels and aircraft confronting US patrols in the South China Sea are to send this message.

The building of artificial islands has not only changed facts on the ground but also demonstrated Beijing's capabilities and determination. If the artificial islands China built in the middle of the South China

17 Hamilton, *Silent Invasion*; Brady, "Magic Weapons;" *Chinese Influence and American Interests*, Section 6.

18 Louisa Lim and Julia Bergin, "Inside China's Audacious Global Propaganda Campaign," *Guardian*, 7 December 2018, <https://www.theguardian.com/news/2018/dec/07/china-plan-for-global-media-dominance-propaganda-xi-jinping>.

19 See also the chapters on Africa, South Asia, and the Middle East in this volume.

Sea are extremely vulnerable in times of war, they are extremely useful in times of peace. Were Sun Tzu still alive, he would say they were built to “win without fighting,” not to await a war with the US. Their effect is to psychologically change the strategic calculus of the regional countries, to “create a situation that will lead people to look at the propensity of things and think that China would eventually win the game.”²⁰

China's strategic messaging involves not just the painting of reality in Chinese colors, but also the restriction of others' freedom of thought and freedom of speech. It is not rare for China's media and officials to chide others for embracing what it calls “the China threat theory” or having a “Cold War mindset.” People so labeled are stigmatized as acting against the interests of peace and cooperation. For decades, Beijing has encouraged both Chinese and foreigners to attack and counter what it calls the “China threat theory.” As Toshi Yoshihara has observed, China has made a huge impact on the way the discourse on China has taken place, both in the public discourse and at the highest levels of US government:

We've been socialized and normalized into accepting certain party lines, for example, this idea that if we did anything to harm engagement, then we are certainly engaged in a Cold War mentality or we're seeking to contain China, and therefore in polite company, in polite circles these are not the kinds of things that you should be talking about.²¹

By insisting on certain ideas and behaviors repeatedly over a long period of time, China's messaging helps to build related norms among its audience. China's then-Foreign Minister Yang Jiechi's famous statement, “China is a big country and other countries are small countries and that's just a fact,” has been replicated in other performative forms to send the same message, which over time has inculcated hierarchical norms among the Southeast Asian officials dealing with China.²²

20 Alexander L. Vuving, “China's Sun Tzu Strategy: Preparing for Winning without Fighting,” interview by Patrick Renz and Frauke Heidemann, 27 March 2015, quoted in Howard W. French, *Everything under the Heavens: How the Past Helps Shape China's Push for Global Power* (New York: Knopf, 2017), 255, full text in *Thanh Nien News*, 19 June 2015, <http://www.thanhniennews.com/commentaries/chinass-sun-tzus-strategy-preparing-for-winning-without-fighting-46787.html>.

21 Thomas G. Mahnken, Toshi Yoshihara, and Devin T. Stewart, “Chinese and Russian Political Warfare,” Carnegie Council for Ethics in International Affairs podcast, 9 October 2018, <https://www.carnegiecouncil.org/studio/multimedia/20181009-chinese-russian-political-warfare-tom-mahnken-toshi-yoshihara>.

22 For some examples, see Bilahari Kausikan, “Dealing with an Ambiguous World – Lecture III:

This tactic has been applied in China's relations with smaller countries and big powers alike. Regarding the US, Peter Mattis has observed that "they've locked us into ways of thinking about the US-China relationship that privileges the relationship over the responses that we might take to protect our interests." This has, as Devin Stewart put it, "created a mental paradigm of allowing the Chinese to have two chess moves and we only get one."²³

AN AMERICAN STRATEGY FOR RESPONSE

China's strategic messaging poses an enormous challenge to America. It is a major thrust in Beijing's political warfare and unrestricted warfare against the US. It plays an important role in driving the expansion of the PRC's influence and undermining America's role and influence. The censorship and self-censorship it entails, as well as the subtle and not-so-subtle control by the PRC of the information environment, can curtail our democratic freedoms at home and abroad.

America must respond robustly to the challenges of the PRC's strategic messaging. It must craft an effective messaging strategy of its own, one that harnesses the powers of messaging to protect and promote America's national interests and the values our people hold dear. Such a strategy must be based on the broad concept of strategic messaging as outlined in the first section of this chapter. The objective of an American messaging strategy should be to ensure a truthful information environment in which the predominant terms of debate highlight the important role of the US in securing a free and open regional environment that benefits the prosperity of all people. This objective will be met by acting along three parallel efforts:

- A whole-of-society effort to protect the freedom and integrity of the information environment.
- A whole-of-society effort to monitor and expose the manipulation and control of information involved in China's strategic messaging.
- A whole-of-government effort to constantly improve US

ASEAN & US-China Competition in Southeast Asia," IPS-Nathan Lectures, Singapore, 30 March 2016, 13, <https://lkyspp.nus.edu.sg/docs/default-source/ips/mr-bilahari-kausikan-s-speech7d-7b0a7b46bc6210a3aaff0100138661.pdf>.

23 Peter Mattis and Devin T. Stewart, "China's Influence Operations," Carnegie Council for Ethics in International Affairs podcast, August 1, 2018, <https://www.carnegiecouncil.org/studio/multimedia/20180801-china-influence-operations-peter-mattis>.

strategic messaging, one that takes into account the perceptions of a diverse international audience.

More specifically but without exhausting all options, I recommend the following actions as the first steps in the development of a more comprehensive strategy:

- Establish a position of Strategic Messaging Advisor and an Office of Strategic Messaging at the Departments of State, Defense, Homeland Security, and Commerce. The Strategic Messaging Advisor will advise the Secretary on all matters related to strategic messaging. Led by the Strategic Messaging Advisor, the Office of Strategic Messaging will:
 - assist the Strategic Messaging Advisor,
 - evaluate all actions conducted under the purview of the Department from a strategic messaging perspective,
 - analyze possible messaging effects of different courses of action on key international audiences,
 - coordinate the Department's strategic messaging and counter-messaging activities, and
 - help the Department to craft smart narratives that can effectively advance US influence and are resilient to PRC influence.
- Set up an Interagency Strategic Messaging Group at the White House to coordinate the federal government's strategic messaging and strategic responses to authoritarian regimes' anti-American messaging and influence operations. This body may be modeled upon the Interagency Active Measures Working Group set up by the Reagan Administration in response to Soviet disinformation and active measures.
- Establish an independent watchdog and advisory body appointed by Congress to monitor the activities that infringe upon the freedom and integrity of the information environment. The mandate of this body is to promote constructive vigilance without active interference into the marketplace of ideas.
- Place the PRC's information and political operations in the US under special rules that do not allow Beijing to take advantage of the asymmetries in its domestic restriction of foreigners' freedoms. This effort should, in principle, not curtail the legiti-

mate rights and liberties of Chinese citizens in the US. It should, however, make a distinction between innocent Chinese citizens and those who work for the PRC and the CCP, who should be subject to special rules regardless of their citizenship.

- Demand visa parity and access reciprocity for US citizens in China.
- Review the existing policies and legal frameworks in order to close the loopholes exploited by the PRC's influence operations and "three warfares." The amendments must not change the free nature of our society. Instead, they must level the playing field and protect the free market of ideas from the biases and manipulation of China's influence operations and "three warfares." The Foreign Agents Registration Act must be enforced more fully and its loopholes must be closed. For example, inserts paid by *China Daily* in American media and CCTV programs in the US must clearly indicate the linkages between them and the PRC.
- Boost counter-messaging to debunk the PRC's propaganda and undermine the narratives supported by the PRC in its "three warfares" against the US.
- Administratively, managerially, and financially strengthen the government-funded broadcasters and media, especially the Voice of America and Radio Free Asia, to make them role models of the free press. Particularly, they should tell the fullest truth possible, be independent from the PRC's subtle and not-so-subtle influence, and provide a free, fair, and open platform for the discussion of the narratives that influence their targeted audience. The use of public funding to promote role models of the free press is necessary given the growing concerns about the lack of objectivity in our current information environment.
- Conduct regular training on strategic messaging and public diplomacy for US officials from all agencies that deal with China-related issues.

Author's Note: Scott McDonald, Mike Burgoyne, and Anders Corr have provided very constructive criticisms and thoughtful suggestions. The author wishes to thank them and the participants of the workshop "China's Global Reach" for their comments.

11 China's Economic Coercion

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1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the George C. Marshall European Center for Security Studies, US Department of Defense, or US Government.

INTRODUCTION

Over the last two decades the People's Republic of China (PRC) has experienced unprecedented economic growth. It is now the second largest economy by nominal GDP² and measured by GDP in purchasing power parity has already surpassed the United States (US).³ Economic development has been the main driver of China's rise and helped expand the country's political power in the form of increased voting power in international organizations and military power in the form of a greatly enlarged military budget.

In addition, economic strength is also a tool of power in its own right. One of the most common definitions of power comes from the German sociologist, political economist, and philosopher Manfred Weber who defined power as "[t]he probability that one actor within a social relationship will be in a position to carry out his own will despite resistance."⁴ Following this definition China's economic strength is a tool of power as long as it enables the PRC to get what it wants against the will of another state. Depending on the economic status of a country China uses different ways of economic coercion. While China's economic engagement varies from country to country, the following three main strategies of economic coercion can be identified based on the level of economic development in the target country. In developing countries China buys political influence through development finance. In emerging and medium-sized economies China operates more discreetly, using state-owned enterprises (SOE) and investment funds to buy what is on sale. Chinese economic coercion in advanced economies is even more subtle, usually taking the form of state-backed funds, as well as, private investors buying shares in large Western companies with hopes of both realizing economic gain and reduce skepticism regarding the goals and effects of Chinese investments and global influence.

The following sections describe these three "main strategies" in more detail and explain how economic coercion helps to increase Chinese influence abroad. Some of the most outstanding country cases are summarized in this chapter. More detailed country analyses can be found in the regional chapters.

2 GDP (current USD), *World Bank*, 2018, available at https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true.

3 "GDP, PPP (Current International \$)," *World Bank*, 2018, <https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD>.

4 Weber cited in Isidor Wallimann, Nicholas Ch Tatsis, and George V. Zito, "On Max Weber's Definition of Power," *SAGE Journals*, 1977, <https://doi.org/10.1177/144078337701300308>.

CHECKBOOK DIPLOMACY 2.0—BUYING POLITICAL INFLUENCE WITH DEVELOPMENT FINANCE

The term checkbook diplomacy was previously used to describe competition between the PRC and Taiwan for diplomatic recognition. Since the PRC is equipped with the bigger checkbook it was ultimately able to “convince” most countries to break diplomatic relations with Taiwan in return for financial support. Today, China uses checkbook diplomacy to compete with other major powers over global influence.

Due to a large shortage in infrastructure investments around the world, investors are in high demand. Most developing countries do not have sufficient funds and foreign investors have become more cautious after the 2008 financial crisis. China, however, invests where nobody else wants to and is, therefore, often the only investor developing countries can find. Furthermore, contrary to European or American development finance, Chinese finance is not based on the principle of conditionality, i.e., it does not come with conditions regarding human rights or anti-corruption measures. However, China is not making gifts either. The vast majority of investments come in form of loans. Once a loan cannot be redeemed China may demand other forms of compensation. Thus, more and more countries realize that China’s no-strings-attached rhetoric is in fact the biggest string of all.

Sri Lanka, for example, received Chinese loans for new highways, airports, and harbors. When these investments failed to deliver the envisioned returns and Sri Lanka struggled to repay loans in 2017, China coerced Sri Lanka to lease the port of Hambantota for 99 years to the state-controlled China Merchants Port Holdings.⁵ In 2011 Tajikistan is said to have ceded 1,158 square kilometers of land in a disputed border area to China in return for debt relief of unknown extent.⁶ Other examples include Nepal, which was coerced to cede 75 percent of a dam project joint venture to the Chinese Three Gorges Corporation.⁷

5 Kai Schultz, “Sri Lanka, Struggling with Debt, Hands a Major Port to China,” *New York Times*, 12 December 2017, <https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?module=inline>.

6 John Hurley, Scott Morris, and Gailyn Portelance, “Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective,” *Center for Global Development*, 2018, <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective>.

7 Brahma Chellaney, “China’s Debt-Trap Diplomacy,” *Project Syndicate*, 2017, <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01?barrier=accesspaylog>.

According to a report by the Center for Global Development, eight countries heavily indebted to China are in severe debt distress: Djibouti, the Maldives, Laos, Montenegro, Mongolia, Tajikistan, Kyrgyzstan, and Pakistan. Another 15 are in significant danger of default.⁸ Since China grants large loans to countries it must know cannot possibly pay everything back, some China analysts have started to use the term “debt-trap diplomacy” to describe a practice of offering loans to force a country to go into debt to China.

While it is debated whether China deliberately grants bad loans, alternative explanations seem even less likely as this would mean that China either totally miscalculated the creditworthiness of recipient countries or the viability of the funded projects. Either way, once a country is indebted to China it can hardly deny demands from Beijing.

A good example is Pakistan. The China-Pakistan Economic Corridor (CPEC) is the showpiece of the One Belt, One Road (OBOR; 一帶一路)⁹ initiative and includes a multitude of infrastructure projects, spanning from roads, railway, ports, and pipelines to power plants. The projected costs for all CPEC projects amount to USD62 billion.¹⁰ A lot of the projects are still in the planning phase, but Pakistan has already received USD15 billion of foreign direct investments (FDI) and loans from China. Even though it is said that the conditions of the loans from Beijing are generous,¹¹ Pakistan is already struggling to maintain a solid balance of payment.¹² Moreover, Chinese FDI from SOEs, which constitutes about two thirds of the financing, come with damaging conditions. For instance, the newly built power plants will partly be operated by Chinese companies and charge electricity tariffs twice as high the regional average. Thus, Chinese companies will profit more than Pakistani

8 Hurley, Morris, and Portelance, “Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective,” 16-19.

9 The Editors have chosen to conform to the “One Belt, One Road” formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

10 Thomas S. Eder and Jacob Mardell, “Die Belt and Road Initiative in Pakistan: Chinas Vorzeigeprojekt,” *Mercator Institute for China Studies*, 18 September 2018, <https://www.merics.org/de/bri-tracker/the-bri-in-pakistan>.

11 Jacob Mardell and Thomas S. Eder, “Seidenstraßen-Projekte in Pakistan: Zu Groß Zum Scheitern,” *Mercator Institute for China Studies*, 2018, <https://www.merics.org/de/blog/seidenstraesen-projekte-pakistan-zu-gross-zum-scheitern>.

12 Shabbir Kazmi, “Ever Looming Balance of Payment Crisis in Pakistan,” *Pakistan & Gulf Economist*, 2018, <http://www.pakistaneconomist.com/2018/11/26/ever-looming-balance-of-payment-crisis-in-pakistan/>.

businesses, who will finally have reliable electricity, but are faced with electricity tariffs that challenge their competitiveness.¹³

The new Pakistani government announced it will review CPEC and might want to renegotiate unfavorable terms, but four years into CPEC Pakistan is already deeply committed and cannot afford to shut down half-done projects. Furthermore, the showcase nature of CPEC puts pressure on Beijing to make it a success. That is why Thomas Eder and Jacob Mardell from the Mercator Institute for China Studies call it “too big to fail.”¹⁴

Africa is another focus area for Chinese development finance. One of China's interests in Africa is access to raw materials and fossil fuel. Furthermore, Africa is an important export market for cheap Chinese products with a lot of potential for expansion of businesses. In addition, African countries are important political allies for China's global agenda. One quarter of UN member states are African countries. By securing political backing from Africa, China can influence the decision making in the UN general assembly or other international organizations. The UN Human Rights Council has already become a toothless institution because it is subverted by countries who are under Chinese or Russian influence.¹⁵

One of China's latest investments in Africa takes place in Burkina Faso. Burkina Faso ranks 183th out of 189 countries on the Human Development Index¹⁶ and belongs to a group of 37 so-called Heavily Indebted Poor Countries (HIPC) which have a very high credit default risk.¹⁷ The country has very few natural resources except for some gold, which makes up 72 percent of export revenue, but most mining contracts are already assigned to Canadian companies.¹⁸ Given Burkina Faso's very

13 Mardell and Eder, “Seidenstraßen-Projekte in Pakistan: Zu Groß Zum Scheitern,” *Mercator Institute for China Studies*, 20 September 2018, <https://www.merics.org/de/blog/seidenstrassen-projekte-pakistan-zu-gross-zum-scheitern>.

14 Ibid.

15 Krishnadev Calamur, “The UN Human Rights Council Is a Deeply Flawed Body,” *Atlantic*, 2018, <https://www.theatlantic.com/international/archive/2018/06/us-un-human-rights/563276/>.

16 “Human Development Reports-2018 Statistical Update,” *United Nations Development Programme*, 2018, <http://hdr.undp.org/en/2018-update>.

17 “Economic Policy and Debt - Heavily Indebted Poor Countries (39 Countries),” *World Bank*, 2012, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20260049~menuPK:64166739~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html>.

18 *Burkina Faso Länderinformation*, (Vienna: Austrian Development Agency, May 2018). https://www.entwicklung.at/fileadmin/user_upload/Dokumente/Laenderinformationen/LI_BurkinaFaso_Mai2018.pdf.

small economic relevance it can be concluded that China's interest is mainly political. Burkina Faso established diplomatic ties with the PRC in May 2018 after acknowledging it as the sole legitimate representative of China. In return for abandoning Taiwan, the PRC promised to take over the funding for projects formerly financed by Taipei. Burkina Faso students studying in Taiwan can transfer to universities in Hong Kong and a new hospital for USD188 is also part of the deal. While this sounds like checkbook diplomacy 1.0 aimed at isolating Taiwan, the investment also serves to consolidate China's position in a region that traditionally was under French influence.¹⁹

While the hospital comes for free, the USD1.3 billion highway between the capital Ouagadougou and Bobo-Dioulasso are covered by a loan from the Export-Import Bank of China.²⁰ The debts will rise further when a railway connection between Burkina Faso and Ghana is realized.²¹ It is very unlikely that one of the poorest countries in the world can refinance such a project. Once Burkina Faso has become indebted to China, Beijing may ask for other forms of compensation and Burkina Faso will be compelled to provide the PRC political support in international organizations.

GAINING CONTROL OVER KEY ECONOMIC SECTORS IN EMERGING AND MEDIUM-SIZED ECONOMIES

Countries with a sound economy and fairly developed infrastructure are less vulnerable to Chinese economic offers. They do not require enormous investments and can find alternative investors. The European Union (EU), which provides development finance for less developed member states via the European Structural and Investment Funds (ESIF),²² was for a long time well protected from Chinese economic coercion. China only gained a strong foothold in Europe during the European debt crisis. Some medium-sized European economies,

19 Oana Burcu and Eloise Bertrand, "Explaining China's Latest Catch in Africa," *Diplomat*, 16 January 2019, <https://thediplomat.com/2019/01/explaining-chinas-latest-catch-in-africa/>.

20 Simon Gongo, "China Cements Fresh Burkina Faso Ties with Hospital and Highway," *Sydney Morning Herald*, 8 August 2018, <https://www.smh.com.au/world/asia/china-cements-fresh-burkina-faso-ties-with-hospital-and-highway-20180808-p4zw4e.html>.

21 "Ghana-Burkina Faso Signs Final MoU on Railway Interconnectivity Project," Ministry of Railways Development, 2017, <http://www.mrd.gov.gh/4/16/38/ghana-burkina-faso-signs-final-mou-on-railway-interconnectivity-project>.

22 "European Structural and Investment Funds," European Commission, 2019, accessed 6 June 2019, https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en.

such as Greece, Portugal, and Ireland, struggled with serious government debt as a consequence of the 2008 financial crisis. The EU provided financial support, but in return demanded economic reforms and privatization of state-companies to gain liquidity.²³ The following privatization wave opened an opportunity for China to buy companies in key economic sectors because most European SOEs provide utilities, like water and electricity, or public transportation.

In Portugal, China invested in all sectors of importance for daily life: electricity, oil, transport, financial services, insurance, health care, and media. Chinese FDI increased from almost zero in 2012 to USD6.6 billion in 2016. Among the most prominent investments is the former state-owned energy supplier and grid operator Energias de Portugal (EDP), which has operations in several European countries. Chinese companies currently hold 23.3 percent of EDP and have made a bid to overtake the whole company for USD11 billion, which would give the Chinese control over 20 percent of the Iberian Peninsula's electricity market.²⁴ The takeover offer is currently under review by EU and US regulators - EDP has large assets in the US as well.²⁵ Also worrisome is the acquisition of 30 percent of Global Media Group, which owns several widely read newspapers, a TV station, and a radio station. Furthermore, Global Media Group is a stakeholder in Portugal's largest news agency Lusa, which ran a temporary collaboration project with the Chinese state-controlled newspaper *People's Daily*.²⁶

As a result of Chinese economic activities, 73 percent of Portuguese think Portuguese foreign policy has changed (28% a little, 31% somewhat, and 14% a lot).²⁷ Portugal left the EU bailout mechanism in 2014 but this does not mean the country is financially rehabilitated. Portugal seems to be aware of the Chinese influence but accepts China's continued takeover of more of the economy in the hope these invest-

23 "EU Financial Assistance," European Commission, 2019, accessed 6 June 2019, https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance_en.

24 Philippe Le Corre, "China's Rise as a Geoeconomic Influencer: Four European Case Studies," *Carnegie Endowment for International Peace*, 15 October 2018, <https://carnegieendowment.org/2018/10/15/china-s-rise-as-geoeconomic-influencer-four-european-case-studies-pub-77462>.

25 Foo Yun Chee, Clara Denina, and Kane Wu, "China Three Gorges Halts Talks with EU Regulators on EDP Takeover," *Reuters*, 25 January 2019, <https://www.reuters.com/article/us-edp-m-a-china/china-three-gorges-halts-talks-with-eu-regulators-on-edp-takeover-sources-idUSKCN1P12CN>.

26 Le Corre, "China's Rise as a Geoeconomic Influencer," 8-9.

27 *Ibid.*, 9-11.

ments will pay off.

