

Developments in the U.S.-China relationship over the past year suggest that both sides acknowledge there are not any simple fixes for neutralizing the other as its most formidable rival and competitor. Instead, both countries appear to be settling in for long-term competition. Going forward, Beijing likely will play to its strengths as it seeks to gain an edge over Washington and others. Beijing identifies its advantages as its growing economic gravity, its strengthening relationship with Russia, its expanding influence in much of the developing world, and its ability to offer solutions to other leaders who feel threatened by social instability. With the National Party Congress looming in Fall 2022, Beijing likely will focus in the coming year on addressing compounding challenges at home and geopolitical headwinds abroad. Recognizing the threats that Washington and other developed countries remain capable of posing to China's continued rise, Beijing also will look for ways to minimize any damage in its relations as it works to maximize gains in overall influence in the rest of the world. How well China does in navigating this thicket of challenges will inform its ability to achieve its ambitions.

It has become common in Washington to frame China as a juggernaut that is determinedly executing a long-term strategy to displace the United States and become the world leader. As part of its master plan, according to these arguments, China would like to push the United States out of Asia and diminish the universality of Western values. When it achieves its ambitions, China will have solidified its exclusive sphere of influence in Asia and imposed its vision and its values on the rest of the world.

Similarly, it has become routine to encounter arguments in Beijing that the United States is an anxious declining power who is lashing out at China to constrain its rise. American leaders, according to this view, treat China as a scapegoat for their own inability to address America's domestic challenges. U.S. politicians seek to use China as an external enemy to unite a fractured country, hoping that the "China threat" will galvanize the nation toward common purpose just as the Soviet threat helped America bridge divides during the Cold War.

As is often the case, there is a grain of truth in both sides' caricatures of the other. China has organized its instruments of national power to advance strategic objectives, including diminishing America's role in Asia. Beijing would like to gain greater international legitimation for its governance and as economic and social systems. Similarly, there are constituencies in the United States who view China as an existential threat and who believe China should be used as a prod to mobilize national action toward renewal.

However, it would be unwise for policymakers or analysts to accept these caricatures as whole truth and established fact. Neither country is mechanically executing a preset plan toward the other. China's broad goals are clear, but the path it pursues toward its goals is informed by developments at home and abroad. The United States and China increasingly are bumping up against each other on every continent and in virtually every functional issue area. Each power is responding in an iterative way to the other's moves as well as to domestic challenges and developments in the international system.

### **The Big Picture View of the U.S. and China in the International System**

The gap in national power between the United States and China compared to every other country in the world is widening.<sup>1</sup> In military terms, the United States still maintains a sizable advantage over China in global capabilities, but there is greater parity in force projection in the Western Pacific. China's nominal defense spending in 2020 was 32 percent that of America, according to the Stockholm International Peace Research Institute.<sup>2</sup> Importantly, the gap between the United States and China compared to the next largest defense spender, India, is substantial. India's nominal defense spending in 2020 was 29 percent that of China.<sup>3</sup>

On economic issues, China's nominal GDP was 71 percent that of the United States in 2020, up from 67 percent in 2019, according to the International Monetary Fund.<sup>4</sup> The next largest economy, Japan, is 34 percent of China's GDP.<sup>5</sup> This trend of the United States and China serving as the two main engines of global growth likely will continue. Both countries are benefiting disproportionately from clustering effects around innovation, massive investments in research and development, data abundance, and the windfall benefits of being at the forefront of artificial intelligence and other emerging technologies.<sup>6</sup>

Beyond military and economic measures, both countries also maintain unique strengths that set them apart from the rest of the world. U.S. financial power is underwritten by the dollar's role as the world's reserve currency. America also benefits from world-class universities that

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<sup>1</sup> Cliff Kupchan, "Bipolarity is Back: Why it Matters," *Washington Quarterly* 44, no. 4: 123–39. <https://www.tandfonline.com/doi/full/10.1080/0163660X.2021.2020457>

<sup>2</sup> "Military Expenditure Database," SIPRI, April 2021, <https://www.sipri.org/databases/milex>. Of note, America's defense outlays cover veterans' affairs obligations as well as maintenance costs for legacy platforms. China presently has lower maintenance costs since many of its platforms are newer, but these costs will go up as China's military systems age.