Greece is a similar case. China provided much needed capital during the heights of the EU debt crisis. Major investments include an electricity grid operator, wind parks, and telecommunication companies. Since 2014 Greece and China signed several cooperation agreements and facilitated commercial contracts worth USD4 billion. The most important acquisition is the port of Piraeus. The state-owned China Overseas Shipping Group Company (COSCO) started investing in the harbor in 2008. At that time, Piraeus processed just 430,000 containers per year.²⁸ COSCO invested hundreds of millions and raised the container handling to 4 million per year. Since 2017 COSCO holds a 67 percent majority of the Piraeus Port Authority and received a forty-year concession to operate the commercial harbor. China wants to use the port as hub for the Maritime Silk Road and gateway into southern Europe.²⁹ Apart from the strategic importance of the investments, China also earns a political dividend from its business activities in Greece. In 2017 Greece blocked the EU from giving a scheduled statement at the UN Human Rights Council over disagreement about critiques of China's human rights record. It was not the first time the Greek government protected China from criticism. Following the ruling of the Permanent Court of Arbitration in favor of the Philippines regarding the nature of South China Sea maritime claims, Greece, together with Hungary, intervened and stopped the EU from condemning China's defiance of the ruling.³⁰

Hungary has also been a beneficiary of Chinese investment. The "Belt and Road Center," a newly founded think tank financed by the Central Bank of Hungary, calls Hungary a "key state on the silk road."³¹ Hungary's President Viktor Orban seems very open to closer alignment to China and was quoted at a private business meeting stating: "If the European Union cannot provide financial support, we will turn to China."³² In November 2017 Hungary hosted a meeting of the 16+1 initiative, a platform for 16 Central and Eastern European Coun-

28 Measured in Twenty-foot Equivalent Units (TEU).

29 Le Corre, "China's Rise as a Geoeconomic Influencer," 14-16.

30 Robin Emmott and Angeliki Koutantou, "Greece Blocks EU Statement on China Human Rights at U.N.," *Reuters*, 19 June 2017, <https://www.reuters.com/article/us-eu-un-rights/greece-blocks-eu-statement-on-china-human-rights-at-u-n-idUSKBN1990FP>.

31 Fanni Marácz, "Hungary - A Key State on the Silk Road," *Belt and Road Center*, 7 November 2017, <http://beltandroadcenter.org/2017/11/07/hungary-a-key-state-on-the-silk-road/>.

32 "Orbán: If EU Doesn't Pay, Hungary Will Turn to China," *Budapest Business Journal*, 11 January 2018, https://bbj.hu/economy/orban-if-eu-doesnt-pay-hungary-will-turn-to-china_143836.

tries who want to benefit from China's OBOR initiative. Eleven of the 16 countries are EU member states, but the EU was only invited as an observer after Brussels complained that China approached its member states without consulting Brussels first.³³

The Czech Republic is China's newest ally in Europe. After a Chinese conglomerate invested USD1 billion in a financial company, an airline, a media outlet and a football team (including its stadium), Czech president Milos Zeman appointed the chairman of the conglomerate as "adviser" – a position with unknown responsibilities. President Zeman seems enthused to deepen his country's relationship with China, raising the hope the Czech Republic would become "the unsinkable aircraft carrier of Chinese investment expansion." Turning this kind of rhetoric into action, the Czech Republic is among a group of countries opposing stronger EU investment screenings.³⁴ These examples show that China tries to divide the EU and thus far it is quite successful in doing so.

Outside of Europe, Brazil is one of the largest targets for Chinese investments, accounting for about 55 percent of Chinese investments in Latin America, fifth overall as a destination for Chinese FDI.³⁵ Chinese companies spent USD54 billion in more than 100 projects over the last 15 years. In addition to Brazil's banking sector, China is involved in infrastructure projects, such as state-owned Industrial and Commercial Bank of China financing 70 percent of a new port in Sao Luis.

In East Asia, emerging economies Malaysia and Indonesia received the largest amount of Chinese FDI. China already invested USD17 billion in Malaysia and around USD13 billion in Indonesia, the fourteenth and fifteenth largest sums for Chinese FDI.³⁶ However, after a change of government, Malaysia now offers hard critique of Chinese infrastructure investments. Prime Minister Mahathir Mohamad announced he would cancel a USD20 billion railway project as well as two oil pipelines. Both projects were financed with Chinese loans and supposed to be important parts of the OBOR's Southeast Asian corridor. Prime Minister Mohamad does not doubt the economic utility, but stated that his country

33 Maraczi, "Hungary – A Key State on the Silk Road."

34 "Chinese Investment, and Influence, in Europe Is Growing," *Economist*, 4 October 2018, accessed 6 June 2019, <https://www.economist.com/briefing/2018/10/04/chinese-investment-and-influence-in-europe-is-growing>.

35 "Does China Dominate Global Investment?" *Center for Strategic & International Studies*, 19 July 2018, <https://chinapower.csis.org/china-foreign-direct-investment/>.

36 Ibid.

cannot afford the projects.³⁷ He also fears too much Chinese influence as this quote from a meeting with Premier Li Keqiang illustrates: “We do not want a situation where there is a new version of colonialism happening because poor countries are unable to compete with rich countries.”³⁸ Maybe Malaysia’s decision can be a turning point and lead other countries to reconsider if they want to become economically dependent on Chinese investments.

INFLUENCE THROUGH SHAREHOLDINGS—CHINA’S STRATEGY FOR ADVANCED ECONOMIES

Investments in advanced economies are more difficult to assess because it is not always clear if an investment is motivated by economic considerations, has a political calculus, or both. Another incentive for investments in advanced economies can be to bring illegal money out of the PRC, or to remove clean money from an uncertain environment. Capital flight from China amounted to USD425 billion in 2014, the most recent year for which data is available.³⁹ Regardless of the reason for the investment, even those that on the surface appear purely business motivated can increase Chinese influence. When an investor buys shares in Western companies they get a say in business decisions and, perhaps more important, access to company records. Since there is no clear division between the private and the state sector in China, any large scale Chinese investments should be treated with caution.

The number one destination for Chinese FDI is the US, where China invested USD175 billion between 2005 and 2018. However, in 2018 after a decade of rising investments the volume dropped 84 percent to the level of 2012—probably a consequence of US-China trade frictions.⁴⁰ The majority of FDI consists of minority holdings because the high market value of multinational corporations makes takeovers very expensive. Nevertheless, there are prominent examples of company takeovers. In 2005 the then relatively unknown Chinese company Leno-

37 “The Perils of China’s ‘Debt-Trap Diplomacy,’” *Economist*, 6 September 2018, <https://www.economist.com/asia/2018/09/06/the-perils-of-chinas-debt-trap-diplomacy>.

38 Hannah Beech, “‘We Cannot Afford This’: Malaysia Pushes Back against China’s Vision,” *New York Times*, 20 August 2018, <https://www.nytimes.com/2018/08/20/world/asia/china-malaysia.html>.

39 Frank R. Gunter, “Corruption, Costs, and Family: Chinese Capital Flight, 1984-2014,” *China Economic Review* 43 (January 19, 2017): 105-17, doi:10.1016/j.chieco.2017.01.010.

40 Derek Scissors, “Chinese Investment: State-Owned Enterprises Stop Globalizing, for the Moment,” *American Enterprise Institute*, January 2019, <https://www.aei.org/wp-content/uploads/2019/01/China-Tracker-January-2019.pdf>.

vo bought IBM's personal computer division. The popularity of IBM's ThinkPad series helped Lenovo become the largest vendor of personal computers within 10 years.⁴¹ Motorola, GE Appliances, and Legendary Entertainment also have new Chinese owners. Investments typically come from Chinese private companies, but many deals are backed by state-owned banks and thus are financed with public funds. In some cases the Chinese government is also directly involved in shareholdings. Notably, the China Investment Corporation (CIC), a sovereign wealth fund which manages and invests part of China's foreign exchange reserves, holds 15 percent of AES Corporation, a US-based electricity provider that also operates in 14 other countries.⁴²

Australia received the second most Chinese investment between 2005 and 2018, totaling USD95 billion. Chinese investors are mainly interested in natural resources like metals and energy,⁴³ but CIC also holds roughly 20 percent of shares in Australia's largest port in Melbourne.⁴⁴ Compared to the total inward FDI Australia receives, China is still one of the smaller investors and contributes only 2 percent of all foreign investments. This qualifies the nominal numbers and illustrates that investments must always be put into relation to the size of the economy.⁴⁵

In Europe's largest economies, too, China is not yet the largest investor, but state-backed companies have started to make some prestigious investments. The largest shareholders of the French PSA group, the conglomerate behind Peugeot and Citroën, and the Italian tire manufacturer Pirelli are Chinese companies. Dongfeng Motor Group holds 12 percent of PSA shares⁴⁶ and the China Chemical Corporation currently holds 45 percent of Pirelli, after initially buying 65 percent in 2015.⁴⁷

41 Tim Bajarin, "How Lenovo Became a Global PC Powerhouse after IBM Deal," *Time*, 4 May 2015, accessed 7 June 2019, <http://time.com/3845674/lenovo-ibm/>.

42 "AES Announces Close of Transaction with China Investment Corporation," AES Corporation, 15 March 2010, accessed 7 June 2019, <https://www.aes.com/investors/press-releases/press-release-details/2010/AES-Announces-Close-of-Transaction-with-China-Investment-Corporation/default.aspx>.

43 "Does China Dominate Global Investment?"

44 Jenny Wiggins, "Port of Melbourne Tops up CIC's Local Infrastructure, Real Estate Basket," *Australian Financial Review*, 20 September 2016, accessed 7 June 2019, <https://www.afr.com/business/port-of-melbourne-tops-up-cics-local-infrastructure-real-estate-basket-20160920-grkf5m>.

45 "Does China Dominate Global Investment?"

46 "Peugeot: Shareholders Board Members Managers and Company Profile," accessed 7 June 2019, <https://www.marketscreener.com/PEUGEOT-4682/company/>.

47 "Pirelli & Co.: Shareholders Board Members Managers and Company Profile," accessed 7 June 2019, <https://www.marketscreener.com/PIRELLI-CO-37980122/company/>.

These companies are not in financial difficulties like Jaguar Land Rover was before it was acquired by the Indian Company Tata Motors in 2008, but have sound operations and belong to the backbone of their countries' economy. While Chinese acquisitions are assessed rather critically in Paris, the government in Rome, led by the populist Lega Nord, signed a memorandum of understanding with China in March 2019.⁴⁸ The agreement lays out a plan for Italy's participation in OBOR and was supplemented by 29 other government agreements and commercial contracts with a total value of USD2.8 billion.⁴⁹

A real sensation was the 2018 acquisition of almost 10 percent of the German luxury car manufacturer Mercedes Benz by Chinese car manufacturer Geely. Morgan Stanley helped Geely circumvent reporting duties while buying large packages of shares. Thus, Mercedes Benz only learned of its new investor after they already acquired enough shares to become the single largest shareholder.⁵⁰ This kind of "hostile" investment inevitably raises opposition among business leaders and politicians. To ease negative sentiments, China tries to influence the public debate by hiring prominent advocates. The former British Prime Minister David Cameron, the former French Prime Minister Jean-Pierre Raffarin and the former German Vice-Chancellor Philipp Rösler now all work for Chinese funds or conglomerates.⁵¹

A public outcry is further kept in check by China's market power. For many advanced economies China has become the most important trade partner, which is why Chinese misconduct, including violations of intellectual property and patents, rarely has consequences. That large Western companies do not want to offend China was demonstrated in February 2018 when Mercedes Benz publicly apologized for using a quote by the Dalai Lama in one of its advertisements. The incident happened before Geely became Mercedes Benz' largest shareholder and was clearly intended to prevent the loss of customers in its most important market. A few months later the US clothing brand GAP also issued an

48 "Memorandum of Understanding between the Government of the Italian Republic and the Government of the People's Republic of China on Cooperation within the Framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative," Government of the Italian Republic, 2019, http://www.governo.it/sites/governo.it/files/Memorandum_Italia-Cina_EN.pdf.

49 Andrew Chatzky, "China's Belt and Road Gets a Win in Italy," *Council on Foreign Relations*, 27 March 2019, accessed 7 June 2019, <https://www.cfr.org/article/chinas-belt-and-road-gets-win-italy>.

50 "Chinese Investment, and Influence, in Europe Is Growing," *Economist*, 2019.

51 *Ibid.*

official apology after complaints about a T-shirt which displayed a map of China that did not show Taiwan.⁵²

Market access and business opportunities are also the reason why few politicians openly condemn human rights violations in China. Meetings of Western leaders with the Dalai Lama have become rare after Beijing started to heavily intervene every time the Buddhist spiritual leader was welcomed in a European capital. The influence might be more discrete and is also partly preemptive obedience, but Chinese economic coercion definitely has begun to affect foreign policy decision making in large, advanced countries as well.

CHINESE INVESTMENT CONCLUSION AND RECOMMENDATIONS

Economic conditions are different in every country and so are China's economic activities. Therefore, it is not surprising China uses different economic tools in economies with differing levels of development. Three main strategies of economic coercion have been identified on the previous pages. While an ideal response to Chinese economic coercion should be customized for every country, the classification of main strategies allows the development of responses for country groups that can serve as blueprints for further customization.

- **Poor and developing economies:** When China uses checkbook diplomacy to buy political influence an obvious response would be to use checkbook diplomacy as well to offer an alternative source of investment. But this does not seem wise in all cases. Many of China's investments are a gamble. If the investments do not pay off China will lose a lot of money. China's calculus might be that this is the price for political support and increased global influence, but it is not certain countries will continue to support China once the cash flows stops. Gratitude is short lived and "debt-trap diplomacy" is no guarantee for loyalty.

- *Do not challenge China everywhere.* China's checkbook diplomacy can also be seen as a global development aid program. There is a global shortage of infrastructure investments and for many countries China remains the only realistic investor. Especially Africa can profit which, according to the African Development Bank, has an annual investment demand of USD130-170 billion and a financing gap

52 Tom Hancock, "Multinationals Bow to China's Political Sensitivities," *Financial Times*, 20 May 2018, <https://www.ft.com/content/36c03e40-52a8-11e8-b3ee-41e0209208ec>.

of USD68-108 billion.⁵³ For decades it was mainly Western countries who financed and built roads, railways, and ports in developing countries. If China is now building highways in Burkina Faso for which it will likely see no return, then Western countries save money. This way China can actually contribute to greater global economic development and prosperity. Thus, not all Chinese investments should be challenged by Western governments.

o *Only challenge China in regions of strategic interest:* Instead a feasible and effective response for developing countries would be to challenge China in regions that are of strategic interest and compete in projects which are economically worthwhile. The US and Europe do not have the resources to invest wherever China becomes active and cannot risk to lose money in questionable infrastructure projects. Instead political focus and money should be concentrated on countries and projects where the payoff is the highest. Let China do the heavily lifting and wait to see if it pays off. There is already talk of imperial overstretch given China's shrinking cash reserves.⁵⁴

- **Medium-sized and emerging economies:** In medium-sized and emerging economies the main problem is that China is acquiring influence in strategically important economic sectors like water, energy, or transportation. The decision of the EU during the European debt crisis to force struggling member states to privatize SOEs, many of whom provide utilities, opened up the opportunity for Chinese companies to access power grids and rail networks. Economic solidarity in the form of EU financial assistance for member states will be key to stop further Chinese coercion in Europe.

o *Encourage US and EU companies to invest in emerging markets:* To balance the presence of Chinese investors elsewhere in the world private companies in the US and Europe should be encouraged to invest more in emerging markets and to

53 African Development Bank Group, *African Economic Outlook*, (Côte d'Ivoire: African Development Bank, 2018), 63, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf.

54 Gordon G. Chang, "The Real China Challenge: Imperial Overstretch," *National Interest*, 24 February 2018, <https://nationalinterest.org/feature/the-real-china-challenge-imperial-overstretch-24635>.

compete with Chinese companies over infrastructure projects. As many Chinese investors are state-backed, support of private companies with state guarantees should be considered to restore a level playing field.

- o *Inform and strengthen civil society:* Additionally, an open discourse about the benefits and disadvantages of Chinese investments in medium-sized economies should be supported. The public in many countries is not well informed about Chinese investment activities and are faced with Chinese information campaigns. Thus, it is important to provide access to independent sources and balanced reporting so that the public can form a free and well-considered opinions, get a voice in the investment screening process, and hold their governments accountable for economic deals with the PRC.

- **Advanced Economies**

- o *Stricter financial screenings:* An effective measure for advanced economies to become less vulnerable to Chinese investments would be to introduce stricter financial screenings that make it harder for unwanted investors like state-backed entities to become major shareholders in companies that are classified as vital for the national economy or national security. This is not to say that screening measures should discriminate against China, because this would contradict free market economy principles and prevent valuable Chinese investments. The goal of the screening measures should be to prevent “hostile” investments and to protect critical infrastructure and vital economic sectors from foreign coercion. The EU has recently drafted such a framework. While the final product represents the lowest common denominator among 28 member states, the process led to several states reexamining and updating their national investment screening legislation.

- o *A partnership on equal footing:* Another response towards Chinese economic influence in advanced economies could be to care less about offending China and live with the economic consequences of standing up to Beijing. China is a very important market for most advanced economies, but what made China economically strong in the first place was foreign investments and technology transfer. Furthermore, China is an export-oriented economy which depends on ac-

cess to export markets. The economic dependence between the Western world and China is not asymmetric, but China relies as much on their trading partners as they do on China.

12 Understanding China's Legal Gamesmanship in the Rules-Based Global Order

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1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Daniel K. Inouye Asia-Pacific Center for Security Studies, US Department of Defense, or US Government.

INTRODUCTION

In the contemporary era of international relations, it is not a novel argument to posit that twenty-first century People's Republic of China (PRC) is a rising power that challenges the existing, rules-based global order. For more than a decade, national leaders of other states, including voices within the United States (US) government, have expressed concerns about the PRC having such negative intentions. Additionally, a number of non-government observers, including experts in the disciplines of international relations and law, have also discussed this matter. Yet many times these expressed concerns and discussions are accompanied by minimal to no supporting information or insufficient examples. Without such specifics, what might be a truism could verge closely on becoming a rhetorical cliché.

This chapter will seek to examine the PRC's approach to the rules-based component of the global order more closely. To be clear at the outset, it would be an oversimplification to argue that the PRC always seeks to undermine this rules-based component. One must first realize that rules within the rule-based component of the global order do not have a singular purpose. Instead, laws and rulesets, including those of international law, can serve several different purposes or fulfill different roles, depending upon the circumstances. Two such roles of law worth understanding are the normative role of law and the instrumental role of law. The former focuses on laws and rulesets as standards of behavior, while the latter focuses on the use of law as a tool to achieve particular objectives. This chapter will argue that the PRC seeks to shape and reshape the normative aspects of the rules-based component of the global order, while also attempting to leverage the instrumental aspects of that same component.

As a starting point, this chapter will assume that the PRC is competing with other states within a complicated international system composed of complex relationships. Yet while international conflict is undesirable and international cooperation can be appealing, sandwiched in between the two is international competition, which is not inherently bad or evil. For example, economic competition can benefit states, industries, business organizations, and consumers. Moreover, a relationship between two states is not necessarily simple. Any two states, including but not limited to the PRC and the US, can share a complex, bilateral relationship, which consists of both cooperative and competitive elements simultaneously.

In the competitive aspect of relationships between states, individual states can and will use a range of tactics to further their own interests, to include tactics involving law and rulesets. Over the past two decades, American legal scholars coined the portmanteau “lawfare”² and Chinese military strategists have developed the concept of “legal warfare,”³ both of which are defined as “using law as a weapon.” These labels, however, might be too warlike, provocative, or under inclusive in nature. They can overgeneralize or overdramatize other rule-related actions by states—actions that are nowhere near conflict along the spectrum of international relations, but rather reflect competition.

If a primary goal of any competition is to win, then one must consider what might be the best way to characterize tactics employed by players for the purpose of winning. In the competitive context of sports and leisure games, particular behavior by participants could be labelled as “gamesmanship,” which has been defined as “the art of winning games without actually cheating.”⁴ In the context of the PRC and its actions in relation to the existing rules-based global order, one must consider how the PRC is utilizing various “legal gamesmanship” tactics in different situations for a competitive advantage. The PRC’s choice among “legal gamesmanship” tactics appears to depend upon several factors, including: (a) whether the PRC views an existing international ruleset as favorable or unfavorable to its national interests, (b) whether a ruleset actually exists and applies to the specific situation affecting the PRC’s national interests, and (c) whether the PRC intends for its tactical actions to affect the behavior of others in its favor.

This chapter will explore several of the common “legal gamesmanship” tactics employed by the PRC, offer specific examples of those employed tactics, and analyze the purposes of those tactics. Readers should hopefully understand that the PRC’s approach to international law is more nuanced than any cliché might suggest, but which remains troubling nonetheless. Thus, this chapter will conclude by showing why those tactics should be concerning to other states, and recommend counter-tactics for other states to employ in order to counter the PRC’s “legal gamesmanship.”

2 Charles J. Dunlap, Jr., “Lawfare: A Decisive Element of 21st-Century Conflicts?” *Joint Force Quarterly* 54 (2009): 34.

3 Song, Yunxia, *Under Informatized Conditions: Legal Warfare* (PRC, 2007).

4 Stephen Potter, *The Theory and Practice of Gamesmanship or, the Art of Winning Games without Actually Cheating* (London: Rupert Hart-Davis, 1947), 15.

SEEKING TO SHAPE OR RESHAPE THE NORMS OF LAW

The PRC has engaged in the past and is currently engaging in a number of “legal gamesmanship” tactics for the purpose of shaping and reshaping the normative aspects of the rules-based component of the global order. At a minimum, the PRC employs seven such tactics. First, the PRC makes ambiguous allegations of illegal activities by other states that contravene the PRC’s preferences. Second, the PRC ignores the meaning of treaty provisions when they inconveniently undercut the PRC’s preference. Third, the PRC quotes phrases from treaties out of their proper context to mean something other than their intended meaning. Fourth, the PRC ignores, dismisses, or disregards the negotiating history of treaty provisions when they inconveniently undercut the PRC’s preference. Fifth, the PRC alleges that specific actions by other states violate international law, when the PRC engages in the same types of actions under similar circumstances. Sixth, the PRC avoids third-party forums for resolving its disputes with other states, but it is fully willing to take an active part in such third-party forums for adjudicating similar disputes between other states. Seventh, the PRC insists upon resolving its disputes with other states through negotiations, which can constitute a legal impossibility for many of those disputes. Each of these “legal gamesmanship” tactics is discussed below in more detail, along with real-world examples.