<sup>3</sup> Ibid.

<sup>4</sup> "World Economic Outlook Database," IMF, October 2021, <https://www.imf.org/en/Publications/WEO/weo-database/2021/October>

<sup>5</sup> Ibid.

<sup>6</sup> Ryan Hass and Zach Balin, "U.S.-China Relations in an Age of Artificial Intelligence," Brookings Institution, January 10, 2019, <https://www.brookings.edu/research/us-china-relations-in-the-age-of-artificial-intelligence/>

traditionally have attracted a pipeline of top global talent to the United States. China enjoys a large population, centrality in many regional and global value chains, and an ability to concentrate national resources on policy objectives.

At the same time as the United States and China are racing ahead of the pack, frictions between the United States and China are intensifying. Many in the United States view China as an aggressive revisionist power working to bend the international order to better suit its interests and values. Beijing provides plenty of fodder for such an argument, e.g., through its attempts to muscle international standard-setting bodies, its efforts to dilute human rights norms, and its export of digital surveillance technology to the highest bidder. China has also generated heat in the United States for its economic coercion campaigns against American partners and its attempts to manipulate public discourse in foreign countries.

In response, China's leaders present their country as a principled rising power working to lift all boats. They dismiss American concerns about Chinese human rights violations in Xinjiang, Hong Kong, and elsewhere as part of an underhanded effort by the United States to smear China's image. Although they talk about working to return U.S.-China relations to a "constructive path," Beijing's actions suggest that it places little hope on such an outcome. Beijing appears more focused on reducing vulnerabilities to American and Western pressures, entrenching the Communist Party's control over all aspects of life inside China, and increasing the rest of the world's dependence on China.

The United States and China are now competing across a full spectrum of geopolitical issues – military power, alliances and alignments, technology, trade, finance, and governance systems.<sup>7</sup> This competition likely will play out over the next decades. Unlike America's other systemic rivalries in the 20<sup>th</sup> century, with the Axis countries during World War II and the Soviet Union during the Cold War, U.S.-China competition likely will not be decided on the battlefield or by state collapse. Given the balance of terror from each side's destructive capabilities, there is no realistic path for either side to impose its will on the other through use of force. There also are no indicators of impending state collapse in either country for the foreseeable future. As such, the competition will more likely resemble a marathon, in which each side seeks to outpace the other and accrue prestige through performance.

At the same time, both countries find themselves being buffeted simultaneously by forces beyond their control. The share of wealth being generated by the digital economy and being concentrated in pockets of society is growing in both countries. Tech regulators in both countries are struggling to keep pace with the pace of innovation. The effects of climate change are being felt more powerfully in both countries. The distribution of power in the international system is

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<sup>7</sup> G. John Ikenberry, "Systemic Rivals: America's Emerging Grand Strategy toward China," *Global Asia* 16, no. 4 (December 2021): 14–18, [https://www.globalasia.org/v16no4/cover/systemic-rivals-americas-emerging-grand-strategy-toward-china\\_g-john-ikenberry](https://www.globalasia.org/v16no4/cover/systemic-rivals-americas-emerging-grand-strategy-toward-china_g-john-ikenberry)

shifting, due both to China's rise and Asia's emergence as the center of geopolitical gravity. And, of course, COVID-19 is laying bare the virus's indifference to national borders.

The turbulence wrought by these forces is causing what Chinese officials often refer to as "changes not seen in a century." This catch-all phrase captures both the new opportunities that China enjoys to secure a central place on the international stage as well as the acute risks that threaten China's ascent if these new changes are not managed well.

Such trends of deepening bipolarity, growing U.S.-China frictions, and mutual exposure to destabilizing factors likely are not transitory. As such, turbulence in the relationship will not likely be transitory.

Leaders in both countries seem to acknowledge this reality. Instead of talking about pursuing breakthroughs, President Biden and President Xi have spoken about the need to coexist, build guardrails, and accept their shared responsibility to ensure that competition does not veer into conflict.<sup>8</sup>

Here's how China is responding:

Beijing's overriding orientation is to minimize damage in its relations with the United States and the developed West while seeking to maximize its influence in the rest of the world. China would like to lessen – or at a minimum, not intensify – the determination of the United States and its partners to impede China's rise.