First, the PRC makes ambiguous allegations of illegal activities by other states that contravene the PRC’s preferences. These allegations are general in nature and fail to specify the applicable provisions of international law that have purportedly been violated. A good example of this tactic can be found in the PRC’s public statements about the maritime activities by other states, including ones conducted by the US, within the East China Sea and South China Sea that the PRC would prefer not to occur. Official PRC spokespersons will publicly describe the undesirable behavior as “illegal” and “a violation of international law.”⁵ But those same representatives rarely if ever specify which body of international law has been violated or which specific provision of law has been violated.

5 See, e.g., “Spokesman Zhu Bangzao Gives Full Account of the Collision between US and Chinese Military Planes,” 4 April 2001, http://www.china-embassy.org/eng/zmgx/zmgx/Military_Relationship/t35748.htm; “Violation of China’s Sovereignty Never Allowed,” *China Daily*, 10 March 2009; Ma Zhaoxu, “PRC MFA Spokesperson, Regular Press Conference, March 20, 2009,” *China Daily*; “China Opposes Any Military Acts in Its Exclusive Economic Zone without Permission,” *Xinhua News Agency*, 26 November 2010.

Second, the PRC ignores the meaning of treaty provisions when they inconveniently undercut the PRC's preference. In general, the international law of treaties requires that the text of a treaty "shall be interpreted in good faith in accordance with the *ordinary meaning* to be given to the terms of the treaty in their context and in the light of the object and purpose."⁶ One body of international law that the PRC seeks to shape or reshape through the employment of this tactic is the law of the sea, as reflected in the United Nations (UN) Convention on the Law of the Sea (UNCLOS). Consider, for the example, the right of innocent passage. The text of UNCLOS states that "all ships"⁷ of "all states"⁸ enjoy the right of innocent passage through the territorial seas of other states. The PRC accepts that non-military foreign ships enjoy the right of innocent passage through its territorial sea;⁹ however, the PRC prefers that the warships of other states not have that same right. But rather than expressly prohibiting foreign warships from exercising that right in its territorial sea, the PRC seeks to reshape international law by mandating foreign warships to "obtain permission" from the PRC government.¹⁰ As a practical matter, would the PRC government grant such permission in *every* instance? If not, then the PRC's requirement for prior permission would violate the ordinary meaning of another provision of UNCLOS, which prohibits coastal states from "impos[ing] requirements on foreign ships which have the practical effect of denying or impairing the right of innocent passage."¹¹ In this instance, the PRC disregards the ordinary meaning of a treaty provision to which it is obligated to follow.

Third, the PRC quotes phrases from treaties out of their proper context to mean something other than their intended meaning. As previously mentioned, the international law of treaties specifies that the text of a treaty "shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty *in their context* and in

6 "Vienna Convention on the Law of Treaties," entry into force date: 27 January 1980, *United Nations Treaty Series*, registration no. I-18232, art. 31(1). Emphasis added.

7 "United Nations Convention on the Law of the Sea" (UNCLOS hereafter), entry into force date: 16 November 1994, *United Nations Treaty Series*, registration no. I-31363, Part II, Section 3, Subjection A—"Rules Applicable to All Ships."

8 UNCLOS, art. 17. "Subject to this Convention, ships of all States, whether coastal or land-locked, enjoy the right of innocent passage through the territorial sea."

9 PRC, Law of the Territorial Sea and Contiguous Zone (25 February 1992), art. 6.

10 PRC, Law of the Territorial Sea and Contiguous Zone, art. 6.

11 UNCLOS, art. 24(1).

the light of the object and purpose.”¹² The text of UNCLOS states that all states enjoy the freedoms of navigation and overflight and “other internationally lawful uses of the sea related these freedoms” in the exclusive economic zone (EEZ) of other states.¹³ The PRC would prefer that foreign militaries not conduct activities within the PRC’s EEZ.¹⁴ PRC representatives will argue that foreign military activities, such as surveillance and exercises, in the PRC’s EEZ violates the “peaceful purpose” and “peaceful use” provisions of UNCLOS.¹⁵ However, when those phrases are read in their proper context within the treaty, one immediately sees that they also apply to activities on the high seas.¹⁶ Therefore, if the PRC’s argument was taken to its logical conclusion, then it would mean that militaries would be prohibited under international law from conducting activities on the high seas anywhere around the world.

Fourth, the PRC ignores, dismisses, or disregards the negotiating history of treaty provisions when they inconveniently undercut the PRC’s preference. The international law of treaties specifies that, if the meaning of a treaty provision is “ambiguous or obscure,” then “supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion” may be considered.¹⁷ The negotiating history of UNCLOS shows that states intended to establish the EEZ for the purpose of protecting the sovereign, resource-related rights for a coastal state within its EEZ zone. It was not established as some form of security zone for the coastal state to regulate or restrict. But as mentioned previously, the PRC prefers that other states not conduct military activities within its EEZ. For that reason, the PRC either ignores that negotiating history of UNCLOS, or argues that the body of

12 “Vienna Convention on the Law of Treaties,” art. 31(1). Emphasis added.

13 UNCLOS, art. 58(1).

14 For a compilation of previous statements by the PRC government regarding the illegality of foreign military activities within the PRC EEZ, see Jonathan G. Odom, “A China in the Bull Shop?” *Ocean & Coastal Law Journal* 17 (2012): 201, 216-217.

15 See, e.g., Ren Xiaofeng and Cheng Xizhong, “A Chinese Perspective,” *Marine Policy* 29 (2005): 142-44.

16 UNCLOS, art. 88. “The high seas shall be reserved for peaceful purposes;” art. 301, “*Peaceful uses of the seas* In exercising their rights and performing their duties under this Convention, States Parties shall refrain from any threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the principles of international law embodied in the Charter of the United Nations.”

17 Vienna Convention on the Law of Treaties, art. 32.

international law should be “improved” to suit this aim without proposing textual amendments.¹⁸

Fifth, the PRC alleges that specific actions by another state violate international law, when the PRC engages in the same types of actions under very similar circumstances. For nearly two decades, the PRC has alleged that foreign military activities within its EEZ, such as military surveillance and exercises, is a violation of international law.¹⁹ In recent years, however, the PRC has been conducting military activities, including surveillance and exercises, in the EEZs of other coastal states.²⁰ These include the EEZs of Australia, India, Indonesia, Japan, Malaysia, the Philippines, the US, and Vietnam.²¹ When questioned about the PRC military's activities within the EEZs of other states, PRC officials have attempted to distinguish the circumstances—but those efforts have been specious or highly tenuous. Likewise, the PRC established an Air Defense Identification Zone (ADIZ) over portions of the East China Sea in late 2013, which attempted to restrict the freedom of overflight and uses of international airspace enjoyed by all aircraft of other states, including military aircraft.²² Yet, PRC military aircraft continue to overfly and operate within the ADIZs of its neighbors, such as Japan and the Republic of Korea.²³ Once again, the PRC fails to apply international law consistently.

18 *People's Daily*, Dec. 11, 1982, quoted in Paul C. Yuan, “The New Convention on the Law of the Sea from the Chinese Perspective,” Jon M. Van Dyke, *Consensus and Confrontation: The United States and the Law of the Sea Convention* (Honolulu: Law of the Sea Institute, 1985), p.185. Source discusses that during the final session of UNCLOS negotiations, the head of PRC's delegation stated: “There are still quite a number of articles in the Convention which are imperfect or even have serious drawbacks. We are not entirely satisfied with the Convention.”

19 For a compilation of previous statements by the PRC government regarding the illegality of foreign military activities within the PRC EEZ, see Jonathan G. Odom, “A China in the Bull Shop?”

20 *Id.*, 231.

21 For a graphic depiction of where the PLA has conducted these activities, see “Uninvited PLA Operations in Foreign EEZs,” <https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/1/2018-CHINA-MILITARY-POWER-REPORT.PDF>

22 “Announcement of the Aircraft Identification Rules for the East China Sea Air Defense Identification Zone of the P.R.C.,” *Xinhua News Agency*, 23 November 2018, http://news.xinhuanet.com/english/china/2013-11/23/c_132911634.htm. For a legal analysis of the PRC ADIZ, see Jonathan G. Odom, “A ‘Rules-Based Approach’ to Airspace Defense: A U.S. Perspective on the International Law of the Sea and Airspace, Air Defense Measures, and the Freedom of Navigation,” *Belgium Review of International Law* 1 (2014).

23 See “Military and Security Developments Involving the People's Republic of China,” Office of the Secretary of Defense, May 2018, <https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/1/2018-CHINA-MILITARY-POWER-REPORT.PDF>

Sixth, the PRC avoids third-party forums for resolving its disputes with other states, when it is fully willing to take an active part in third-party forums for adjudicating similar disputes between other states. While states have an obligation to resolve their disputes with other states “by peaceful means,”²⁴ there is no general requirement that states utilize third-party mechanisms for resolving those disputes. In the context of territorial and maritime disputes, the PRC has repeatedly refused to submit any of its disputes in the East China Sea and South China Sea to legitimate third-party mechanisms, including the International Court of Justice (ICJ),²⁵ the International Tribunal for the Law of the Sea (ITLOS),²⁶ arbitral tribunals duly constituted under UNCLOS,²⁷ or conciliation under UNCLOS.²⁸ At the same time, however, the PRC has nominated and been represented by Chinese judges for decades on both the ICJ²⁹ and the ITLOS³⁰ to adjudicate similar disputes between other states. This inconsistent legal approach begs the question: if those third-party forums are legitimate for adjudicating the disputes of other states, then why are those forums not legitimate for adjudicating the PRC’s disputes?

Seventh, the PRC insists upon resolving its disputes with other states through negotiations, but for a number of them in a way that constitutes a legal impossibility. Consider the competing territorial and maritime claims that the PRC has in the South China Sea with several of its geographic neighbors. The PRC insists that these disputes should be resolved by negotiations with those neighbor states and prefers that those negotiations be bilateral in nature. However, the international law of treaties makes clear that a bilateral agreement may not bind any third

24 United Nations, *Charter of the United Nations*, 24 October 1945, 1 UNTS XVI, art. 2(3).

25 *Ibid.*, art. 36.

26 UNCLOS, Annex VI.

27 *Ibid.*, Annex VII.

28 *Ibid.*, art. 284.

29 For the past 25 years without interruption, a combination of three judges from the PRC have served as a member of the International Court of Justice: Judge Ni Zhengyu (1985-1994), Judge Shi Jiuyong (1994-2010), and Judge Xue Hanqin (2010-present). See All Members, International Court of Justice, available at <https://www.icj-cij.org/en/all-members>.

30 Since the International Tribunal for the Law of the Sea was first convened in 1996, a combination of three judges from the PRC have served as a member of the Tribunal: Judge Zhao Lihai (1996-2000), Judge Xu Guangjian (2001-2007), and Judge Gao Zhiguo (2008-present). See Members of the Tribunal since 1996, International Tribunal for the Law of the Sea, available at <https://www.itlos.org/the-tribunal/members-of-the-tribunal-since-1996/>.

party without the consent of that third party.³¹ Thus, with any South China Sea islands to which more than two states claim sovereignty or maritime areas for which more than two coastal states have overlapping maritime zones, the PRC could not bind any third state in its bilateral negotiations. Nonetheless, this legal impossibility does not prevent the PRC from continuing to insist upon bilateral negotiations for resolving its territorial and maritime disputes.

ATTEMPTING TO LEVERAGE THE INSTRUMENT OF LAW

In addition to engaging in “legal gamesmanship” tactics to shape and reshape the normative aspects of the rules-based global order, the PRC also attempts to leverage the instrumental aspects of that same order. At a minimum, the PRC employs five such tactics. First, the PRC selectively adopts the legal actions by other governments of China, only when those actions are advantageous to the PRC. Second, the PRC enacts laws codifying national policy, thereby creating the appearance of removing all discretion and compelling actions. Third, the PRC enacts and invokes its national laws as the legal authority to restrict the actions of other states, when such authority is highly questionable under existing international law. Fourth, the PRC combines ambiguous territorial claims with artificial maritime claims, for the intended purpose of asserting control of more geographic space and restricting the actions of other states in that space. Fifth, the PRC takes actions that are incremental in nature and carried out by deniable agents, in order to remain below the legal threshold that might justify a forceful response by other states. Each of these tactics is discussed below in more detail, along with real-world examples.

The PRC selectively adopts the legal actions by other governments of China, including actions taken prior to the founding of the PRC in 1949 and ones by the Republic of China³² (ROC) after 1949. In general, the body of international law governing succession to treaties (i.e., when a successive power is obligated to follow agreements concluded by its predecessors) is not fully settled. There are certain general principles that apply, but the rules are “not easy to determine.”³³ The PRC has leveraged this legal uncertainty to its advantage. When Mao

31 “Vienna Convention on the Law of Treaties,” art. 34.

32 “Republic of China” and “ROC” are used here as historical terms, and do not connote a change in policy by the U.S. Government.

33 Anthony Aust, *Modern Treaty Law and Practice*, 3rd Ed (Cambridge: Cambridge University Press Textbooks, 2013).

Zedong proclaimed the establishment of the Central People's Government of the PRC on October 1, 1949, he expressly declared, "[I]his government is sole legal government representing all the people of the People's Republic of China."³⁴ What this means for international matters was specified in the *Common Guideline*, which stated in part: "For the treaties and agreements concluded by the Kuomintang government with foreign governments, the Central People's Government of the People's Republic of China should examine them, according to their contents, to recognize, abolish, revise, or re-conclude them respectively."³⁵ Senior legal advisors within the PRC have subsequently acknowledged, "Recognition is a *special concept* in China's treaty practice."³⁶ They explain it as "recognizing the validity of the legal action taken on a treaty that was previously signed, ratified or acceded to by past Chinese governments."³⁷ After the establishment of the PRC, the PRC government has decided to disavow a number of international actions that the ROC had undertaken, including certain international agreements that the ROC had entered with other states. For example, in dismissing the ROC's role in negotiating the multilateral Outer Space Treaty,³⁸ a PRC representative told the UN General Assembly in 1972, "As from October 1, 1949, the Chiang Kai-shek clique has no right at all to represent China," and hence declared the ROC's signature on the treaty to be "illegal and null and void" for the Chinese government.³⁹ At the same time, however, the PRC government has decided to recognize a number of international legal actions taken by the ROC. For example, once the parties to the multilateral San Francisco Conference concluded negotiations of the UN Charter in 1945, the ROC delegate was the first representative of any party to

34 Mao Zedong, "Proclamation of the Central People's Government of the People's Republic of China," 1 October 1949, quoted in "The Consul General at Peiping (Club) to the Secretary of State," *Foreign Relations of the United States, 1949, The Far East: China, Volume VIII*, accessed 24 July 2019, <https://history.state.gov/historicaldocuments/frus1949v08/d619>.

35 Chinese People's Political Consultative Conference, *Common Guideline* (29 September 1949), art. 55, quoted in Xue Hanqin, Hu Zhiqiang, and Fan Kun, Duncan B Hollis, Merritt R Blakeslee, and Benjamin Ederington, *National Treaty Law and Practice* (Leiden: Martinus Nijhoff Publishers, 2005).

36 *Id.*, 156. Emphasis added.

37 *Id.*

38 "Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies," entry into force date 10 October 1967, *United Nations Treaty Series*, registration no. I-8843.

39 Chen Chu, PRC Ministry of Foreign Affairs, China's Statement on Question of Outer Space (27 October 1972), reprinted in Chiu Hungdah, and Jerome Alan Cohen, *People's China and International Law: A Documentary Study*, (Princeton: Princeton University Press, 1974), 425.

sign the new treaty.⁴⁰ When the PRC was established four years later, the Communist government immediately sought to be seated in the UN as the government of China under the UN Charter.⁴¹ Twenty-five years later, that political goal was achieved, when the PRC assumed China's seat in the UN and the associated privileges, including the designation as a permanent member of the Security Council wielding the unique veto power of resolutions.⁴² This selective adoption of ROC actions when they benefit the PRC, however, is not limited to actions involving treaties. For example, the ROC conducted a survey of the South China Sea islands in 1946 and generated a map first containing the ambiguous "U-shaped line" (a.k.a., the "eleven-dash line," the "nine-dash line"); subsequently, the PRC has asserted that ROC map as reflecting China's long-standing historic claims within that body of water.⁴³ More recently, to support the PRC's territorial and maritime claims in South China Sea, it has invoked the military, civilian, and administrative actions of "the Taiwan authorities of China" on Taiping (Itu Aba) island, all of which notably occurred after 1949.⁴⁴

The PRC enacts laws codifying national policy, which purportedly forces its hand into taking actions. One of the best of examples of this tactic is the Anti-Secession Law of 2005.⁴⁵ Enacted by the 10th National People's Congress, this legislation formalized the long-standing policy of the PRC towards Taiwan. Specifically, the law mandates the use of force against Taiwan if either the political leaders of Taiwan declared

40 See "1945: The San Francisco Conference," <https://www.un.org/en/sections/history-united-nations-charter/1945-san-francisco-conference/index.html>. "The next day [26 June 1945], in the auditorium of the Veterans' Memorial Hall, the delegates filed up one by one to a huge round table on which lay the two historic volumes, the Charter and the Statute of the International Court of Justice. Behind each delegate stood the other members of the delegation against a colorful semi-circle of the flags of fifty nations. In the dazzling brilliance of powerful spotlights, each delegate affixed his signature. *To China, first victim of aggression by an Axis power, fell the honour of signing first.*" Emphasis added.

41 Chiu Hungdah, *The People's Republic of China and the Law of Treaties* (Cambridge, MA: Harvard University Press, 1972), 93.

42 "Restoration of the Lawful Rights of the People's Republic of China in the United Nations," G.A. Res. 2758, 25 October 1971.

43 See Chris P.C. Chung, "Drawing the U-Shaped Line: China's Claim in the South China Sea, 1946-1974," *Modern China* 42, no.1 (2016): 38.

44 See, e.g., "PRC State Council Information Office, China Adheres to the Position of Settling through Negotiation the Relevant Disputes between China and the Philippines in the South China Sea," 13 July 2016, http://www.china.org.cn/government/whitepaper/2016-07/13/content_38869762.htm. "Since the 1950s, the Taiwan authorities of China have maintained a military presence on Taiping Dao of Nansha Qundao. For a long time, they have also maintained civil service and administration bodies and carried out natural resources development on the island."

45 Anti-Secession Law, adopted at the 3rd Session of the 10th National People's Congress, 13 March 2005, http://en.people.cn/200503/14/eng20050314_176746.html.

independence from China or “possibilities for a peaceful reunification should be completely exhausted.”⁴⁶ Enacting this law was intended to send a political message to Taiwan and the international community that the PRC government no longer has discretion on whether to act in those situations or conditions. While that law has remained relatively dormant over the past fifteen years, some observers have characterized it as the PRC’s counter-move to the Taiwan Relations Act⁴⁷ enacted by the US government in 1979, which is arguably an example of the US employing this same tactic.

The PRC leverages the enactment and invocation of its national laws as the authority to govern certain actions of other states, even though the invocation of such national laws is questionable for one of several reasons. First, it can be questionable because, like ambiguously alleging “a violation of international law,” official PRC spokespersons will characterize undesirable actions by other states without specifying which of the PRC’s national laws applies or which provision of law has been violated. This becomes important, especially when the PRC has a national law that purportedly governs one type of behavior by other states in its maritime zones (e.g., a national law restricting foreign surveys in its EEZ), but which is not actually triggered by other types of behavior (e.g., foreign military exercises or air surveillance in the PRC’s exclusive economic zone). Second, the PRC’s invocation of its national laws can be questionable when the only national laws enacted by the PRC that other states are obligated to respect are the ones that fully conform to applicable international law. For example, UNCLOS obligates states to comply with national laws of a coastal state, but specifies that such laws must be “in conformity with” or “adopted in accordance with the provisions of” the treaty. This frequent legal precondition in UNCLOS means that coastal states such as the PRC does not have unlimited authority to enact national laws affecting their maritime zones and that user states are not necessarily obligated to comply with every law enacted by that coastal state.

The PRC combines ambiguous territorial claims with artificial maritime claims, for the intended purpose of asserting authority or control over more geographic space. Under the international law of the sea

46 Id., art. 8. “In the event that the ‘Taiwan independence’ secessionist forces should act under any name or by any means to cause the fact of Taiwan’s secession from China, or that major incidents entailing Taiwan’s secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China’s sovereignty and territorial integrity.”

47 Public Law 96-8, 22 U.S.C. 3301 et seq.

as reflected in UNCLOS, the geographic features for which a state has sovereignty have maritime entitlements corresponding to the specific characteristics of the particular feature: submerged features and low-tide elevations have no maritime entitlements; islands are entitled to a territorial sea; islands capable of human habitation or economic life are entitled to an EEZ.⁴⁸ Islands are naturally formed areas of land above water at high tide,⁴⁹ and artificial islands are not entitled to a territorial sea or an EEZ.⁵⁰ In the South China Sea, the PRC claims it has sovereignty of both the Paracel Island group and the Spratly Island group. Yet a number of the geographic features in those two island groups are either not islands under the definition of UNCLOS or, if they are actually islands, they are not entitled to an EEZ. In addition, a number of the other claimant states occupy the geographic features in the South China Sea that are more likely entitled to a territorial sea. In contrast, the PRC decided to occupy features at a later date, and therefore found itself with fewer islands entitled to a territorial sea but submerged features not entitled to one.⁵¹ Realizing this dilemma, the PRC has decided to generally characterize its sovereignty claims to the two major island groups, without specifying which geographic features within those groups are actual islands.⁵² Additionally, the PRC has engaged in unprecedented levels of human modification to those features it occupies, regardless of whether the features are entitled to maritime zones.⁵³ The net result is

48 UNCLOS, art. 121.

49 Ibid.

50 Ibid., art. 60.

51 Bill Hayton, *South China Sea: The Struggle for Power in Asia* (New Haven: Yale University Press, 2014): 106. “By the time the People’s Republic of China moved into the Spratly Islands in 1987-8, all the dry real estate had been occupied. Only barren reefs remained, clearly unable to sustain human life without the addition of hundreds of tons of concrete and steel and the provision of regular supply boats.”

52 See “China Adheres to the Position of Settling through Negotiation.” “China has, based on Nanhai Zhudao, internal waters, territorial sea, contiguous zone, exclusive economic zone and continental shelf.” See also Bill Gertz, “Beijing Adopts New Tactic for S. China Sea Claims,” *Washington Free Beacon*, 21 September 2017, https://freebeacon.com/national-security/beijing-adopts-new-tactic-s-china-sea-claims/?utm_source=Freedom+Mail&utm_campaign=8ecc33a1cd-EMAIL_CAMPAIGN_2017_09_21&utm_medium=email&utm_term=0_b5e6e0e9ea-8ecc33a1cd-46149317. Gertz recounts how a PRC Ministry of Foreign Affairs delegation announced during an official maritime law dialogue with the US government that the PRC is asserting sovereignty in the South China Sea via the “Four Sha” island groups through several legal claims, including China’s historical territorial waters, part of China’s 200-mile Exclusive Economic Zone, and part of China’s extended continental shelf. For a legal analysis of this “Four Sha” theory, see Julian Ku and Chris Mirasola, “The South China Sea and China’s ‘Four Sha’ Claim: New Legal Theory, Same Bad Argument,” *Lawfareblog*, 25 September 2017, <https://www.lawfareblog.com/south-china-sea-and-chinas-four-sha-claim-new-legal-theory-same-bad-argument>.

53 See “Military and Security Developments Involving the People’s Republic of China,” Office

that the PRC now implicitly asserts that these artificial islands are entitled to maritime zones, including a territorial sea, and challenges other states that transit or operate in the vicinity of those features as if they were entitled to maritime zones.⁵⁴

The PRC takes actions that either are incremental in nature or are carried out by agents who provide plausible deniability, both of which for the purpose of remaining below the legal threshold that would justify a forceful response by other states. Under international law reflected in the UN Charter, states are generally prohibited from “the threat or use of force” in their relations with other states.⁵⁵ If one state uses force against another state, then that second state is justified under the same body of international law to use force in self-defense.⁵⁶ But what if the first state takes actions in a certain way that deliberately do not rise to the level of a “threat or use of force?” Some experts have labelled these actions to be “salami tactics”⁵⁷ or “gray zone activities.”⁵⁸ Regardless of what might be the best label, they involve several common approaches. One approach is gradualism or incrementalism, in which a series of smaller actions are taken over a period of time. Standing alone, none of those individual actions rising to the level of a *casus belli*; but, when taken together, they achieve the desired effects without ever incurring a defensive response from the second state. A second approach is for a state to employ actors for which attribution to that state is extremely difficult or nearly impossible. Recent and ongoing instances of the PRC employing these tactics can be seen in the South China Sea. For example, the PRC employs its vast fleets of maritime militia boats to challenge its neighbors, while

of the Secretary of Defense, April 2016, p. 13, <https://dod.defense.gov/Portals/1/Documents/pubs/2016%20China%20Military%20Power%20Report.pdf>. The PRC has added 3,200 acres of artificial land to the features it occupies in the Spratly Island group, compared to only 50 acres of artificial land added by other South China Sea claimant states.

54 See, e.g., “PRC Ministry of Foreign Affairs Spokesperson Hua Chunying, Regular Press Conference, February 11, 2019,” https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1637013.shtml. When asked to comment about a recent freedom of navigation operation conducted by two US Navy ships within 12 nautical miles of Mischief Reef and Second Thomas Shoal – neither of which is an island entitled to sovereign territorial seas – she responded, “The trespass of US warships *infringed on China’s sovereignty* and disrupted the peace, security and good order in *relevant waters*.” Emphasis added.

55 United Nations, *Charter of the United Nations*, art. 2(4).

56 *Ibid.*, art. 51.

57 Thomas C. Schelling, *Arms and Influence* (Westport, CT: Praeger, 1966).

58 Michael J. Mazarr, *Mastering the Gray Zone* (Carlisle Barracks, PA: Strategic Studies Institute and US Army War College Press, 2015).

attempting to characterize them as merely patriotic Chinese fishermen.⁵⁹ Additionally, it deploys its disproportionately large and equipped “white hull” (i.e., Coast Guard) ships against its neighbors’ inferior “gray hull” (i.e., Navies) ships to advance its maritime interests. Given that any actions by China Coast Guard are *ipso facto* attributable to the PRC, Beijing attempts to message that its use of superior white hulls is not escalating those disputes to a military-to-military confrontation. The net result of these activities is to strengthen its political position in these disputes with its neighbors, without triggering a legal threshold that would allow those competing states to use force in response.

CONCLUSION

The definition of gamesmanship should perhaps be refined for international relations. For sports and leisure games, gamesmanship is the art of winning *without cheating*. But for competition between states in the rules-based global order, gamesmanship might be the art of winning *with impunity*. In the context of sports and games, cheating implies that (a) there is a referee, umpire, or judge who is authorized to determine whether the rules of such competition have been violated, and (b) there are penalties established by the rules of the game that are imposed against a participant for a player’s substantiated violations of the rules. By contrast, international relations occur in an anarchic system, in which (a) there is no “referee” or “judge” (i.e., centralized governing authority over all states), and (b) the bodies of law that govern the relations between states contain either no or minimal penalties for substantiated violations of the rules. Aggravating the circumstances of international relations is that some of the applicable rules are not fully codified, such as those reflected in customary law. To be sure, the PRC is aware of these institutionalized weaknesses of the rulesets within the rules-based global order. This further encourages or enables the PRC’s “legal gamesmanship” in its competition with other states.

Admittedly, many of these examples identified and discussed above are related to the PRC’s maritime activities in the Asia-Pacific region. This focus is due, in part, to the author’s greater familiarity with that domain. But there is a strong possibility that the PRC is engaged in the same or similar “legal gamesmanship” tactics in other regions of the world (e.g., Africa, the Americas, Europe), in other domains (e.g., cyber, space), and involving other concerns (e.g., economics, human rights, en-

59 Jonathan G. Odom, “Guerrillas in the Sea Mist,” *Asia-Pacific Journal of Ocean Law and Policy* 3, no.1: 31-94, doi: 10.1163/24519391-00301003.

vironment). Therefore, cross-talk among experts who focus their attention on other regions of the world and on other domains could help to identify additional examples. Such intellectual collaboration might also spot additional “legal gamesmanship” tactics that the PRC is employing.

To counter the PRC’s “legal gamesmanship” tactics within the rules-based global order, what exactly should other states—including the US—do? Just as there is not merely one gamesmanship tactic employed by the PRC, so too is there more than one counter-tactic for other states to employ. Actually, different tactics might call for different, tailored counter-tactics. To maximize the likelihood of effectiveness, these counter-tactics should be employed by other states individually and collectively (e.g., ASEAN, European Union, Group of Seven, Australia-India-Japan-US “Quad”). These counter-tactics should be employed publicly (e.g., joint communiqués and press statements) and privately (e.g., bilateral dialogues). Recommendations could include the following:

- Other states should challenge the PRC to specify the applicable law when it generally alleges that those states are violating international law.
- Other states should insist that the PRC strictly follow the established rules of treaty interpretation, rather than disregarding the ordinary meaning of treaties or ignoring their negotiating histories.
- Other states should publicize situations in which the PRC is following a double standard in relations with other states, such as when the PRC is acting one way as a coastal state but a contradictory way using the maritime zones of other states.
- Other states should oppose the election of Chinese judges to the ICJ and the ITLOS, until the PRC agrees to submit its territorial and maritime disputes to these legitimate third-party forums or complies with binding rules by duly constituted tribunals.⁶⁰
- Other states should oppose the PRC’s invocation of its national laws for governing the behavior of other states when those national laws do not conform to applicable international law.

60 For example, an arbitral tribunal duly constituted under UNCLOS issued two arbitral awards (one procedural, one on the merits) in the South China Sea disputes involving the Republic of the Philippines and the People’s Republic of China. As a matter of international law, these arbitral awards are binding on both of the states. See UNCLOS, arts. 288(4) and 296. To date, however, the PRC has refused to comply with either of these arbitral awards.

- Other states should routinely conduct transits of ships and aircraft, as well as conduct activities, that challenge the PRC's artificial maritime claims that it derives from modifying geographic features not legally entitled to maritime zones.

Of course, there might be other actions that states could and should take to counter the PRC's "legal gamesmanship" tactics. But the list above is a starting point.

Regardless of which counter-tactics *could* be utilized, the important take-away is that other states *must* do something. Otherwise, inaction further enables the employment of "legal gamesmanship" tactics by the PRC, and incentivizes other states who might be watching to consider following the PRC's example. In short, inaction in the face of "legal gamesmanship" will destabilize the rules-based global order that is worth protecting and preserving.

13 China's Military Diplomacy

Dr. Phillip C. Saunders and Junwei Shyy¹

1 The views and recommendations expressed are those of the authors and do not reflect the official policy or position of the National Defense University, the Department of Defense, or the US Government.

The international profile of the People's Liberation Army (PLA) has grown significantly over the last decade, with a notable increase in the frequency and complexity of its activities with partners abroad. As the Chinese military participates in multilateral meetings and engages foreign militaries around the world, it is strengthening diplomatic relations, building the People's Republic of China's (PRC) soft power, and learning how to deploy and support military forces overseas for longer periods.

What are the PLA's objectives in conducting military diplomacy? Which partners does the PLA interact with most? What trends are evident in the pace and type of activities the PLA carries out? Which aspects of PLA military diplomacy should concern United States (US) policymakers, and which may present opportunities?

This paper draws upon a National Defense University open-source database that tracks PLA diplomatic interactions with foreign militaries from 2002-2018. Our analytic emphasis is on activities where sufficient open source information is available to discern trends and assess PRC motivations. The data on high-level visits, military exercises, and port calls is fairly complete, and has been validated and updated to cover 2017 and 2018 activities.² Available data on functional exchanges, dialogues, and military educational exchanges is much spottier and is therefore not incorporated in our quantitative analyses.

OBJECTIVES OF CHINESE MILITARY DIPLOMACY

The PLA has historically been an insular institution with only limited contact with foreign militaries, especially after the Sino-Soviet split in 1960 and during the Cultural Revolution (1966-76). China's opening and reform (starting in 1978) created new opportunities for contacts with other countries, and the PLA was able to expand gradually its interactions with foreign military counterparts. However, an organizational culture that emphasized secrecy and the importance of avoiding embarrassment by revealing the limits of PLA capabilities meant that most interactions consisted of high-level visits or staged demonstrations. The PLA's limited power projection capabilities also restricted its ability to exercise with foreign counterparts or to undertake overseas deployments or port calls.

2 For a description of database sources, see Kenneth Allen, Phillip C. Saunders, and John Chen, *Chinese Military Diplomacy, 2003–2016: Trends and Implications*, China Strategic Perspectives 11 (Washington, DC: National Defense University Press, July 2017), 6. Data from 2003-2016 has been refined and validated as part of the database updating process, so some information in this paper may not match the earlier publication.

Many of these constraints no longer apply and today's PLA is a much more active practitioner of military diplomacy. Chinese military writings over the last decade highlight the growing importance of military diplomacy. Stated objectives are derived from broader PLA missions and include supporting overall national foreign policy, protecting national sovereignty, advancing national interests, and shaping the international security environment.³ Xi Jinping cited several specific goals for Chinese military diplomacy in a January 2015 speech to the All-Military Diplomatic Work Conference (全军外事工作会议), including supporting overall national foreign policy, protecting national security, and promoting military construction (e.g., military force-building). Xi also highlighted the goals of protecting China's sovereignty, security, and development interests.⁴ Military academics reiterate these goals; a lecturer at the PLA Nanjing Political College notes that a major role of Chinese military diplomacy is to "support overall national foreign policy and the new era military strategic direction" and other scholars highlight "shaping the international security environment and promoting military modernization" as additional objectives.⁵ In addition to these openly acknowledged objectives, the PLA uses military diplomacy to gather intelligence, learn new skills, benchmark PLA capabilities against those of other nations, and build interoperability with foreign partners.

Much of the PLA's current military diplomatic activity is focused on protecting and advancing specific Chinese strategic interests and managing areas of concern.⁶ Chinese foreign policy emphasizes managing strategic relations with great powers, such as the United States and Russia, and engaging countries on China's periphery; Chinese military

3 See Allen, Saunders, and Chen, *Chinese Military Diplomacy*, 7-11.

4 Yang Lina and Chang Xuemei, eds., "Xi Jinping: Start a New Phase of Military Diplomacy [习近平: 进一步开创军事外交新局面]," *Xinhua*, 29 January 2015, available at <http://cpc.people.com.cn/n/2015/0129/c64094-26474947.html>.

5 Jin Canrong and Wang Bo, "On Theory of Military Diplomacy with Chinese Characteristics [有关中国特色军事外交的理论思考]," *Pacific Studies Report* [太平洋学报] no. 5 (2015), 22, available at <http://www.cssn.cn/jsx/201601/P020160104312124234558.pdf>; Wan Fayang, *Chinese Military Diplomacy—Theory and Practice* [中国军事外交理论与实践] (Beijing: Current Affairs Press, 2015), 294-309; Chen Zhiyong, "Retrospect and Thinking of the 60 Years of Military Diplomacy in New China [新中国60年军事外交回顾与思考]," *China Military Science* [中国军事科学] 5 (2009), 35-36; "Chinese Military Diplomacy and Military Messaging to the Outside [中国军事外交中的军事对外传播]," *PLA Daily*, January 2, 2014, available at http://www.81.cn/jkhc/2014-01/02/content_5716684.htm.

6 For an overview of the geographical distribution of Chinese foreign policy interests, see Phillip C. Saunders, *China's Global Activism: Strategy, Drivers, and Tools* (Washington, DC: NDU Press, 2006). Also see US Department of Defense, *Assessment on U.S. Defense Implications of China's Expanding Global Access* (Washington, DC: Department of Defense, December 2018), available at <https://media.defense.gov/2019/Jan/14/2002079292/-1/-1/1/EXPANDING-GLOBAL-ACCESS-REPORT-FINAL.PDF>.

diplomacy emphasizes interactions with the United States, Russia, and countries in the Asia-Pacific region.⁷ China is increasingly dependent on oil and natural gas imported from the Middle East and Africa; the PLA Navy's counter-piracy presence in the Gulf of Aden facilitates strategic ties in the Middle East and Africa, helps guarantee China's energy security, and provides operational experience in protecting China's sea lines of communication. Xi Jinping's signature foreign policy contribution is the One Belt, One Road (OBOR; 一带一路)⁸ initiative; PLA interactions with militaries in Europe, Africa, Central Asia, and South Asia reinforce this effort.⁹

For analytic purposes, Chinese military diplomacy objectives can be divided into strategic and operational categories. Strategic objectives include supporting overall PRC diplomacy by providing public goods and engaging key countries, and shaping the security environment by displaying or deploying PLA capabilities. Operational goals include collecting intelligence on foreign militaries and potential operating areas, learning new skills and tactics, techniques, and procedures and benchmarking PLA capabilities against other militaries. See Table 1 (next page) for a summary of how different types of military diplomacy activities advance different Chinese objectives.

7 China's Asia-Pacific white paper provides numerous examples of the role of military diplomacy in advancing China's regional policy and relations with the United States and Russia. See State Council Information Office, *China's Policies on Asia-Pacific Security Cooperation*, 11 January 2017, http://www.xinhuanet.com/english/china/2017-01/11/c_135973695.htm.

8 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

9 Peter Cai, *Understanding China's Belt and Road Initiative* (Sydney: Lowy Institute, 2017), available at <http://www.loyyinstitute.org/publications/understanding-belt-and-road-initiative>; Joel Wuthnow, *Chinese Perspectives on the Belt and Road Initiative: Strategic Rationales, Risks, and Implications*, China Strategic Perspectives 12 (Washington, DC: National Defense University Press, October 2017).

Table 1: Chinese Military Diplomatic Activities and Objectives

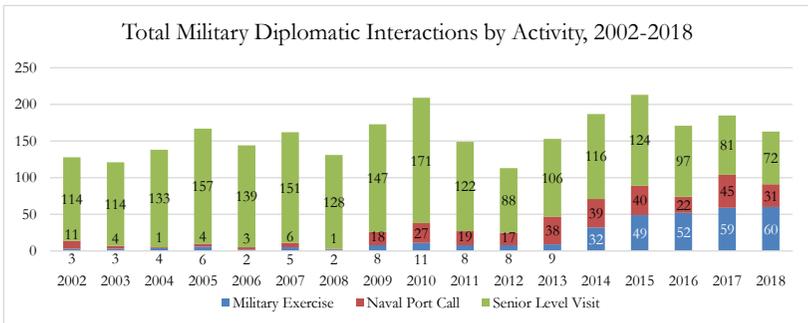
| Activity | Strategic Goals | | Operational Goals | |
|--|-----------------------|----------------------------|----------------------|-----------------------------------|
| | Support PRC Diplomacy | Shape Security Environment | Collect Intelligence | Learn New Skills and Benchmarking |
| Senior-Level Visits | | | | |
| Hosted | x | x | x | |
| Abroad | x | x | x | |
| Dialogues | | | | |
| Bilateral | x | x | x | |
| Multilateral | x | x | x | |
| Military Exercises | | | | |
| Bilateral | x | x | x | x |
| Multilateral | x | x | x | x |
| Naval Port Calls | | | | |
| Escort Task Force (ETF) | x | x | x | x |
| Non-Escort Task Force | x | x | x | |
| Functional Exchanges | x | | x | x |
| Non-Traditional Security Operations | | | | |
| HA/DR | x | x | x | x |
| Peacekeeping | x | x | x | x |

CHINESE MILITARY DIPLOMACY, 2002-2018

This section analyzes the expansion of PLA diplomatic activities, with an emphasis on senior-level visits, exercises with foreign militaries, and port calls. The data reveal five main conclusions. First, senior-level visits have fallen in number from their 2010 peak, but visits and meetings still make up the overwhelming majority (76.5 percent) of military diplomatic interactions. Second, military exercises have increased sharply since Xi Jinping took power. Third, naval port calls have increased over time, with escort task forces (ETF) focused on replenishment port calls during their four-month operational patrols and friendly visits afterwards and non-ETF port calls overwhelmingly consisting of friendly visits. Fourth, the PLA has robust academic and functional exchange programs with various countries, although detailed information is lacking. Fifth, the PLA is actively engaged in non-traditional security cooperation, especially UN peacekeeping operations and antipiracy activities.

Figure 1 shows the aggregate trends in overall military diplomacy. The data show that military diplomatic interactions expanded from a relatively low base through 2010, and have remained relatively constant since then. Senior-level visits have fallen in number from their 2010 peak but visits and meetings still make up the overwhelming majority of Chinese military diplomatic interactions. The data also show a steady increase in the number of military exercises and port calls beginning in 2009, with these making up an increasing share of PLA interactions with foreign militaries.

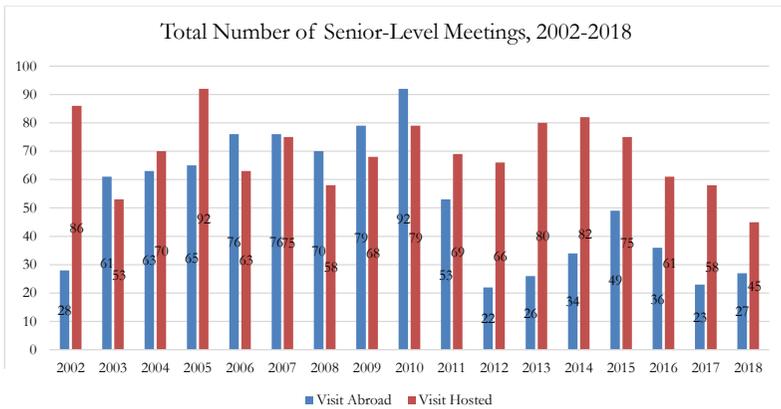
Figure 1. Military Diplomatic Interactions



Senior-level visits

Senior-level visits mostly involve PLA officers who are Central Military Commission (CMC) members or theater commander grade and above. The Minister of National Defense takes the lead in engaging foreign military leaders, but the CMC Vice-Chairs, service commanders, commanders of the CMC Joint Staff Department (JSD) and the CMC Political Work Department (PWD), and the JSD deputy commander with the foreign affairs and intelligence portfolio, also meet regularly

Figure 2. Senior-Level Meetings



with foreign counterparts.¹⁰ Figure 2 shows PLA senior-level interactions with foreign militaries.

The data show several interesting patterns. The first is that PLA senior-level visits peaked in 2010 and are down significantly since then. Second is that before 2010, there was rough parity between visits abroad by PLA officers and visits hosted in China, in keeping with the expectation of reciprocity. Since then, senior PLA officers have been less willing to travel overseas to visit foreign counterparts, and foreign military officers and defense officials have become more willing to visit China without a reciprocal visit. This likely reflects tighter travel restrictions as part of the anti-corruption campaign and greater demands on senior PLA officers due to military reform efforts.¹¹ The data also reveal a pattern

¹⁰ These are post-reform positions; for the pre-reform equivalents see Allen, Saunders, and Chen, *Chinese Military Diplomacy*, 16-17.

¹¹ Detailed planning for the reforms began in 2013, and execution of the reforms started in late 2015 and will continue through 2020.

that corresponds to the 5-year Chinese political cycle; overseas visits by senior PLA officers are down significantly in years with a party congress (2002, 2007, 2012, 2017) and peak during their third full year in office (in 2005, 2010, and 2015). The year 2007 is an exception, but was an unusual party congress year where the CCP general secretary, premier, and the two CMC vice chairmen all kept their positions. The data also reflect increased senior PLA officer participation in multilateral meetings such as the Shanghai Cooperation Organization (SCO) Defense Ministers' Meeting, the ASEAN Region Forum (ARF) Defense Ministers' Meeting Plus (ADMM+), the Shangri-La Defense Dialogue in Singapore, and the Xiangshan Forum in Beijing. Senior PLA officers attending these meetings often schedule multiple bilateral counterpart meetings in conjunction with these multilateral meetings.

The timing of visits hosted and visits abroad fluctuates according to the military relations planning cycle. PLA visits abroad typically spike in May and September and fall dramatically during October for the PRC's National Day and during the Chinese lunar New Year holiday in late January or early February. Hosted visits spike in April and November.