Beijing does not seem to hold out much hope for any near-term improvement in U.S.-China relations. The prevailing view in Beijing appears to be that American domestic politics demand that Biden take a tough posture on China. In private exchanges with Chinese officials and think-tank experts, I often encounter assertions that Biden is too weak politically to do anything other than follow the prevailing political winds, and that Congress – not the White House – is setting the agenda and terms of the policy debate on China.

At the same time, Beijing's foreign-policy focus for the coming year is to "make every effort to create a favorable external environment for the Chinese Communist Party's 20<sup>th</sup> National Congress.... This will be the main focus of [China's] diplomatic work throughout 2022,"<sup>9</sup> according to Foreign Minister Wang Yi. The watchword for the year ahead is stability.

This imperative of Chinese diplomats to focus on laying the groundwork for the 20<sup>th</sup> National Party Congress likely will cause Beijing over the next year to seek to smooth frictions with the United States and the West where possible, and to react vigorously and visibly when Beijing

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<sup>8</sup> "Readout of Virtual Meeting between Joe Biden and Xi Jinping," The White House, November 16, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/16/readout-of-president-bidens-virtual-meeting-with-president-xi-jinping-of-the-peoples-republic-of-china/>

<sup>9</sup> "State Councilor and Foreign Minister Wang Yi Gives Interview to Xinhua News Agency and China Media Group on International Situation and China's Diplomacy in 2021," Ministry of Foreign Affairs of the People's Republic of China, December 30, 2021, [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/202112/t20211230\\_10477324.html](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202112/t20211230_10477324.html)

believes its interests or dignity have been violated. No Chinese official with ambitions for promotion will want to be tagged as timid in defending China's honor.

### **China's Domestic Focus**

China's official media organs likely will trumpet several themes behind China's Great Firewall to their domestic audience in the coming year. One narrative will be that China's growing strength has caused the United States to adjust its approach toward China. Foreign Minister Wang previewed this theme in his annual year-in-review interview with Xinhua News Agency on December 30, 2021. He said, "Since China is determined to defend its rights and reject hegemonism, the U.S. side has come to realize that China will by no means make any concessions under the threat of maximum pressure, and that such practices will ultimately hurt U.S. interests."<sup>10</sup> In other words, the United States is responding to Chinese power; China is not bending to American pressure.

Another narrative that likely will enjoy prominence is that China's approach toward the United States has been consistent and stable, but America's approach toward China has been infected with anxiety about American decline. In this telling, America is at fault for fouling the relationship. Former Chinese Ambassador to the United States Cui Tiankai leaned into this message in one of his first public presentations following his return to Beijing, reportedly telling an audience at a think-tank forum, "I've always believed that there is a strong element of racism in U.S. policy toward China, only some don't admit it, while others do." Cui predicted that the U.S. would "spare no effort to suppress, contain, divide, and encircle China."<sup>11</sup> Leaving aside the question of whether Cui genuinely holds such views, they serve the purpose of diverting scrutiny away from Xi Jinping's stewardship over a steady deterioration in U.S.-China relations during the past decade and instead focus blame on the United States.

Chinese officials likely will also be quick to question the standing of American officials who challenge China's policies or practices, given America's own domestic challenges. They will fight fire with a blowtorch. China's top diplomat, Yang Jiechi, earned public acclaim in China for practicing this approach in his first encounter with members of the Biden administration in Anchorage in March 2021, when he responded to criticism by asserting:

The United States has many domestic problems in areas like human rights. What the United States should do is improve its image and mind its own business, rather than leaving its own problems unsolved, shipping its problems to other parts of the world,

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<sup>10</sup> Ibid.