Military Exercises

In 2002, the PLA began conducting exercises with other countries, which they refer to as "joint exercises" (联合演习) even if they only involve a single service; this paper uses US terminology which considers these "combined exercises."¹² China's combined exercises are categorized as joint or single-service, bilateral or multilateral, and by function. Combat exercises emphasize combat skills against conventional military targets, including live-fire drills and combat simulations; combat support activities involve logistics, intelligence, minesweeping and explosive ordnance disposal, surveillance, or other capabilities that support traditional combat operations. Anti-terrorism and anti-piracy exercises are lower intensity activities against terrorists or pirates that may include some live-fire elements. Military Operations Other Than War (MOOTW) include

search and rescue, humanitarian assistance and disaster relief (HADR), medical exercises, and basic military skills. Competitions involve PLA soldiers or units competing with other militaries in performing a standard set of skills.

¹² The term *joint* is used in PRC English-language media. Chinese media use 联合, which can mean *combined*, *combined arms*, or *joint* in US military parlance.

Figure 3. Military Diplomatic Interactions

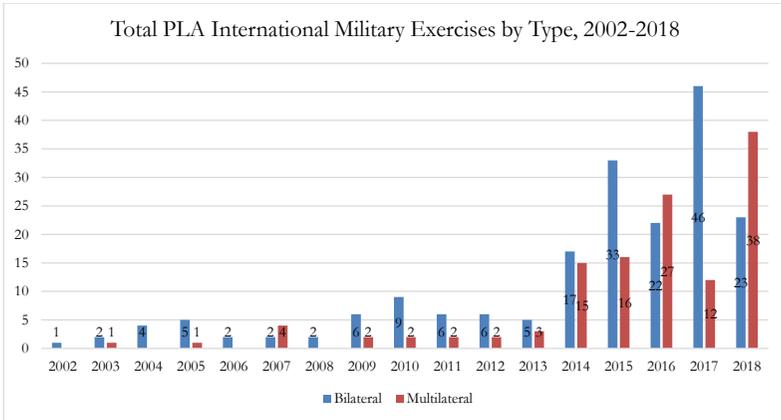
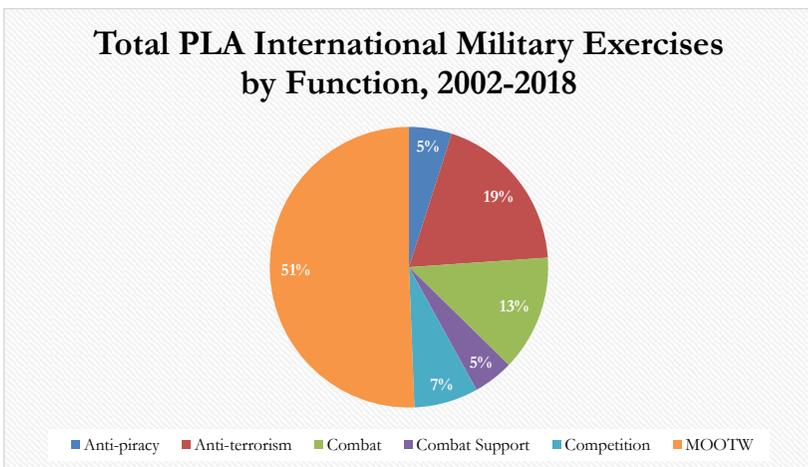


Figure 3 shows a major increase in the volume of PLA participation in combined exercises with foreign partners, including a significant increase in participation in multilateral exercises. Figure 4 shows the breakout of exercise type by function.

Only 6.6 percent of PLA exercises with foreign militaries involve actual joint operations with more than one service. The PLA Navy (42.9%) and PLA Army (41.5%) are most involved in exercises with foreign militaries; the PLA Air Force conducts the remaining 9.0 percent of exercises and the PLA Rocket Force is not known to have exercised with foreign militaries.

Figure 4. PLA International Military Exercises



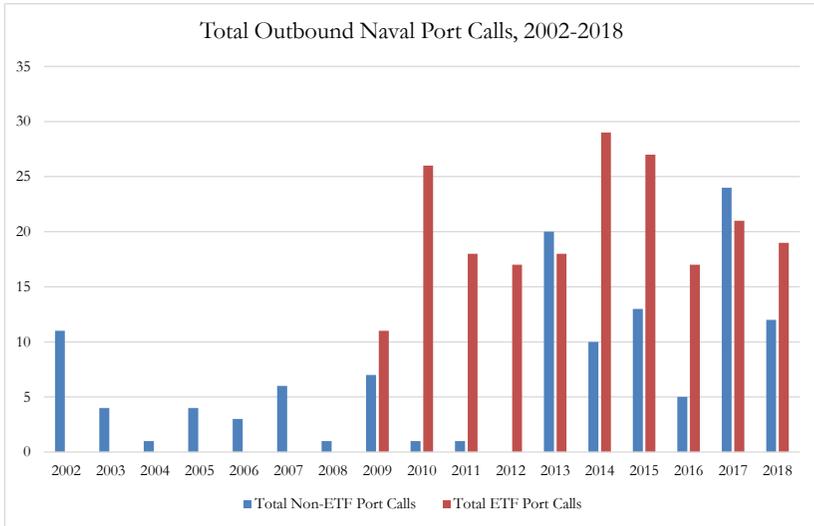
Most of the exercises the PLA conducts involve nontraditional security cooperation (MOOTW) or are anti-piracy or anti-terrorism exercises aimed against non-state threats. This makes them politically inoffensive since they involve common interests and are not aimed against third countries. These types of exercises typically do not involve extensive operational interactions or reveal advanced military capabilities.

The exceptions include the SCO *Peace Mission* exercise series (since 2007), various bilateral exercises with close security partners such as Pakistan and Thailand, and the Sino-Russian *Naval Cooperation* and *Joint Sea* naval exercises. The SCO *Peace Mission* exercises are described as counter-terrorism exercises but often involve the participation of large units conducting conventional combat operations, including air defense and strike operations. The *Naval Cooperation* exercise series has sometimes been held in sensitive waters such as the Baltic Sea, the Mediterranean Sea, and the South China Sea and has evolved to include multiple warfare areas including combined anti-submarine warfare training and amphibious assaults. Such combat-related exercises may help the PLA improve its operational capabilities by learning from advanced militaries, create a degree of interoperability with foreign counterparts, and send a political signal of China's willingness and ability to cooperate militarily with other countries.

Port Calls

From 1985 to 2008, the PLA Navy typically conducted only a handful of port calls per year, most of which were "friendly visits" that did not involve much operational interaction with the host-nation's navy (see *Figure 5 on page 217*). The PLA Navy's ongoing participation in counter-piracy deployments in the Gulf of Aden since December 2008 generated new requirements for port calls for ships in the anti-piracy escort task forces to replenish supplies and provided new opportunities to conduct friendly visits to foreign ports. Deploying and sustaining ETFs crowded out port calls by PLA Navy ships other than the *Peace Ark* hospital ship from 2009 to 2012. Since 2013, the PLA Navy has been able to balance the operational requirements of maintaining a continuous counter-piracy presence in the Gulf of Aden while resuming a more robust program of non-ETF port calls.

PLA Navy ETFs conduct two types of port calls. Replenishment visits usually last two to five days, during which the vessels receive

Figure 5. Port Calls

fuel, fresh water, vegetables, and fruits.¹³ Crews are usually met by the Chinese ambassador and military attachés but the vessels are not open for public display and the crew does not interact with the host-country's navy. Friendly visits generally last two to four days, with the crew usually met by the Chinese ambassador and military attachés, as well as host-country government and naval officials.¹⁴ Chinese expatriates and students in the country attend welcoming and departure ceremonies. Throughout the visit, the vessels are open to the public. Crewmembers also play basketball or soccer with the host navy.

The presence of PLA Navy anti-piracy ETFs in the Gulf of Aden also provides opportunities to visit and interact with foreign escort task forces and personnel. For example, on 4 May 2013, Rear Admiral Yuan Yubai (袁誉柏), commander of ETF-14, hosted the commander of the multinational anti-piracy Combined Task Force 151 on the *Harbin*

13 Examples of a replenishment visit include Wu Di, "Chinese Naval Ship Berths in Salah Port for Replenishment," *China Military Online*, 8 October 2014, available at http://eng.mod.gov.cn/HomePicture/2014-10/08/content_4542110.htm; and Yao Jianing, "Chinese Naval Escort Taskforce Stops at Djibouti Port for Replenishment and Rest," *China Military Online*, 9 September 2014, available at http://eng.chinamil.com.cn/news-channels/china-military-news/2014-09/09/content_6129544.htm.

14 Examples of a friendly visit include Zhang Tao, "Chinese Naval Escort Taskforce Docks in Singapore," *China Military Online*, 13 October 2014, available at http://eng.mod.gov.cn/Defense-News/2014-10/13/content_4543084.htm.

destroyer.¹⁵ Although China has declined to participate in the multinational task force, some Chinese ETFs have participated in combined maritime exercises while deployed. In September 2012, ETF-12 conducted the first combined counter-piracy exercise with the United States and, in August 2013, ETF-14 conducted the second exercise between the two navies.¹⁶ ETF-14 also participated in a March 2013 *Peace-13* (和平-13) multinational maritime combined military exercise organized by Pakistan that involved vessels from 14 countries and special operations forces from 7 countries, including the United States, United Kingdom, and Japan.¹⁷

Since the area of operations for ETFs is focused on Somalia and the Gulf of Aden, where the piracy threat is greatest, ETF replenishment port calls have generally been in the Middle East and North Africa, especially in Oman and Djibouti. The establishment of China's first overseas logistics base in Djibouti in 2017 has reduced the need for replenishment at other facilities but PLA Navy ETFs have continued to conduct four to six friendly port calls in Europe, the Middle East, Africa, South Asia, and Southeast Asia once their four-month operational patrol is complete. The PLA has used non-ETF port calls to engage foreign militaries in other parts of the world. This has included port calls in conjunction with multilateral exercises such as the 2016 Rim of the Pacific (RIMPAC) exercise, deployments by independent PLA Navy task forces, visits by cadet training ships, and deployments of the Peace Ark hospital ship to other regions. For example, in 2018 the Peace Ark conducted a long deployment that included port calls and humanitarian work in four South Pacific countries and seven countries in South America and Latin America.¹⁸

Educational and Functional Exchanges

15 Yan Meng and Yao Chun, "CTF 151 Commander Visits 14th Chinese Naval Escort Task-force," *People's Daily*, 8 May 2013, available at <http://en.people.cn/90786/8235569.html>.

16 Lu Yu, "Commentary: Closer Military Cooperation Conducive to Improving China-U.S. Mutual Trust," *Xinhua*, 24 August 2013, available at http://news.xinhuanet.com/english/indepth/2013-08/24/c_132659450.htm; Chen Lin, "Joint Sea Drill Shows Improved Relations," *China Daily*, August 26, 2013, available at http://usa.chinadaily.com.cn/china/2013-08/26/content_16919254.htm; Deng Xiguang, Wang Changsong, and Cai Zengbing, "A Sino-U.S. Joint Anti-Piracy Drill," *China Armed Forces* 5, no. 23 (2013), 23–25.

17 Wang Changsong, Qin Chuan, and Li Ding, "'Peace-13' Joint Maritime Drill [和平-13 多国海上联合演习]," *China Armed Forces* 2, no. 20 (2013), 42–47.

18 Atmakuri Lakshmi Archana and Mingjiang Li, "Geopolitical Objectives Fuel China's Peace Ark," *East Asia Forum*, 13 October 2018, available at <http://www.eastasiaforum.org/2018/10/13/geopolitical-objectives-fuel-chinas-peace-ark/>; "China's Naval Hospital Ship Concludes 205-Day Overseas Mission," *Xinhua*, January 19, 2019, available at http://eng.chinamil.com.cn/view/2019-01/19/content_9408782.htm.

PLA educational and academic exchanges (院校交流) include military educational institution leader visits, cadet and professional military education student delegation visits, training foreign military personnel at PLA military educational institutions, and individual PLA officers studying abroad. The PLA also conducts functional exchanges with foreign militaries on specific subjects, including operations, logistics, management, and military medicine. Functional exchanges usually involve visiting expert delegations and often are conducted by individual PLA services under the direction of the CMC Office of International Military Cooperation.¹⁹

Although the PLA has published some aggregate data in its defense white papers, finding specific information on educational and functional exchanges is difficult. The white papers indicate a steady increase in Chinese military personnel studying abroad, from “more than 200 Chinese military personnel” in Russia, Germany, France, Great Britain, Pakistan, Bangladesh, Thailand, and Kuwait in 1999–2000 to “over 900 military students” studying in more than 30 countries in 2007–2008. The 2008 defense white paper also notes that “twenty military educational institutions in China have established and maintained inter-collegiate exchange relations with their counterparts in over 20 countries, including the United States, Russia, Japan, and Pakistan. Meanwhile, some 4,000 military personnel from more than 130 countries have come to China to study at Chinese military educational institutions.” The lack of comparable data makes it difficult to observe any recent trends.²⁰

Nontraditional Security Operations: Peacekeeping and Counterpiracy Operations

The PLA first became involved in United Nations peacekeeping operations (UNPKO) in 1990 when it sent five military observers to the UN Truce Supervision Organization. By the end of September 2014, China had deployed more than 27,000 military personnel around the globe to 23 UN peacekeeping missions.²¹ Eighteen PLA soldiers have been killed performing peacekeeping duties. China is one of the top ten

19 See Eric Hagt, “The Rise of PLA Diplomacy,” in *PLA Influence on China’s National Security Policymaking*, Phillip C. Saunders and Andrew Scobell, eds. (Stanford: Stanford University Press, 2015): 218–248.

20 See Allen, Saunders, and Chen, *Chinese Military Diplomacy*, 38–40.

21 Zhang Tao, “China Sends First Infantry Battalion for UN Peacekeeping,” *Xinhua*, 22 December 2014, available at http://english.chinamil.com.cn/news-channels/2014-12/22/content_6280182.htm.

contributors of troops and police and the biggest contributor among the five permanent members of the UN Security Council. China also pays the second largest share of UN peacekeeping costs. As of December 2018, a total of 2,517 PLA personnel are implementing peacekeeping tasks in nine UN mission areas, with the largest contributions to the UN missions in Mali, Sudan, Congo, and the Central African Republic.²²

Most PLA peacekeeping troops are military observers, engineers, transportation soldiers, and medical officers, but the PLA sent its first security forces to the UN mission in Mali in June 2013 and deployed its first UNPKO infantry battalion abroad to South Sudan in December 2014. The 700-member battalion was equipped with drones, armored infantry carriers, antitank missiles, mortars, light self-defense weapons, and bulletproof uniforms and helmets, among other weapons that were “completely for self-defense purposes.”²³

In addition to deployed troops, China has also established a standing peacekeeping force of 8,000 that is available for UN peacekeeping missions. The force includes six infantry battalions, along with supporting engineering, transport, medical, security, and helicopter units, along with other air and naval transport assets. China has also established a training center for police and military peacekeepers, which has reportedly trained about 500 peacekeepers from 69 countries.²⁴ China derives considerable prestige from its contributions of troops, money, and training expertise to UN peacekeeping operations, which comport with its preferred UN-centric model for global governance and support its claim that a stronger PLA is a force for peace.²⁵ China reportedly attempted to leverage its contributions to UN peacekeeping in order to get a PRC national appointed as Under Secretary General for the UN's Department of Peacekeeping Operations.²⁶

22 See United Nations Peacekeeping, “Troop and Police Contributors,” accessed 26 January 2019, available at <https://peacekeeping.un.org/en/troop-and-police-contributors>.

23 Zhang Tao, “China Sends First Infantry Battalion for UN Peacekeeping,” Yao Jianing, “China to Send First Infantry Battalion for UN Peacekeeping,” *China Daily*, 23 December 2014, available at http://english.chinamil.com.cn/news-channels/2014-12/23/content_6281041.htm.

24 Christoph Zürcher, *30 Years of Chinese Peacekeeping* (Ottawa: University of Ottawa Centre for International Policy Studies, January 2019), 4, available at <https://www.cips-cepi.ca/wp-content/uploads/2019/01/30YearsofChinesePeacekeeping-FINAL-Jan23.pdf>

25 See Courtney J. Fung, *China's Troop Contributions to U.N. Peacekeeping*, Peacebrief 212, 26 July 2016, available at www.usip.org/publications/2016/07/chinas-troop-contributions-un-peacekeeping.

26 Colum Lynch, “China Eyes Ending Western Grip on Top U.N. Jobs with Greater Control Over Blue Helmets,” *Foreign Policy*, 2 October 2016, available at <http://foreignpolicy.com/2016/10/02/china-eyes-ending-western-grip-on-top-u-n-jobs-with-greater-control-over>.

China's participation in international anti-piracy ETFs is another of the PLA's most visible nontraditional security activities.²⁷ It began taking part in December 2008, when the PLA Navy deployed the first of its ETFs to the Gulf of Aden, and it has now escorted over 6,500 ships. As of January 2019, the PLA Navy has deployed 31 ETFs to the Gulf of Aden, each consisting of two destroyers and/or frigates and a comprehensive supply ship, along with associated helicopters, medical personnel, and PLA Navy special forces personnel.²⁸

MILITARY DIPLOMACY PARTNERS

PLA military diplomacy appears to place heavy emphasis on great powers, consistent with several strains of Chinese thought on foreign policy and military diplomacy. The United States and Russia are the PLA's two most frequent military diplomatic partners. Both nations participate in a full range of military diplomatic activities with the PLA, including military operations other than war and functional exchanges not captured in the quantitative data. Table 2 (next page) lists the PLA's top 10 partners over the period from 2002-2018.

Beyond the United States and Russia, the pattern of the PLA's military diplomatic interactions over the last 13 years exhibits a clear geographic focus on Asia. Eight of the PLA's top ten partners are in Asia and 31.8 percent of the PLA's military diplomatic interactions from 2002 to 2018 were conducted with countries in Asia. Many of China's top partners are also US treaty allies (such as Thailand and Australia) or security partners (such as Singapore, Vietnam, India, and Indonesia).

blue-helmets/.

27 Andrew S. Erickson and Austin M. Strange, *No Substitute for Experience: Chinese Antipiracy Operations in the Gulf of Aden* (Newport, RI: US Naval War College, 2013).

28 Emanuele Scimia, "Chinese Navy Makes Waves, Spreads Wings over Gulf, Indian Ocean," *Asia Times*, 22 December 2018, available at <http://www.atimes.com/article/chinese-navy-makes-waves-spreads-wings-over-gulf-indian-ocean/>.

Table 2. The PLA's Top 10 Most Frequent Military Diplomatic Partners, 2002–2018

| Overall Rank | Countries | Geographic Region | Military Exercises | Naval Port Calls | Senior-Level Meetings | Grand Total |
|--------------|---------------|-------------------|--------------------|------------------|-----------------------|-------------|
| 1 | Russia | Russia | 42 | 1 | 72 | 115 |
| 2 | United States | North America | 15 | 6 | 92 | 113 |
| 3 | Pakistan | Asia | 36 | 10 | 61 | 107 |
| 4 | Thailand | Asia | 21 | 7 | 51 | 79 |
| 5 | Australia | Asia | 19 | 8 | 46 | 73 |
| 6 | Singapore | Asia | 9 | 9 | 41 | 59 |
| 7 | Vietnam | Asia | 2 | 4 | 46 | 52 |
| 8 | New Zealand | Asia | 5 | 6 | 37 | 48 |
| 9 | India | Asia | 13 | 4 | 30 | 47 |
| 10 | Indonesia | Asia | 8 | 5 | 32 | 45 |

Figure 6 (*previous page*) and Table 3 show the geographical break-out of PLA military diplomacy by US combatant command areas of responsibility (AOR).

Figure 6. PLA Military Diplomatic Interactions

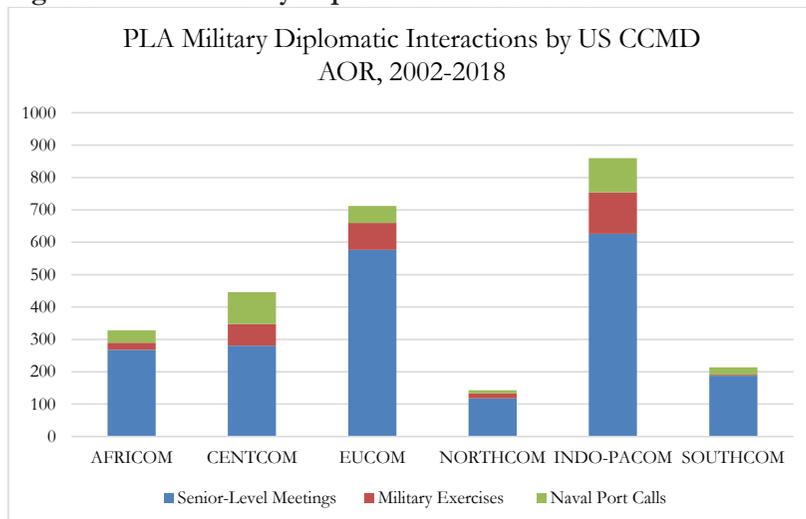


TABLE 3: GEOGRAPHICAL BREAKOUT BY COMBATANT COMMAND, 2002-2018

| COCOM | Senior-Level Meetings | Military Exercises | Naval Port Calls | TOTAL | % |
|-----------|-----------------------|--------------------|------------------|-------|-------|
| AFRICOM | 268 | 15 | 38 | 321 | 12.0% |
| CENTCOM | 281 | 66 | 98 | 445 | 16.6% |
| EUCOM | 577 | 79 | 52 | 708 | 26.4% |
| NORTHCOM | 118 | 16 | 9 | 143 | 5.3% |
| INDOPACOM | 626 | 121 | 106 | 853 | 31.8% |
| SOUTHCOM | 188 | 3 | 23 | 214 | 8.0% |

The data reflect Chinese priorities, including a heavy focus on Asia and bordering countries (some of which, such as Russia and Pakistan, are outside the INDOPACOM area of responsibility). The distribution of military exercises also reflects these priorities, although it is mediated by the relatively greater ability of European and Asian militaries to exercise with China and the difficulty that African, South American, and Central American militaries have in transporting units to Asia to exercise with the PLA.

CONCLUSION AND IMPLICATIONS

- The PLA uses military diplomacy to advance a variety of objectives, with a particular emphasis on supporting overall Chinese foreign policy, learning new skills and benchmarking the PLA against foreign militaries, and shaping the security environment.
 - Military diplomatic interactions present opportunities to collect intelligence but few activities appear to have intelligence collection as their primary focus.
 - Building the capacity of foreign military partners appears to be a means of strengthening bilateral relations rather than an end in itself. Many Chinese capacity-building activities are conducted by non-military actors

such as state-owned arms manufacturers, the Ministry of State Security, and the Ministry of Public Security.

- PLA military diplomatic activity has increased in volume and expanded in scope but increased activity does not necessarily translate into increased influence.
 - The country and regional priorities in China's military diplomatic interactions correspond closely with wider Chinese foreign policy priorities, such as building good strategic relations with the United States and Russia and with countries on China's periphery.
 - In many cases, the volume and type of activity may be an indicator of the quality of China's diplomatic relations and security cooperation with a particular country rather than an effective means of expanding Chinese influence.
 - The PLA appears to have expanded its foreign military relations efforts in accordance with directives from the highest levels of China's leadership, meaning that shifts in functional and regional emphasis in the PLA's foreign military relations likely reflect shifts in China's national priorities or shifts in PLA capabilities and interests.
- The PLA is using military diplomacy to shape China's security environment.
 - Many activities, such as port calls by the Peace Ark hospital ship, are efforts to cultivate an image as a benign power that makes positive contributions to regional security in order to assuage neighbors concerned about China's new military might.
 - Since 2010, however, shaping efforts have increasingly displayed Chinese military capabilities rather than downplaying them. Military exercises (especially with Russia) have become more combat-oriented and sometimes appear designed to deter or discourage potential opponents.
- PLA military diplomacy is subject to a number of international and domestic constraints.
 - The PLA is constrained by what activities foreign coun-

terparts are willing and able to do with the PLA. China's increasingly assertive behavior on the international stage could reduce the efficacy of its military diplomatic efforts and reduce the willingness of some militaries to interact with the PLA.

- o Resource limitations, including the small staff of the CMC Office of International Military Cooperation and the demands placed on senior PLA officers by ongoing military reforms, are likely to reduce the number of PLA military engagements for the next several years.
- The nature of the Chinese system and the desire of the CCP to exert tight control over the military limit the effectiveness of military diplomacy as a foreign policy tool.
 - o Chinese culture emphasizes form over substance and China's strategic culture makes it averse to binding security agreements.
 - o PLA officers are subject to top-down directives, tight control of political messaging, and the need to protect information about PLA capabilities, which inhibit candid conversations with foreign counterparts. Most PLA interlocutors are not empowered to negotiate or share their real views, which makes it difficult to build strong personal or institutional ties with foreign counterparts.
 - o Much of China's military diplomatic activity consists of formal exchanges of scripted talking points during senior-level meetings, occasional naval port calls, and simple scripted military exercises focused on nontraditional security issues. These activities support existing relationships but are unlikely to build much strategic trust or support deeper military cooperation.
- The PLA can be expected to use military diplomacy to try to win support for China's diplomatic objectives, such as China's cooperation with Russia to oppose US missile defense deployments and to promote an international code of conduct for space weapons.
 - o These efforts may sometimes erode or modify existing international norms in ways that work against US interests.

- o PLA scholars believe military diplomacy can be used to escalate crises when beneficial to national interests, for example, by cutting off planned military exercises or exchanges, making military diplomatic activities a bargaining chip that Beijing can wield.

RECOMMENDATIONS

- The PLA's growing involvement in a web of bilateral and multilateral foreign military relationships can produce pressure for greater transparency and for adherence to international rules and norms.
 - o After blocking agreement on the Code for Unplanned Encounters at Sea (CUES) in the Western Pacific Naval Symposium for several years, the PLA Navy eventually accepted the agreement while hosting the symposium in Qingdao in 2014 and has subsequently employed CUES in interactions with foreign navies.
 - o Military-to-military relationships have been useful for establishing military hotlines and rules governing air and maritime encounters that can reduce the risk of crisis or conflict.
- US allies and partners will want to interact with the PLA as part of their efforts to manage relations with China, and US policymakers should not try to stop them.
 - o Many countries concerned about an aggressive China or torn between their economic interests in the China market and their security ties with the United States are using military diplomacy to balance their relationships with China and the United States. Australia's hosting of trilateral US-China-Australia exercises is one example; ASEAN's initiation of a China-ASEAN naval exercise in 2018 is another.
 - o The United States disinvited the PLA Navy from participation in the 2018 RIMPAC exercise to express concerns about China's militarization of land features in the South China Sea, but most countries will be reluctant to antagonize China by curtailing their ties with the PLA.
- US policymakers should pay close attention to PLA efforts to use military diplomacy to improve its operational capabilities

or build relationships that give it access to strategic airfields and ports.

- o US allies and partners with advanced military capabilities should be discouraged from helping the PLA learn to conduct advanced combat operations or sharing details about US military capabilities and tactics.

- o Functional and academic exchanges that improve the PLA's warfighting capability may be difficult to measure or detect until well after they have occurred, so the United States should proactively express its concerns to its allies and partners.

14

Technology and Innovation in China's Strategy and Global Influence

Elsa B. Kania¹

¹ The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the US Department of Defense or US Government.

The United States and the People's Republic of China (PRC) are entering an era of intense competition for global power, influence, and leadership. At the heart of this great power rivalry is a struggle over emerging, strategic technologies that are believed to be vital to future national competitiveness. In recent history, and throughout the Cold War, America's technological superiority has been vital to US military, and indeed strategic, advantage. However, the PRC is emerging as a powerhouse—and would-be superpower—in critical technologies, from artificial intelligence (AI) to fifth-generation telecommunications (5G) and even quantum technology, posing new challenges to US power and leadership in the process. Chinese leaders have long placed indigenous innovation (自主创新) at the center of their agenda for national rejuvenation. In the “new era” of Xi Jinping's leadership, the PRC has prioritized a strategy for innovation-driven development that leverages the perceived opportunity presented by rapid advances in such disruptive technologies. At the same time, China's apparent emergence as a global leader in these new frontiers constitutes a critical dimension of its strategy to advance its national interests and exercise international influence commensurate with its increasing capabilities.

HISTORICAL INFLUENCES AND PERSPECTIVES

China was subject to predation by foreign powers as a result of its technological backwardness in the past and intends to become a global leader in science and technology in the future.² The experience of China's “Century of Humiliation” is seen as a powerful reminder of the dangers of falling behind other great powers who can take advantage of their greater strength to exploit any weaknesses. These memories motivate Chinese leaders to embrace a strategy of “national rejuvenation” that is seen as requiring China's emergence at the forefront of today's technological revolutions. From the time of Mao Zedong up to Xi Jinping, Chinese leaders have highlighted the importance of self-reliance and indigenous innovation.³ This paradigm of “techno-nationalism” was the animus for China's launch of the “Two Bombs, One Satellite” program through which the PRC developed its first atomic bomb, intercon-

2 This objective of leading in science and technology has even been written into the Party constitution. See “Constitution of the Chinese Communist Party [中国共产党章程],” Partial revision from the 19th National Congress of the Communist Party of China, adopted on 24 October 2017 [中国共产党第十九次全国代表大会部分修改, 2017年10月24日通过], <http://www.12371.cn/2017/10/28/ART11509191507150883.shtml>.

3 Neil Thomas, “Mao Redux: The Enduring Relevance of Self-Reliance in China,” 25 April 2019, <https://macropolo.org/analysis/china-self-reliance-xi-jin-ping-mao>.

tinental ballistic missile, and satellite.⁴ Today's science and technology (S&T) major programs and megaprojects often harken back to these historical antecedents for inspiration. These past experiences also seem to have underlined concern with the perils of surprise by a potential adversary's technological advancements.

China remained in a position of technological inferiority, relative to the United States throughout the 1990s. In the aftermath of the Cold War, America had emerged as a global hegemon that was nearly unrivalled.⁵ Beyond the acute concerns of regime insecurity that persisted in the aftermath of the Tiananmen massacre, the Chinese military was rudely awakened to the changing character of warfare following US successes in the Gulf War, prompting the 1993 change in China's military strategic guideline (军事战略方针) to focus on fighting "local wars under modern high-tech conditions."⁶ Moreover, the Chinese People's Liberation Army (PLA) started to reorient its armaments development, seeking to close the gap in military technologies through not only focusing on asymmetric capabilities but also looking for new opportunities to achieve advantages that might offset US military power.⁷ This agenda emerged as an urgent imperative after the 1996 Taiwan Strait Crisis, considering the PLA did not have an effective response to the US aircraft carrier deployment.⁸ Thereafter, the accidental bombing of the Chinese embassy in Belgrade, which was interpreted as a deliberate assault, prompted the launch of the "995 Plan," named for this May 1999 incident.⁹ Reportedly,

4 Evan A. Feigenbaum, *China's Techno-Warriors: National Security and Strategic Competition from the Nuclear to the Information Age* (California: Stanford University Press, 2003).

5 Some scholars would argue that the US still is and will remain unrivalled. Michael Beckley, *Unrivaled: Why America Will Remain the World's Sole Superpower* (New York, Cornell University Press, 2018).

6 M. Taylor Fravel, "Shifts in Warfare and Party Unity: Explaining China's Changes in Military Strategy," *International Security* 42, no. 3 (2017): 37-8.

7 Elsa B. Kania, "Battlefield Singularity: Artificial Intelligence, Military Revolution, and China's Future Military Power," *Center for a New American Security*, 28 November 2017, <https://www.cnas.org/publications/reports/battlefield-singularity-artificial-intelligence-military-revolution-and-chinas-future-military-power>.

8 Barton Gellman, "U.S. and China Nearly Came to Blows in '96," *Washington Post*, 21 June 1998, https://www.washingtonpost.com/archive/politics/1998/06/21/us-and-china-nearly-came-to-blows-in-96/926d105f-1fd8-404c-9995-90984f86a613/?noredirect=on&utm_term=.f147fad82e5a.

9 In particular, the "995 Plan," which focused on the development of asymmetric capabilities to target US weaknesses was launched in response to the May 1995 Belgrade bombing. See: Zhang Wannian, *Biography of Zhang Wannian* [张万年传], Liberation Army Press, 2011, 416, quoted in Tai Ming Cheung, *Forging China's Military Might: A New Framework for Assessing Innovation* (Maryland: Johns Hopkins University Press, 2014). See also Tai Ming Cheung, Thomas Mahnken, Deborah Seligsohn, Kevin Pollpeter, Eric Anderson, and Fan Yang, "Planning for Innovation: Understanding China's Plans for Technological, Energy, Industrial, and Defense Development," *US-China*

this program has contributed to the development of weapons systems ranging from “carrier killer” missiles and stealth fighter jets to unmanned systems and advanced electronic warfare capabilities.¹⁰

In the years that followed, the PLA’s pursuit of “informatization” (信息化) occurred in tandem with efforts to leverage information technology to advance the nation’s societal and economic development,¹¹ but China remained in a position of relative dependence upon foreign technologies. The risks and potential vulnerabilities that reliance upon foreign technologies might cause were thrown into stark relief in 2013 by the Snowden incident, which indicated the extent to which China’s information technology ecosystem had been allegedly penetrated through US cyber espionage activities. In later speeches, Xi has emphasized, “Internet core technology is the greatest vital gate, and the fact that core technology is controlled by others is our greatest hidden danger.”¹² Such concerns over ensuring the “security and controllability” (安全, 可控) of technology have since remained a major driver for indigenous innovation that has become particularly prominent under Xi Jinping’s leadership. In particular, a number of policy decisions, including the new Cyber Security Law and the establishment of the Cybersecurity Administration of China (CAC) can be characterized as responses to that incident against the backdrop of an increasing awareness of cyber threats.¹³

Today, China’s Party-state sees innovation as vital to “national rejuvenation” and aspirations of global leadership. Pursuing advances in new strategic emerging industries and technologies, the Chinese govern-

Economic and Security Review Commission, July 2016, p. 25-27.

10 Ibid., and see also: Elsa B. Kania, “Not a New Era: Historical Memory and Continuities in U.S.-China Rivalry,” *Strategy Bridge*, 7 May 2019, <https://thestrategybridge.org/the-bridge/2019/5/7/not-a-new-erahistorical-memory-and-continuities-in-us-china-rivalry>.

11 For instance, see the “National Informatization Development Strategic Guideline [国家信息化发展战略纲要],” 2016, <http://www.scio.gov.cn/xwfbh/xwfbh/wqfbh/33978/34896/zy34900/Document/1485324/1485324.html>.

12 “Xi Jinping’s Speech at the Cyber Security and Informatization Work Conference was Published in Full [习近平在网信工作座谈会上的讲话全文发表],” *Xinhua*, 25 April 2016, http://www.xinhuanet.com/politics/2016-04/25/c_1118731175.html. For a full translation, see this version by Rogier Creemers, Xi Jinping, “Speech at the Work Conference for Cybersecurity and Informatization,” April 2016, <https://chinacopyrightandmedia.wordpress.com/2016/04/19/speech-at-the-work-conference-for-cybersecurity-and-informatization/>. His remarks continued in ways that ring true to the recent experiences of ZTE and Huawei: “An Internet enterprise, however great its size is, however high its market cap is, if it critically relies on the outside world for core components, the vital gate of the supply chain is grasped in the hands of others, this can be compared to building a house on another person’s foundation, however large or beautiful it is, it might not stand the wind or the rain, or might even collapse at the first blow...”

13 “Report Underlines China’s Cyber Security Challenges,” 26 June 2014, http://www.china.org.cn/china/2014-06/26/content_32776219.htm.

ment has promoted a number of new “national champions,” including tech giants Baidu, Alibaba, Tencent, and (infamously) Huawei. These companies are recognized as successful in their own right, but have also benefited from strong, and seemingly increasing, state support. The global expansion of Chinese technology companies has occurred at the nexus of commercial and geopolitical objectives, often branded as an integral element of China’s One Belt, One Road (OBOR; 一带一路)¹⁴ initiative, which is a signature program of Xi Jinping that has been written into the CCP constitution.¹⁵ Within this construct the “digital Silk Road” (数字丝绸之路) relates to China’s agenda to advance the globalization of indigenous Chinese technical standards in ways that could inherently advantage Chinese companies.¹⁶ At the same time, China has taken on greater centrality in international S&T cooperation in ways that enable its indigenous technological advancement,¹⁷ while also assuming increased importance in some global supply chains.¹⁸ Concurrently, China has sought to enhance its global “discourse power” (话语权) through establishing greater presence and involvement in the creation of new legal and governance frameworks in ways that contribute to the legitimation and promulgation of the norms and models that align with PRC preferences.

INNOVATION FOR REJUVENATION

Xi Jinping has placed innovation at the center of his agenda for the “China Dream.”¹⁹ Under his leadership, China launched the “Outline of the National Strategy for Innovation-Driven Development” (国家创新驱动发展战略纲要) in 2016.²⁰ As this strategy highlights, the capability

14 The Editors have chosen to conform to the “One Belt, One Road” formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

15 “Constitution of the Chinese Communist Party.”

16 See the author’s prior writings on the subject for a more detailed discussion, including Elsa B. Kania, “China’s Play for Global 5G Dominance—Standards and the ‘Digital Silk Road,’” *Strategist*, 27 June 2018, <https://www.aspistrategist.org.au/chinas-play-for-global-5g-dominance-standards-and-the-digital-silk-road>.

17 The extent to which S&T collaboration has been highlighted within “One Belt, One Road:” https://web.archive.org/web/20190530222123/http://www.most.gov.cn/ztl/qgkjcxdhkyzn/yw/201705/t20170527_133171.htm.

18 “US-China Tariffs in Charts: Global Supply Chains at Risk,” *Financial Times*, 5 July 2018, <https://www.ft.com/content/bd99c39c-8024-11e8-bc55-50daf11b720d>.

19 For context on this agenda for national rejuvenation, see Timothy R. Heath, *China’s New Governing Party Paradigm: Political Renewal and the Pursuit of National Rejuvenation* (New York: Routledge, 2016).

20 See the official strategy released on innovation-driven development, “The CCP Central

to innovate is considered a core enabler of national power, and China's past weaknesses and experiences of predation are often attributed to "missing" and failing to keep pace with scientific and technological revolutions. These authoritative guidelines assert, "disruptive technologies are constantly emerging, continually reshaping the world's competitive landscape, changing the balance of forces among states."²¹ Presently, "our nation is not only facing a rare historic opportunity to catch up and leapfrog ahead but also confronting the serious challenge of a gap that could widen."²² This assessment of the potential opportunities and challenges that arise from emerging technologies has motivated the elevation of artificial intelligence (AI) among a total of sixteen megaprojects (重大项目) that range from robotics to aerospace and quantum computing.²³ In certain respects, China's level of prioritization of and investment in disruptive technologies can be characterized as reactive, reflecting a response to concerns that US advances could place China again in a position of relative weakness. However, this pursuit of global leadership in new strategic technologies is also aimed at taking advantage of what is perceived as a unique historical moment. China has the potential to achieve a first-mover advantage, given that the US and China are starting from the more or less same level in these fields and industries.

China's aspirations to lead, even dominate, in these strategic technologies reflect an assessment of their criticality to future national competitiveness, while also indicating its intention to contest global leadership on multiple fronts. Notably, China's launch of the "New Generation Artificial Intelligence Development Plan" (新一代人工智能发展规划) in July 2017 revealed ambitions to emerge as the "world's premier innovation center" for AI by 2030.²⁴ In his remarks to a Politburo study ses-

Commission and State Council Release the 'National Innovation-Driven Development Strategy Outline' [中共中央 国务院印发 '国家创新驱动发展战略纲要'], *Xinhua*, 19 May 2016, accessed 15 March 19, http://news.xinhuanet.com/politics/2016-05/19/c_1118898033.htm. See also Xi Jinping's remarks on this approach in the context of military modernization, "Xi Jinping: Comprehensively Advance an Innovation-Driven Development Strategy, Promote New Leaps in National Defense and Military Construction [习近平: 全面实施创新驱动发展战略 推动国防和军队建设实现新跨越]," *Xinhua*, 13 March 2016, http://news.xinhuanet.com/politics/2016-03/13/c_1118316426.htm.

21 "The CCP Central Commission and State Council Release the 'National Innovation-Driven Development Strategy Outline.'"

22 Ibid.

23 "S&T Innovation 2030—Megaproject Newly Adds AI 2.0' [科技创新2030—重大项目再添 '人工智能2.0']," *S&T Daily*, 24 May 2017, http://www.stdaily.com/zhuanti01/rgzn/2017-05/24/content_546702.shtml.

24 "State Council Notice on the Issuance of the New Generation AI Development Plan [国务院关于印发新一代人工智能发展规划的通知]," 20 August 2017, <http://www.gov.cn/zhengce/>

sion on promoting the healthy development of artificial intelligence, Xi emphasized, “Accelerating the development of a new generation of AI is an important strategic handhold for China to gain the initiative in global science and technology competition.”²⁵ He urged China to “occupy the commanding heights (制高点) of “crux and core technologies (关键核心技术).”²⁶ While these ambitions have only recently started to command headlines around the world, Xi’s emphasis on “core technologies” has been consistent throughout his tenure. For instance, in a major address at a conference for cyber security and informatization in April 2016, he discussed the importance and opportunities of core technologies:

What are the core technologies? As I see it there are three areas that we can grasp. The first is basic technology, commonly used technology. The second is asymmetric technology, or “trump card” (杀手锏) technology. The third is advanced technology, or disruptive technology. In these areas, we are at the same starting line with the outside world, if we are able to take the lead in deployments and concentrate on our attack, we might well be able to realize a transformation from running at their heels to running abreast with or even ahead of them.²⁷

Traditionally, Chinese leaders have tended to employ distinctly militaristic language in their discussions of technological competition. For instance, Xi declared in that same speech, “Attack strategic passes in a coordinated manner. Assault the fortifications of core technology research and development well...Concentrate the most powerful forces to act together, compose shock brigades and special forces to storm the passes.”²⁸ Similarly, as Chinese scientists have looked to advance research in quantum computing, prominent scientist Guo Guangcan from the

content/2017-07/20/content_5211996.html.

25 For an English translation, see Elsa Kania and Rogier Creemers, “Xi Jinping Calls for ‘Healthy Development’ of AI (translation),” *New America*, 5 November 2018, <https://www.newamerica.org/cybersecurity-initiative/digichina/blog/xi-jinping-calls-for-healthy-development-of-ai-translation/>.

26 “Xi Jinping: Promote the Healthy Development of Our Nation’s New Generation of Artificial Intelligence” [习近平：推动我国新一代人工智能健康发展], *Xinhua*, 31 October 2018, http://www.xinhuanet.com/politics/2018-10/31/c_1123643321.htm.

27 For a full translation, see the version by Rogier Creemers: Xi Jinping, “Speech at the Work Conference for Cybersecurity and Informatization.”

28 Ibid.

Key Laboratory of Quantum Information has emphasized, “To win the battle for quantum supremacy, we must not be ‘guerrillas;’ necessarily, we must organize a ‘group army.’”²⁹ In practice, these campaigns to contest technological leadership have involved major increases in support for research and development guided by a range of S&T plans that reflect greater concentration on talent as a strategic resource, through talent plans and new initiatives in education that aim to build up a more robust human capital ecosystem.³⁰ There are also new mechanisms for investment through government guidance funds (引导基金) that often amount to tens of billions in funding, particularly in emerging technologies.³¹

Beyond pragmatic and realpolitik considerations, there are elements of pride, prestige, and nationalism in play. Implicitly, Chinese leaders see growing prowess in technologies as a potent indicator of national rejuvenation that is often the subject of political work and propaganda aimed at both internal and external audiences.³² The level of hype that apparently characterizes official coverage of Chinese advances in AI and quantum technology in China’s state media and even international reporting that echoes such claims, seems to reflect the influence of such “publicity” or propaganda (宣传).³³ The apparent enthusiasm for innovation extends to Xi Jinping himself, who has touted such advances as China’s launch of the world’s first quantum satellite in his own official remarks and addresses.³⁴ Such global firsts make for powerful messag-

29 “Observing the Global Battle for ‘Quantum Hegemony’[全球“量子霸权”争夺战观察],” *Xinhua*, 14 February 2018, http://www.xinhuanet.com/science/2018-02/14/c_136972095.htm.