<sup>11</sup> John Feng, "'Racism' at Heart of U.S. Policy Toward China, Former Ambassador Says," *Newsweek*, December 22, 2021, <https://www.newsweek.com/racism-heart-us-policy-toward-china-former-beijing-ambassador-says-1662002>

diverting attention to others, and making irresponsible remarks about China's human rights and democracy.<sup>12</sup>

Yet, China's domestic adjustments to cope with rising U.S.-China tensions will be far more than rhetorical. China also will advance its "dual circulation" (*shuang xunhuan*) strategy, which gives relatively greater priority to developing domestic drivers of growth, in part as a hedge against expectations of a less supportive external environment.<sup>13</sup> Beijing also has signaled that it will step up efforts to counter potential reductions of access to imports of hi-tech components from the United States and the developed West. At a Politburo meeting in July 2021, the Chinese leadership stressed the need to strengthen supply chains and speed up research to solve "neck-choking" (*qia bozi*) challenges, meaning growing restrictions on access to key technologies and products.<sup>14</sup>

The Chinese leadership has identified state-guided technology innovation as a critical element in its national strategy.<sup>15</sup> Beijing seeks to cultivate national champions in critical technological fields, particularly in fields related to national security and social stability, such as quantum computing, computer vision, artificial intelligence, life sciences, robotics, and semiconductors. As Beijing makes progress in propelling forward national champions, it likely will reduce its reliance on foreign providers of critical technologies.

However, Beijing is not waiting for its national champions to gain competitiveness to begin building buffers against foreign pressure. As the *Wall Street Journal* has reported, China's economic agencies have called for a strengthening of the country's supply chain security as a priority for 2022. As part of this effort, Chinese agencies reportedly are pledging to stockpile supplies of everything from grains to energy and raw materials. "The Chinese people's rice bowl must be firmly held in their own hands at all times, and the rice bowl must mainly contain

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<sup>12</sup> "Yang Jiechi Puts Forth China's Stands at the Start of China-U.S. High-level Strategic Dialogue," Consulate-General of the People's Republic of China in Los Angeles, March 19, 2021, <https://www.mfa.gov.cn/ce/cgla/eng/topnews/t1862643.htm>

<sup>13</sup> Xinhua, "中华人民共和国国民经济和社会发展第十四个五年规划和 2035 年远景目标纲要" [Outline of the PRC's 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035], 中华人民共和国中央人民政府 [Central People's Government of the People's Republic of China], March 13, 2021, [http://www.gov.cn/xinwen/2021-03/13/content\\_5592681.htm](http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm)

<sup>14</sup> Wang Dong, "Reluctant Rival: Beijing's Approach to US-China Competition," *Global Asia* 16, no. 4 (December 2021): 8–13, [https://www.globalasia.org/v16no4/cover/reluctant-rival-beijings-approach-to-us-china-competition\\_wang-dong](https://www.globalasia.org/v16no4/cover/reluctant-rival-beijings-approach-to-us-china-competition_wang-dong)

<sup>15</sup> Xinhua, "中华人民共和国国民经济和社会发展第十四个五年规划和 2035 年远景目标纲要" [Outline of the PRC's 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035].

Chinese grain,” President Xi instructed in late December.<sup>16</sup> The goal is not autarky. Indeed, China’s trade volume and inbound investment flows were at or near record highs in 2021. Rather, the objective appears to be to reduce China’s vulnerability to economic coercion from other powers.

### **Objectives in Relations with the United States**

Beijing’s aim with Washington is to stabilize relations, or at a minimum, slow the rate of a deterioration in relations. It likely will pursue a multi-pronged approach to seek to lessen the pressure and strategic focus they feel from the United States.

At an official level, Chinese leaders will seek to make the case that the relationship could “return to a constructive path” if America refrains from interfering in China’s internal affairs and respects its social, governance, and economic systems. Foreign Minister Wang Yi trotted out this argument in his end-of-year interview with Xinhua, stating, “As long as the US gives up its obsession with suppressing and containing China, relations between the two countries could return to the right track and develop steadily. ... As long as the US sees China as a partner instead of an adversary or enemy, the two countries could benefit each other and prosper. ...As long as the US gives up its obsession with ideological confrontation, the two systems and paths adopted by China and the US could work in parallel and coexist peacefully on this planet.”<sup>17</sup>