30 While these plans and mechanisms merit more detailed discussions, I will limit my emphasis on these instruments in this paper given the focus of the workshop on influence. For instance, the Chinese Ministry of Education has launched a plan for AI in higher education in April 2018. See Elsa Kania, “China’s AI Talent ‘Arms Race,’” *Strategist*, 23 April 2018, <https://www.aspistrategist.org.au/chinas-ai-talent-arms-race/>.

31 See, for instance, this 1 billion RMB guidance fund for artificial intelligence in the Haidian District of Beijing. “Haidian Released AI Support Policy, Established 1 Billion RMB Industry Guidance Fund [海淀发布人工智能扶持政策, 设立10亿元产业引导基金],” *Sohu*, 27 May 2019, http://wecache.googleusercontent.com/search?q=cache:DQ3IJJBl0zsJ:www.sohu.com/a/316864924_439726+&cd=1&hl=en&ct=clnk&gl=us.

32 In fact, there was a dedicated campaign of media and publicity or “propaganda” work (新闻宣传工作) undertaken with the guidance of the Central Propaganda Department News Bureau and the Strategic Support Force Political Work Department, characterized as successful in ensuring extensive coverage across a range of media for this milestone, setting off a “quantum storm” (量子风暴); and “Space Science Guiding Special Projects Communication Strategy Analysis [空间科学先导专项传播策略分析],” <http://www.bsc.cas.cn/jlyd/ywyj/201706/P020170622527613667684.docx+&cd=1&hl=en&ct=clnk&gl=gr>.

33 More sourcing on S&T-related propaganda.

34 “President Xi Jinping Presents 2018 New Year’s Message [国家主席习近平发表二〇一八年新年贺词],” *Xinhua*, 31 December 2018, http://www.xinhuanet.com/2017-12/31/c_1122192418.htm+&cd=1&hl=en&ct=clnk&gl=au.

ing and propaganda. In some cases, official announcements may also be intended for purposes of signaling, misdirection, or disinformation. This dynamic may be especially salient for potential advances in military capabilities that are difficult to confirm or verify, such as leaked pictures of railguns and demonstrations of drone swarms numbering in the hundreds and even thousands.³⁵

THE NEW NATIONAL TEAM

Increasingly, China's tech sector has become critical to its dynamism and development of a vibrant digital economy. Relative to the state-owned enterprises that were traditionally prominent in China's economy, these tech companies have been private and *notionally* independent from the state, often emerging and competing with limited state support and involvement to start. At the same time, many of these companies have been the beneficiaries of robust backing, from funding to preferential treatment and protection from foreign competitors.³⁶ While some of these companies started out copying the models or, in some cases, stealing the technologies of international competitors, their progress has been undeniable in technologies and applications that range from new directions in e-commerce to natural language processing and quantum communications.³⁷ Although China was once dismissed as a copycat incapable of true innovation, there are numerous and compelling indicators that belie that assumption, including the growing number of patents and publications from Chinese companies and researchers. Of course, this apparent dominance can also be overhyped and exaggerated, and quantitative indicators should not be taken as reliable metrics for quality or advancement.³⁸ At the same time, the successful expansion of these companies has started to raise concerns about the geopolitical implications of this technological expansion, including the potential impact on democratic governance worldwide.

35 "200 UAV Swarm Flight: China Once Again Refreshed the Fixed-Wing UAV Swarm Flight Record [200架无人机集群飞行: 我国再次刷新固定翼无人机集群飞行纪]," *Xinhua*, 15 May 2018, http://www.xinhuanet.com/2018-05/15/c_1122835745.htm.

36 "Huawei a Key Beneficiary of China Subsidies that US Wants Ended," *Agence France Presse*, 30 May 2019, <https://www.afp.com/en/news/1272/huawei-key-beneficiary-china-subsidies-us-wants-ended-doc-1gs9er2#.XO94awoXDSI.twitter>.

37 For a great description and characterization of this infrastructure, see Kai-Fu Lee, *AI Superpowers: China, Silicon Valley, and the New World Order* (New York: Houghton Mifflin Harcourt, 2018).

38 There is plenty of reason to doubt the quality of those patents. Lulu Yilun Chen, "China Claims More Patents Than Any Country—Most Are Worthless," *Bloomberg*, 26 September 2018, <https://www.bloomberg.com/news/articles/2018-09-26/china-claims-more-patents-than-any-country-most-are-worthless>.

At present, the Chinese Communist Party (CCP) appears to be in the process of asserting ever tighter control over Chinese tech companies as it pushes “Party-ification” (党化), and even the most successful companies have not been exempt from these requirements.³⁹ As Xi has declared, “The Party leads everything.” Within the past couple of years, a growing number of tech companies have established or expanded their own Party Committees,⁴⁰ including the vast majority of China’s top 100 tech and Internet companies.⁴¹ In fact, most, if not all, of China’s prominent tech companies have decided to do so, and often prominently, in response to new requirements and expectations. In a notably candid—and later censored—remark, Wang Xiaochuan, CEO of Sogou said at the “Two Sessions” (两会) in the spring of 2018:

We’re entering an era in which we’ll be fused together. It might be that there will be a request to establish a (Communist) Party committee within your company, or that you should let state investors take a stake...as a form of mixed ownership. If you think clearly about this, you can really resonate together with the state. You can receive massive support. But if it’s your nature to go your own way, to think that your interests differ from what the state is advocating, then you’ll probably find that things are painful, more painful than in the past.⁴²

Although the incorporation of Party branches and committees into major tech companies is not a new phenomenon, the scope of their influence appears to have increased considerably in recent years. For instance,

39 See the discussion of “Party-ification” in the USCC’s annual report: “U.S.–China Security Relations,” US-China Economic and Security Review Commission, 2018 Annual Report, accessed 15 March 2019, https://www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%202%20Section%201-%20Year%20in%20Review%2C%20Security%20and%20Foreign%20Affairs_0.pdf, and Jeremy Page and Chun Han Wong, “Xi Jinping Is Alone at the Top and Collective Leadership ‘Is Dead,’” *Wall Street Journal*, 25 October 2017, accessed 15 March 2019, <https://www.wsj.com/articles/chinas-xi-elevated-to-mao-status-1508825969>.

40 Emily Feng, “Chinese Tech Giants like Baidu and Sina Set up Communist Party Committees,” *Australian Financial Review*, 11 October 2017, <https://www.afr.com/news/world/asia/chinese-tech-giants-like-baidu-and-sina-set-up-communist-party-committees-20171011-gyvh5u>.

41 “China’s Internet Companies Are Surging with a ‘Party Building Tide’ [我国互联网企业涌动 ‘党建潮’]” *China Organization and Personnel Report*, 28 March 2018, <http://dangjian.people.com.cn/n1/2018/0326/c117092-29889441.html>.

42 See the initial quotation and translation available via Twitter thanks to journalist Simon Rabinovitch. Accessed 15 March 2019, https://twitter.com/S_Rabinovitch/status/973794048896065538. The original article has since been deleted.

Alibaba established its Party Committee around 2008, Tencent in 2011, and iFlytek in 2012.⁴³ Since technically any company with more than three CCP members is required to form at least a Party branch, smaller start-ups are increasingly expected to establish Party committees at earlier stages in their development, though it does not appear this requirement was enforced as consistently or extensively in the past. At present, virtually all of China's top 100 tech companies do have their own Party committees.⁴⁴ There are often tangible and material benefits to cultivating close relations with the Party, though not all companies will be eager to cultivate that closeness, because that mechanism can also provide a mechanism for coercive influence by the Party.⁴⁵

In the Xi era, the CCP has increased its emphasis on the “Party building” (党建) activities within tech companies, even seeking to expand the Party's reach into foreign firms that are operating in China.⁴⁶ In practice, the Party committees' activities range from “watch parties” for major Party events, such as the 19th Party Congress, to contributions to public opinion monitoring online that contributes to a “cleaner” cyberspace.⁴⁷ Although Chinese companies often claim their influence is limited essentially to matters of “human resources” and “operations management,”⁴⁸ there are indications that their purview does extend into questions of operations and compliance.⁴⁹ While companies may often benefit from increased mobilization of state resources and support, such intrusive measures could undermine the capability of these new national

43 “What Kind of Party Committees Do Internet Companies Have? [互联网公司的党委是什么样的?],” 2 July 2015, http://webcache.googleusercontent.com/search?q=cache:fPhUdgRTkYJ:www.cnispunior.org/News_View.asp%3FNewsID%3D597+&cd=4&hl=en&ct=clnk&gl=au.

44 “China's Internet Companies Are Surging with a ‘Party Building Tide.’”

45 For an example of some of the practical benefits, see Hongbin Li Lingsheng Meng, Qian Wang, and Li-An Zhou, “Political Connections, Financing and Firm Performance: Evidence from Chinese Private Firms,” *Journal of Development Economics* 87, no. 2 (2008): 283-299.

46 “Exclusive: In China, the Party's Push for Influence Inside Foreign Companies,” *Reuters*, 24 August 2017, <https://www.reuters.com/article/us-china-congress-companies-idUSKCN1B40JU>.

47 Chauncey Jun, “What Communists Do in China's Tech Companies,” *Inkstone*, 4 December 2018, <https://www.inkstonenews.com/opinion/chauncey-jung-what-communists-do-chinas-tech-companies/article/2176349>.

48 According to a statement from the State Council Information Office, “company party organizations generally carry out activities that revolve around operations management, can help companies promptly understand relevant national guiding principles and policies, coordinate all parties' interests, resolve internal disputes, introduce and develop talent, guide the corporate culture, and build harmonious labor relations.” See “Exclusive: In China, the Party's Push for Influence Inside Foreign Companies.”

49 Christopher Balding, “China Is Nationalizing Its Tech Sector,” *Bloomberg*, 12 April 2018, <https://www.bloomberg.com/opinion/articles/2018-04-12/china-is-nationalizing-its-tech-sector>.

champions for innovation.⁵⁰ At present, there are deep concerns regarding the ways in which the Party-state could guide or control the activities of tech companies through such opaque mechanisms as Party presence in corporate leadership, exacerbated by the lack of clarity and accountability on these issues.⁵¹ There are also apparent mechanisms through which companies might be compelled to support and cooperate with, or conceal their knowledge of, “national intelligence work,”⁵² based on Article 7 of China’s “National Intelligence Law” (国家情报法), which has evidently formalized requirements that were perhaps previously imposed through the exercise of extra-judicial authorities.⁵³

Given this apparent deepening of the Party-state-tech nexus, the global expansion of Chinese tech companies has provoked concerns that their reach could become a new vector for Beijing’s global influence. Often, these activities might be motivated by commercial interests on the part of the companies involved, but also appear to correspond with geostrategic objectives. In particular, major players, notably Huawei, have been harnessed in the service of such national priorities as the Digital Silk Road.⁵⁴ As of spring 2019, Huawei has signed over 40 contracts in 5th generation mobile telecommunications (5G) across Europe, Asia, Africa, and the Middle East, despite increased concerns over security and US attempts to discourage allies and partners from partnering with it.⁵⁵ This push for 5G has emerged as a core component of the Digital Silk Road, an initiative that Xi has personally highlighted as an opportunity to strengthen cooperation with partner countries on digital economy, cyber security, and information infrastructure construction.⁵⁶ Increas-

50 Ibid.

51 “More Clarity Needed on Role of Communist Party in Listed Firms,” *South China Morning Post*, 25 July 2018, <https://www.scmp.com/business/article/2156698/foreign-investors-will-need-more-clarity-role-communist-party-organisations>.

52 Samantha Hoffman and Elsa Kania, “Huawei and the Ambiguity of China’s Intelligence and Counter-Espionage Laws,” *Strategist*, 13 September 2018, <https://www.aspistrategist.org.au/huawei-and-the-ambiguity-of-chinas-intelligence-and-counter-espionage-laws/>.

53 People’s Republic of China, *National Intelligence Law*, art 7, accessed, 3 July 2019, http://www.npc.gov.cn/npc/xinwen/2017-06/27/content_2024529.htm.

54 For an authoritative accounting of this initiative, see Nadège Rolland, “China’s New Silk Road,” *National Bureau of Asian Research* 12 (2015).

55 Krystal Hu, “Huawei Is Still Winning 5G Contracts Around the World Despite the U.S. Ban,” *Yahoo Finance*, 17 April 2019, <https://finance.yahoo.com/news/huawei-is-still-winning-5g-contracts-around-the-world-despite-the-us-ban-193456655.html>.

56 “Xi Jinping at the National Cyber Security and Informatization Work Meeting: Construct a 21st Century Digital Silk Road [习近平在全国网络安全和信息化工作会议上强调：建设21世纪数字丝绸之路],” *Xinhua*, 21 April 2018, <https://webcache.googleusercontent.com>

ingly, technology companies are at the forefront of the execution of this agenda. For instance, as a “5G pioneer,” ZTE has committed to supporting the development of the Digital Silk Road, leveraging its 5G trials and partnerships in Europe and the Asia-Pacific.⁵⁷ Often, Chinese tech leaders and stakeholders are quite open in highlighting how their activities in expanding the Digital Silk Road will provide the “China Model” and “China Program” to the world.⁵⁸

Increasingly, OBOR has encompassed the expansion of S&T cooperation and research partnerships. The “Space Information Corridor” has promoted deeper integration and partnership with ASEAN nations and globally on space science and technology, including providing services for navigation and satellite communications.⁵⁹ At the same time, China has expanded global partnerships for data sharing, including a global platform for big data from satellites—particularly remote sensing—and from sea- and ground-based observation platforms, shared among OBOR countries.⁶⁰ Such initiatives may facilitate global situational awareness and surveillance capabilities, while bolstering strategic partnerships worldwide.⁶¹ For instance, in September 2018, the first International Conference on Digital Economy and Digital Silk Road marked the establishment of a “data port” created in partnership between China and the Philippines.⁶² The launch of the Digital Silk Road International Industry Alliance initiated by China, which brings together

tent.com/search?q=cache:v7IGTbYev-0j:https://www.yidaiyilu.gov.cn/xwzx/xgcdt/53674.htm+&cd=7&hl=en&ct=clnk&gl=us.

57 “ZTE Corporation Attends the 2017 World Internet Conference [中兴通讯出席2017世界互联网大会 5G先锋共建数字丝路],” *China Network*, 4 December 2017, http://science.china.com.cn/2017-12/04/content_40090835.htm.

58 “Jointly Construct the Digital Silk Road, Share the Network Development Dividends [共建数字丝绸之路，共享网络发展红利],” *Guangming Network*, 28 April 2019, http://www.legaldaily.com.cn/commentary/content/2019-04/28/content_7844568.htm.

59 See “The Belt and Road Space Information Corridor [一带一路空间信息走廊],” *China Daily*, 13 September 2018, <http://www.chinadaily.com.cn/a/201809/13/WS-5b99b2c5a31033b4f4655bde.html>.

60 “‘Digital Silk (Road) Earth Big Data Platform’ Released to Provide Multi-language Data Sharing [‘数字丝路地球大数据平台’发布 提供多语言数据共享],” *Xinhua*, 6 December 2018, <http://silkroad.news.cn/2018/1206/122769.shtml>.

61 “National (Aero)Space Bureau: Our Nation Will Unceasingly Expand the ‘One Belt, One Road’ National Information Outcomes Sharing ‘Circle of Friends’ [国家航天局：我国将不断扩大“一带一路”空间信息成果共享“朋友圈”],” 11 September 2018, http://webcache.googleusercontent.com/search?q=cache:Utwl4belYloj:www.gov.cn/xinwen/2018-09/11/content_5321128.htm+&cd=35&hl=en&ct=clnk&gl=us.

62 “China’s Big Data Companies Embark on the ‘Belt and Road’ [中国大数据企业走上“一带一路”],” *Xinhua*, 14 December 2018, http://news.xinhuanet.com/globe/2018-12/14/c_137663769.html.

industry stakeholders from China and participating countries, is also intended to facilitate such collaborations.⁶³ Also pursuant to and branded with OBOR, the export of Chinese AI technologies with applications in surveillance, including a new agreement between CloudWalk Technology and the government of Zimbabwe, also raise the risks that China's model of, and the requisite capabilities for, social control may be promulgated along the way, including through direct training.⁶⁴ There are plans to promote key projects that involve big data, the Internet of Things, and cloud computing, as well as projects for smart cities, to which as much as RMB100 billion might be invested in the next five years.⁶⁵

Pursuant to the Digital Silk Road, Chinese companies may gain access to new sources of data that can reinforce China's advantage in AI development, while expanding the deployment of Chinese cloud computing.⁶⁶ Alibaba Cloud has reportedly deployed over 200 data centers in over 14 locations around the world, including recent additions in India and Indonesia.⁶⁷ Tencent Cloud created its initial five overseas data centers in Hong Kong, Toronto, and Singapore, and recently announced intentions to add new data centers, including in Seoul and Mumbai.⁶⁸ However, this total is estimated to amount to less than half of the number of those that Amazon has at present. Baidu is also looking to establish a paradigm that combines a cloud strategy with plans for AI development. Zhang Yaquin, president of Baidu, believes the AI era also needs a general-purpose operating system, which is equivalent to building Android in the AI era. "Chinese companies have tried the operating system many times before, but they have all gone halfway. China has such opportuni-

63 "Digital Economy and Digital Silk Road International Conference Proposes to Jointly Build Digital Silk Road," *Zhejiang Daily*, 19 September 2018.

64 "Servicing One Belt One Road, Cloud Walk Science and Technology Signed a Strategic Cooperation Agreement with the Zimbabwe Government [服务一带一路 云从科技与津巴布韦签订战略合作协议]," *Sci-T Daily*, 29 March 2018, http://science.china.com.cn/2018-03/29/content_40273454.htm.

65 Ibid.

66 "Cloud Computing Big Data 'One Belt, One Road' International Cooperation Forum Held in Beijing [云计算大数据'一带一路'国际合作论坛在京举行]," 16 June 2017, <https://webcache.googleusercontent.com/search?q=cache:O35NWvIk2E8J:https://www.prnasia.com/story/180526-1.shtml+&cd=1&chl=en&ct=clnk&gl=us>.

67 See Alibaba Cloud's "Global Infrastructure," <https://www.alibabacloud.com/global-locations>.

68 "China's Cloud Computing Ushered in the 'Golden Window' Period [中国云计算迎来“黄金窗口”期]," CCTV, 12 October 2017, <http://webcache.googleusercontent.com/search?q=cache:bMBp2QxYsmoJ:news.cctv.com/2017/10/12/ARTIs11nQbcn8A5zZ5AecNj7171012.shtml+&cd=25&chl=en&ct=clnk&gl=us>.

ties and capabilities in the AI era.”⁶⁹ Unsurprisingly, Baidu is promoting its own DuerOS AI operating system.

While in the process of building up indigenous capacity, China will continue to encourage its own AI enterprises to pursue a “going out” (走出去) strategy.⁷⁰ This approach includes overseas mergers and acquisitions, equity investments, and venture capital, as well as the establishment of research and development centers abroad. Although such activities have become increasingly prevalent over the past several years, China’s “New Generation AI Development Plan” has added its official imprimatur to these efforts. This approach will undoubtedly prove controversial in some quarters and could provoke further frictions. Chinese investments in Silicon Valley AI startups have fueled the US decision to update the Committee for Foreign Investment in the US (CFIUS) to expand reviews of Chinese high-tech investments, especially in AI.⁷¹ Meanwhile, China has continued to expand its AI research collaborations and engagements in Europe and globally. For instance, some of the top universities in China and France have created an “AI alliance” that is intended to promote research cooperation.⁷² There have also been increases in China-Britain AI cooperation, which is occurring under the auspices of the “China-United Kingdom S&T Innovation Cooperation Strategy,” released in 2017.⁷³ Since the establishment of the Sino-British Joint Science Innovation Fund in 2013, 240 Chinese and British institutions have carried out more than 460 projects across over 40 funding schemes. Given the increased concerns over certain research collaborations, it remains to be seen if there will be greater scrutiny going forward.

SETTING THE STANDARDS

At the intersection of technical and geopolitical dimensions of technological competition, the Chinese government is actively seeking to lead in the creation of technical standards for a range of emerging

69 Ibid.

70 “State Council Notice on the Issuance of the New Generation AI Development Plan.”

71 Paul Mozur and Jane Perlez, “China Bets on Sensitive U.S. Start-Ups, Worrying the Pentagon,” *New York Times*, 22 March 2017, <https://www.nytimes.com/2017/03/22/technology/china-defense-start-ups.html?hpw&rref=business&action=click&pgtype=Homepage&module=well-regi-on®ion=bottom-well&WT.nav=bottom-well>.

72 “China and France’s Top Universities Build ‘AI Alliance’ to Promote Artificial Intelligence International Cooperation,” *Xinhua*, 18 January 2018.

73 “AI, Another Breakthrough in Sino-UK Innovation Cooperation [人工智能中英创新合作又一风口],” *People’s Daily*, 3 November 2018, <http://world.people.com.cn/GB/n1/2018/1103/c1002-30380012.html>.

industries, from ultra-high voltage (UHV) transmission to the Internet of Things (IoT), and quantum communications.⁷⁴ The active development of indigenous standards and their subsequent internationalization is seen as a “golden opportunity” that can enable Chinese companies to achieve greater global market share, even dominance, often leveraging advantages of scale in ways that can reinforce their commercial competitiveness and worldwide expansion.⁷⁵ For instance, Huawei and China’s major telecoms have become central players in 5G standardization and commercialization, and their active pursuit ventures and partnerships worldwide will advance this agenda.⁷⁶ This potential influence in technology is linked to China’s global ambitions. For instance, Liu Qingfeng, the chairman of iFlytek has said, “If we can’t have discourse power in the field of artificial intelligence, we can’t leap into the high-end of the global value chain in the future, and we can’t have global influence.”⁷⁷ Indeed, the prestige that comes with China’s technological advancements has been characterized as an element of global discourse power.⁷⁸

The process of setting standards for 5G has seemingly epitomized this complex interplay between technical questions and considerations of competitive advantage. Huawei has clearly exerted strong influence in the formulation and establishment of standards for 5G, particularly promoting approaches that will benefit its own IP.⁷⁹ By many accounts, Huawei’s approach has been tantamount to “flooding” the process with its representatives and pursuing positions of leadership.⁸⁰

74 For another assessment of how this is playing out in AI in particular, see Jeffrey Ding, Paul Triolo, and Samm Sacks, “Chinese Interests Take a Big Seat at the AI Governance Table,” *DigiChina*, 20 June 2018, <https://www.newamerica.org/cybersecurity-initiative/digichina/blog/chinese-interests-take-big-seat-ai-governance-table/>. “Power Play: China’s Ultra-High Voltage Technology and Global Standards,” *MacroPolo*, April 2015, https://macropolo.org/wp-content/uploads/2015/04/PPS_UHV_English_R.pdf.

75 Elsa Kania, “China’s Play for Global 5G Dominance—Standards and the ‘Digital Silk Road.’”

76 “China Will Promote the Implementation of National Standards Such as 5G and Smart Cities in Countries Along ‘One Belt, One Road’ [我国将推动、智慧城市等国标在“一带一路”沿线国家应用实施],” *Xinhua*, 22 December 2017, http://www.xinhuanet.com/2017-12/22/c_1122155113.htm.

77 Ibid.

78 Liu Tianxing [刘天星], “Seize International S&T Discourse Power [掌握国际科技话语权],” *Guangming Daily*, 22 June 2017, http://epaper.gmw.cn/gmrb/html/2017-06/22/nw.D110000gmrb_20170622_1-13.htm.

79 As of mid-2018, representatives from Chinese companies held 10 of the 57 chairman and vice chairman positions on 3GPP panels. Newley Purnell and Stu Woo, “China’s Huawei Is Determined to Lead the Way on 5G Despite U.S. Concerns,” *Wall Street Journal*, 30 March 2018, <https://www.wsj.com/articles/washington-woes-aside-huawei-is-determined-to-lead-the-way-on-5g-1522402201>.

80 “Warner, Rubio Ask Intelligence Community for Public Report Detailing Chinese Participa-

As of spring 2019, Huawei had completed a total of 11,423 contributions to 5G standards, which reveal the level and forcefulness of its participation in the process, even though the quality and impact of these activities can be questionable.⁸¹ The fight for 5G centers upon not only the deployment but the research and development of technologies that will shape the future of this technology. In this context, the process of standards setting has become a focal point for issues that may impact future influence.

As AI becomes a focus of international competition, the “going out” of Chinese standards and approaches for AI development has become a clear priority.⁸² For instance, the China Artificial Intelligence Industry Development Alliance (AIIA), which represents industry players and was created with support from Chinese government stakeholders in October 2017, has sought to strengthen exchanges with international standardization organizations.⁸³ China’s highly strategic approach to standardization, including seeking greater discourse power in relevant international organizations, reflects an understanding of the competitive advantage that influence in this domain can confer.⁸⁴ Going forward, the Standardization Administration of China plans to issue “China Standards 2035” (中国标准2035) to promote the popularization of Chinese technical standards across a range of industries.⁸⁵ This standardization program has also been linked to the construction of OBOR by the Ministry of Industry and Informatization.⁸⁶

tion in 5G Standard-Setting,” press release, 1 March 2019, <https://www.warner.senate.gov/public/index.cfm/2019/3/warner-rubio-ask-intelligence-community-for-public-report-detailing-chinese-participation-in-5g-standard-setting>.

81 “Who Is Leading the 5G Patent Race?” *Iphytics*, 12 December 2018, <https://www.iam-media.com/who-leading-5g-patent-race>.

82 “Global Disputes Intensify and Accelerate the ‘Going Out’ of China’s AI Standards [全球之争加剧 中国AI标准加快 ‘走出去’],” *People’s Post and Telecommunication* [人民邮电报], 1 June 2018, <http://tc.people.com.cn/n1/2018/0601/c183008-30027519.html>.

83 AIIA was established in October 2017 under the leadership of China’s National Development and Reform Commission, Ministry of Science and Technology, Ministry of Industry and Information Technology, and the Central Network Information Office (i.e., Cyberspace Administration of China). The China Information and Communication Research Institute (CAICT) is also involved in leading initiatives, and there are over 200 AI enterprises involved.

84 “China Will Promote the Implementation of National Standards Such as 5G.”

85 “National Standards Committee: Currently Developing ‘China Standard 2035’ [国家标准委：正制定《中国标准2035》],” *China News*, 10 January 2018, <http://www.chinanews.com/gn/2018/01-10/8420700.shtml>.

86 “Implementation Opinions of the Ministry of Industry and Information Technology on the Standardization of the Industrial Communication Industry Serving ‘One Belt, One Road’ Construction” [工业和信息化部关于工业通信业标准化工作服务于“一带一路”建设的实施意见], Science and Technology Department, 12 November 2018, <http://webcache.googleuser>

China is looking to reinforce its foundation for leadership in quantum communications technologies through setting the standards for their future development. As of June 2017, the China Communications Standardization Association (中国通信标准化协会) established a Special Task Group on Quantum Communications and Information Technologies (量子通信与信息技术特设任务组), also known as ST7.⁸⁷ This task group includes the Quantum Communications Working Group and a Quantum Information Processing Working Group.⁸⁸ To date, ST7 already has initiated several projects and pursued research on the creation of two national standards and one industry standard. The early development of these standards is intended to “support the healthy development of quantum communication technology and its industrial applications in China.”⁸⁹ This approach to standardization may contribute to China’s influence in shaping the future of new industries and technologies. As the oft-quoted saying goes, “First-class companies make standards, second-class companies do services, and third-class companies make products.”⁹⁰

Beyond purely technical standards, China’s ambitions for leadership in artificial intelligence are extending to involve taking on more active involvement in the governance of these technologies. China’s “New Generation AI Development Plan” included a commitment to “actively participate in global governance of AI.”⁹¹ The plan discusses an intention to “strengthen the study of major international shared problems” in AI and “deepen international cooperation on AI laws and regulations.”⁹² China’s initial efforts to formulate legal and ethical frameworks for AI have been characterized by Chinese policy-makers as “a key premise and

content.com/search?q=cache:wG_MlujEJDIJ:www.miit.gov.cn/n1146290/n4388791/c6480447/content.html+&cd=27&hl=en&ct=clnk&gl=us.

87 “Quantum Communications Technology Research, Development, and Industrialization Accelerate [量子通信技术研发与产业化进程加快],” Guangdong Communications Administration, <https://www.gdca.gov.cn/gdcmsnet/gdcms/content/staticView%3Fpath%3D/56/3213.htm1+&cd=11&hl=en&ct=clnk&gl=us>.

88 Ibid.

89 Ibid.

90 “一流企业做标准，二流企业做服务，三流企业做产品” and see “5G Patent Competition Escalates; Chinese Companies Compete to Increase Investments [5G专利竞争升级 中国企业竞相加大投入],” *Shanghai Securities News* [上海证券报], 19 December 2017, http://webcache.googleusercontent.com/search?q=cache:jsaVSWvmj4EJ:news.xinhuanet.com/2017-12/19/c_1122132724.htm+&cd=10&hl=en&ct=clnk&gl=us.

91 “State Council Notice on the Issuance of the New Generation AI Development Plan.”

92 Ibid.

foundation for China to seize the commanding heights of the international AI industry and master the discourse power internationally.”⁹³ Thus far, this contestation of discourse power in AI has focused primarily on seeking to ensure the centrality of China’s AI industry. For instance, AI is expected to reshape global rules, and “only by pre-arranging and strengthening research in these domains will it be possible [for China] to acquire more discourse power in international competition related to AI in the future,” as the director of the Tencent Research Institute, which has undertaken influential policy analyses on the topic, argued.⁹⁴ In practice, these efforts to shape global approaches to AI may be used to defend against critiques and legitimize the ways in which the Chinese government is using AI for social control and public security—including censorship and surveillance—particularly at a time when there is growing backlash against these applications.

In certain respects, AI is also seen as a tool that can leverage and expand the influence of Chinese culture. For instance, iFlytek, which is known for its specialty in natural language processing, has partnered with the Chinese Foreign Languages Bureau to build an AI translation platform that can enable the “going out” of Chinese culture.⁹⁵ In May 2018, China hosted the Artificial Intelligence and Education World Conference, during which the participants reached a “Beijing consensus” on “healthy” development of AI. The final document included a number of laudable principles, but also was framed as intended to promote a “community of common destiny,” a concept that carries a specific salience in Chinese government propaganda on reshaping the current system for global governance.⁹⁶

93 Li Jialin [李佳霖], “AI Industry Legislation Accelerates [人工智能产业立法当加速],” 8 May 2018, http://webcache.googleusercontent.com/search?q=cache:GkmIrbFuL60J:paper.ce.cn/jjrb/html/2018-05/08/content_361854.htm+&cd=1&hl=en&ct=clnk&gl=us.

94 “China Aims at the Goal of Artificial Intelligence [中国瞄准人工智能强国目标专家解读],” 5 February 2018.

95 “China Foreign Languages Bureau and iFlytek Jointly Construct an AI Translation Platform [中国外文局与科大讯飞共建人工智能翻译平台],” *Xinhua*, 20 June 2018, http://webcache.googleusercontent.com/search?q=cache:ULvYOgmDN6EJ:www.xinhuanet.com/politics/2018-06/20/c_1123010365.htm+&cd=12&hl=en&ct=clnk&gl=us.

96 Liza Tobin, “Xi’s Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies,” *Texas National Security Review* 2, no. 1, November 2018, <https://tnsr.org/2018/11/xis-vision-for-transforming-global-governance-a-strategic-challenge-for-washington-and-its-allies/>.

CONSIDERATIONS FOR US POLICY AND STRATEGY

The US might explore multiple options for potential policy responses to these intersections between technology and China's strategic objectives and global influence.

- Ensure that US policies to constrain the global expansion of Chinese tech companies are carefully balanced and coordinated.
 - US policy initiatives must recognize the question of calibration of risk and should be carefully bolstered by available evidence in order to achieve greater traction and legitimacy. If US security concerns are perceived as excessive or motivated by protectionism, then efforts to constrain the global expansion of Chinese tech companies may have less influence.
- Consider creating an American alternative to the “Digital Silk Road” as a means of ensuring the US can provide positive contributions to the global expansion of information technology infrastructure.
 - The US government can only counter the appeal of Chinese technology companies as partners and providers of information infrastructure if able to provide a viable and attractive American alternative.
- Undertake more active and systematic initiatives to develop and promote technical standards for emerging technologies, as well as legal and normative frameworks that are consistent with US values and priorities.
 - Engage with allies and partners to explore new approaches to ensure the security and appropriate governance of emerging technologies.
- Expand scientific cooperation and research collaboration with allies and partners.
 - In a world of globalized innovation, American advantage can be best secured through leveraging the strength of these critical relationships and opportunities for cooperation.

- Coordinate with allies and partners on countering the expansion of China's tech transfer tactics, which can be enabled by this global expansion.
 - For instance, track the activities of organizations involved in tech transfer and talent recruitment that have links to the Chinese government or CCP united front work organizations.

Synthesis

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1 The views and recommendations expressed in this chapter are those of the authors and do not necessarily reflect the policy or position of the Daniel K. Inouye Asia-Pacific Center for Security Studies, US Department of Defense, or US Government.

As noted in the introduction, the workshop and ensuing volume were designed to leverage the knowledge and expertise of the Regional Center (RC) faculty to bring their unique perspective to bear on security challenges in a global context. As attendees at the workshop learned, the impacts of security challenges often manifest themselves differently in regional and sub-regional political, economic, and social contexts. Consequently, the People's Republic of China's (PRC) efforts to influence international, regional, and state-level actors engender a variety of reactions and responses.

If the preceding chapters have illustrated anything, it is the importance of context in evaluating new data. For that reason, Part I laid out the nature of strategic competition and how competition is perceived in the US and within the Chinese Communist Party (CCP). Workshop participants were in general agreement that a state of competition does exist between the US and PRC, but that this does not preclude cooperation in narrow areas where interests overlap. Understanding the vision of the international system embraced by the General Secretary of the CCP, Xi Jinping, aided participants and authors to better understand the lens through which PRC policymakers view their regions and the tools of interstate influence. This helped frame the discussion and enabled authors to better analyze attempts by the PRC to exert influence.

In Part II, authors have called attention to the various ways the PRC is attempting to expand its influence in their regions and demonstrated both the effects it is having, as well as how it is perceived among the inhabitants within those regions. In doing so, they have developed policy recommendations tailored to the regions they study. Part III provided a different perspective, that of specific tools of influence wielded by the PRC. As discussed during the workshop, these tools are also influenced by the regional context, and wielded by the PRC differently to meet their varied objectives in different regions. Thus, though these two sections are distinct, there is a great deal of overlap, which served to cross-pollinate ideas during the workshop, and aided the synthesis that follows.

In shaping this concluding chapter as a synthesis of the various regional and tool-centered analysis, the goal is to quickly draw out the overall themes identified by the authors and workshop participants, then distill all of their specific policy recommendations into a few overarching recommendations. It is intended to be a quick summation of the key results of the project; however, it should not be seen as a substitute for the insightful analysis and specific recommendations developed in the pre-

ceding chapters. Both the chapters and this analysis provide important, but subtly different insights to assist the United States (US), its partners, and its allies in developing quality policy options for navigating a world the PRC is actively attempting to change.

KEY THEMES AND OBSERVATIONS

A combination of insights from the workshop and discussions with the authors as they developed their contributions have led to the identification of several broad themes that can be used to better understand the PRC's approach to global influence. This list is not exhaustive, and their order may be rearranged depending on the geographic context of the author making a list. However, the following topics were generally informed, or were informed by, multiple segments of the workshop and later incorporated into the text of multiple chapters:

The PRC engages regions differently, with different objectives and approaches. This intuitive observation was met with an equally non-intuitive observation that these differences were not widely understood by those who focus on specific aspects of PRC governance, security policy, or foreign policy. Studying and understanding these differences could provide opportunities for the US and other countries to engage with the PRC more effectively in each region.

The PRC was perceived to take a more competitive stance in areas geographically proximate, and was potentially more cooperative in relatively distant regions. Beijing was perceived as less likely to cooperate in regions closer to its border, especially relating to more traditional “core issues” such as territorial and resource claims in the South China Sea. However, regionally-oriented participants opined that the PRC is more likely to cooperate in more distant areas, such as Africa. Issues in relatively far-flung regions were potentially less sensitive, and thus perhaps more likely to foster future cooperation. One potential exception to this is the battle over narratives. The PRC is likely to continue to vigilantly defend its preferred narrative of peaceful rise, US decline, and the importance of making way for non-western normative concepts.

Countries and regions have complex relationships with the PRC. Countries that struggle with the PRC over territorial disputes still have robust economic relations that benefit both countries. Some countries that accept loans as part of the One Belt, One Road (OBOR; 一带一路) initiative do so because it is difficult to attract sorely needed investment from other sources. As most security practitioners understand the complexity inherent in these relationships, this observation is mentioned

solely to highlight the narrative challenge the US encounters when it tries to discuss competing with the PRC, when most countries are concerned this competition will affect their economies, and potentially their stability.

Messaging is critical to the success of US efforts to engage with the PRC. Partners and allies are important to the success of US national security interests. Likewise, there is significant overlap in the interests of partners, allies, and the US. Many of these partners and allies have complex relationships with the PRC, and these entities may not be as willing to cooperate with the US if they do not understand—or receive contradictory messaging about—US objectives and US relations with the PRC. This theme surfaced repeatedly throughout the workshop as participants discussed the impacts of unclear US messaging, often calling attention to inconsistencies of the message, as well as partner confusion regarding the nature and purpose of US policies.

Some of the PRC activities most damaging to US national security interests are those that ignore international law, are inconsistent with the international order, or attempt to divide and marginalize regional organizations. The US is closely identified by many as the face of international law. Therefore, PRC actions that are, or are perceived to be, contrary to the current order undermine US credibility if left unaddressed.

GENERAL POLICY RECOMMENDATIONS

The workshop focused on PRC activities within the context of strategic competition, with the objective of using this information to formulate specific policy recommendations for use by the US and other countries as they engage the PRC. As they pertain to the US, it is important to note these recommendations were developed within the context of an overall strategy that pursues US national interests first, then engages with the PRC depending on the alignment of interests and willingness of the PRC. These recommendations should not be perceived as a second-handed formulation that simply responds to PRC activities; rather they should be formulated to promote US interests.

While each of the authors in parts II and III made policy recommendations specific to the region or tool they were discussing, the editors thought it important to collect the broadest recommendations from the chapters and workshop. Taken together with the specific recommendations, the book as a whole offers both strategic and tactical level options to policy-makers attempting to protect US interests while

navigating through a changing international environment. While the impetus for these recommendations was PRC activities, only a minority of the recommendations addressed the PRC specifically, and all are broadly applicable to the pursuit of a liberal international order.

The US should cooperate with partners in areas of shared interest. The US and like-minded partners should engage and collaborate on ways to strengthen the current international order and international law to enhance security and enable shared prosperity. It is by recognizing where our interests converge that cooperation and mutually beneficial exchange is possible. Some specific areas of collaboration include technical standards for emerging technology and scientific research, which will reduce barriers to entry and promote global commerce, and wide-ranging trade liberalization that sets companies and individuals free to pursue their own prosperity.

The US should continue to engage with partners and allies. While this recommendation is obvious to the point it may be perceived as unnecessary, it is critical to highlight the importance of consistent US engagement in the regions at all levels, with representation across Departments, and including congressional and national leadership. The US needs to show it values its relationships, and sustained engagement achieves this aim.

The US needs to encourage and promote good governance. In many cases insufficient institutions, procedures, and knowledge contribute to national decision-making that place countries at risk of being unduly influenced by other nations. The US and other countries can provide the expertise to help countries strengthen their institutions so their sovereignty is not threatened, and they remain stakeholders in a free and open international system.

The US should reform its development objectives. Many countries are at risk to debt-trap diplomacy due to weak institutions, constrained financing opportunities, and governance structures that are opaque and unaccountable. The US has a multitude of ways to enhance development: through multilateral efforts promoting transparency, by helping set the conditions for private sector investment, or through cooperation with the PRC when appropriate. Though counterintuitive, cooperation with the PRC could help increase transparency and fiduciary oversight to their activities, while leveraging their capital.

The US needs to improve its ability to formulate a clear, consistent message regarding US policy. Engagement with partners and allies toward common objectives requires significant time, effort,

and trust. Effective messaging is complementary to these engagements, and thus to pursuing US national security interests. Unclear or inconsistent messaging can limit the effectiveness of policy decisions and actions it is meant to support. The US can improve the integration of its whole-of-government messaging procedures, as well as the training of its diplomats and officials engaging audiences worldwide, to ensure consistent and coherent messaging.

The US, other countries, and international organizations need to clearly and consistently highlight the PRC when it conducts activities that are duplicitous or contrary to international norms, laws, or standards. When entities fail to call attention to this behavior, they have effectively allowed a new, lower standard for acceptable behavior.

A SIMPLE SOLUTION

In conclusion, the PRC is expanding its global influence in pursuit of its national interests. This pursuit is challenging existing global norms and international laws, while bringing more complexity to every country's relationship with the PRC, and with each other. However, most of the specific recommendations in the preceding chapters, as well as discussions at the workshop suggest the most important policy options the US and like-minded partners can pursue will build positive relationships and promote shared values. In short, they are options that do not so much counter the PRC, as they do promote the values and benefits of the liberal world order and its association with the US. Therefore, despite increasing complexity caused by the PRC's attempts to influence the global order, at the strategic-level, the task remains deceptively simple:

1. identify interests and build a strategy to achieve them,
2. find friends and partners who share those interests and are willing to cooperate,
3. find ways to accomplish those interests that are efficient, effective, and do not undermine one's values, and
4. be consistent and clear in advertising what you do and why you do it, while highlighting duplicitous words and deeds of those who threaten your interests.

In fact, the US has a natural advantage in terms of global influence. Given the choice, most people would rather live in, and be like the US than the PRC. The key task of our leaders is to ensure they continue to find ways to promote and protect our interests without becoming the PRC. Technical threats and tools cannot be ignored, but the tactical

solutions chosen must not sacrifice our interests or tarnish the values that have made the US a beacon in the night for so many. Successfully developing and implementing these solutions will protect and maintain a nation that projects a genuine influence that is global.

FUTURE WORK

The process of preparing for and compiling this book has reinforced the conviction that the RCs have a valuable role to play beyond their enormous contribution in executive education and development of security practitioner networks. The world-class international and multi-disciplinary faculty these Centers have curated in support of their educational programs are also resources to the broader US government. Their years of study and research are combined with continual first-hand interaction with international security practitioners who live with real world security challenges on a daily basis. RC programing brings these experiences into the seminar room and exposes them to critical analysis by academics and fellow practitioners. In the process, not only do practitioners become more adept at handling complex challenges, but the faculty have their ideas tested and exposed to the crucibles of debate and real-world challenges.

The result of this process is a worldwide cadre of academics who are constantly testing their ideas against practical problems and thereby refining their understanding of the security environments our military and diplomatic corps operate in, and that our policymakers attempt to influence in accordance with US interests. Consequently, they are a resource that should be routinely tapped for their insight into the most challenging security issues of the day. While this is certainly done during visits to the Centers and executive courses, workshops such as the one that nurtured this book should continue to be organized, and RCs should seek opportunities to send their academics to other forums where they can inform the policymaking process in the US and partner-countries alike.

Regarding the challenge posed by the PRC, this workshop was a useful first step in building understanding, but by no means the culmination of what is possible. Other related topics that could benefit from similar gatherings include, but are not limited to: formation of international norms, regional security architectures, exploring megatrends, and the future of the internet. This is by no means an exhaustive list, but a start to exploring how the varied regional contexts represented by the combined RC faculty can be leveraged to better understand and exploit

the emerging strategic relationship between the US and the PRC.

In the final analysis, there is a difference in the way the US and the PRC are approaching the world. Both face challenges implementing their strategies due, in part, to a failure to fully understand the geographical and cultural context of other actors. In the RCs, the Department of Defense has a ready-made resource to increase understanding in this vital field, both in relation to the PRC and more broadly as the US seeks to promote its interests as it works with partners and allies to build a free, open, and prosperous world.

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