China’s officials are wise enough to know that such arguments hold little purchase inside the United States, which is why they are also pursuing other avenues to seek to move American policy in a more moderate direction. For example, Chinese diplomats are encouraging American stakeholders to raise their voices for a mellowing of bilateral tensions.<sup>18</sup> Chinese diplomats have sought to enlist members of the American business community to discuss the benefits to the American economy of access to the Chinese market.<sup>19</sup> They have worked to rebuild public support for more constructive relations, including at the sub-national level.<sup>20</sup> They also have

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<sup>16</sup> Lingling Wei, “China Looks to Secure Supplies as Strains With U.S. and Its Allies Grow,” *The Wall Street Journal*, January 13, 2022, <https://www.wsj.com/articles/china-looks-to-secure-supplies-as-strains-with-u-s-and-its-allies-grow-11642075381>.

<sup>17</sup> “State Councilor and Foreign Minister Wang Yi Gives Interview to Xinhua News Agency and China Media Group on International Situation and China’s Diplomacy in 2021.”

<sup>18</sup> See, for example, Jacob Fromer, “Ambassador Qin Gang Continues Push to Enlist US Business Allies against Washington’s China Trade Policy,” *South China Morning Post*, January 22, 2022, <https://www.scmp.com/news/china/article/3164336/ambassador-qin-gang-continues-push-enlist-us-business-allies-against>

<sup>19</sup> “Celebrate Our Way Forward—Speech by Ambassador Qin Gang at the Gala 2021U.S.-China Business Council,” December 2, 2021, [http://www.china-embassy.org/eng/dshd/202112/t20211203\\_10461830.htm](http://www.china-embassy.org/eng/dshd/202112/t20211203_10461830.htm)

<sup>20</sup> “Let the Small Ball of Friendship and Cooperation Move the Big Ball of China-US Relations —Remarks by Ambassador Qin Gang at the Celebration of the 50th Anniversary of China-US

sought to heighten public awareness about the security and economic risks to the United States from a deterioration in bilateral relations.<sup>21</sup>

On trade issues, Beijing has sought to keep bilateral tensions at a low boil. Beijing did not meet its purchasing commitments of the phase-1 trade deal, and in 2021 it held its highest trade surplus in the history of the relationship.<sup>22</sup> China does not want to return to an escalating trade war. At the same time, Beijing also recognizes it would be politically costly for Biden to drop or lower tariffs, and it would be fraught for Biden to raise tariffs during a period of high inflation. The macro cost to the Chinese economy of existing tariffs is relatively small. As such, Beijing likely will not force any discussion on tariffs and instead will let sleeping dogs lie.

Beijing's sharpest near-term concern in a bilateral context is over the growth of U.S.-Taiwan relations. There appears to be a widely held view in Chinese policy circles that the United States is seeking to gain strategic advantage against China by playing the "Taiwan card."<sup>23</sup> Chinese counterparts routinely complain that the United States is emboldening Taiwan by raising the profile of its public support for the island, including by publicizing American military operations near Taiwan, publicly acknowledging the presence of a limited number of U.S. military advisers on Taiwan, sending U.S. military transport aircraft to Taiwan on multiple occasions in 2021, publicizing meetings with Taiwan representatives in Washington, and inviting Taiwan to participate in the Summit for Democracy. Beijing's responses to warming U.S.-Taiwan relations in recent years has been to ratchet up pressure on Taiwan, which has encouraged Taiwan to move closer to the United States as a hedge against growing Chinese intimidation.

Beijing also appears to be departing from past practice on nuclear issues. According to the Pentagon's annual China military power report, China is expanding its nuclear capacity and could have up to 700 deliverable warheads by 2027 and at least 1,000 by 2030, compared to the approximately 350 warheads it holds today.<sup>24</sup> China's build-up of warheads coincides with its development of land, sea, and air (triad) delivery capabilities, increasing its deterrent.

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'Ping-Pong Diplomacy' at Lincoln High School," November 30, 2021, [http://www.china-embassy.org/eng/dshd/202112/t20211201\\_10460427.htm](http://www.china-embassy.org/eng/dshd/202112/t20211201_10460427.htm)

<sup>21</sup> Steve Inskeep, "China's Ambassador to the U.S. Warns of 'military conflict' over Taiwan," NPR, January 28, 2022, <https://www.npr.org/2022/01/28/1076246311/chinas-ambassador-to-the-u-s-warns-of-military-conflict-over-taiwan>

<sup>22</sup> "China's Total Export & Import Values by Country/Region, December 2021 (in USD)," China's General Administration of Customs, January 4, 2022, <http://english.customs.gov.cn/Statics/46bdb268-260d-46a1-adde-e3cebcaf6817.html>

<sup>23</sup> See, for example, Dingding Chen, "3 Challenges for Chinese Foreign Policy in 2022," *The Diplomat*, January 3, 2022, <https://thediplomat.com/2022/01/3-challenges-for-chinese-foreign-policy-in-2022/>

<sup>24</sup> U.S. Department of Defense, Office of the Secretary of Defense, "Military and Security Developments Involving the People's Republic of China," November 3, 2021, <https://media.defense.gov/2021/Nov/03/2002885874/-1/-1/0/2021-CMPR-FINAL.PDF>.

Chinese officials have not articulated the rationale for their nuclear build-up, beyond explaining that China is modernizing its arsenal for reliability and safety issues and suggesting that “a nuclear war can never be won and must never be fought.”<sup>25</sup> Even so, semi-authoritative commentators such as Zhao Tong have explained that Beijing’s strategic goal for nuclear modernization is to push the United States to “acknowledge that the two countries have mutual nuclear vulnerability and mutually assured destruction. By accepting that, the US would confirm it no longer pursues nuclear primacy and accepts peaceful coexistence with China.”<sup>26</sup> This logic suggests that China may seek to narrow the gap in U.S. and Chinese nuclear arsenals in an effort to compel the United States to acknowledge it cannot hold nuclear dominance over China.

China’s nuclear build-up could cause the United States to respond in kind by expanding its own nuclear modernization efforts. China may seek to temper such a risk by entering into a strategic stability dialogue with the United States. According to National Security Advisor Jake Sullivan, President Biden and President Xi discussed starting up such a dialogue during their November 2021 virtual meeting.<sup>27</sup> PRC officials might seek to focus such talks on areas where rules of the road for U.S.-China competition are underdeveloped, such as cyber, space, and crisis control mechanisms, even as they can anticipate the United States will be interested in discussing nuclear doctrine.

### **China’s Adjustments in its International Posture**

China recognizes that its international standing is a key element in its competitive position vis-à-vis the United States. China likely will play to its strengths, including by doubling down on its economic power, and strengthening its relationship with Russia, its ties with regional bodies, and its provision of law-enforcement support to countries seeking social-stability assistance.

Today, nearly 100 countries count China as their largest trading partner, compared to 57 for the United States. China also has announced plans to lend more than \$1 trillion for infrastructure projects through its sprawling Belt and Road Initiative over the next decade.<sup>28</sup> Through these trade and investment links, China is raising the costs and risks to countries of challenging it on issues it deems fundamental to its interests.

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<sup>25</sup> “State Councilor and Foreign Minister Wang Yi Gives Interview to Xinhua News Agency and China Media Group on International Situation and China’s Diplomacy in 2021.”

<sup>26</sup> Kathrin Hille, “US and China Are Not Ready to Talk About Nuclear Arms Controls,” *Financial Times*, January 11, 2022, <https://www.ft.com/content/c591d7e1-00f0-44d2-98f9-49f2574d2c37>

<sup>27</sup> Jake Sullivan, “Readout from the Biden-Xi Virtual Meeting: Discussion with National Security Advisor Jake Sullivan,” Brookings Institution, November 16, 2021, <https://www.brookings.edu/events/readout-from-the-biden-xi-virtual-meeting-discussion-with-national-security-advisor-jake-sullivan/>

<sup>28</sup> Joseph S. Nye, Jr., “What Could Cause a US-China War?” Project Syndicate, March 2, 2021, <https://www.project-syndicate.org/commentary/what-could-cause-us-china-war-by-joseph-s-nye-2021-03>

In the coming years, as economic growth in China slows and its population ages, China's leaders likely will need to devote relatively more resources to domestic social issues, leaving relatively fewer resources for large-scale overseas projects. There has already been a noticeable drop in Chinese financing of projects in Africa.<sup>29</sup> Furthermore, China's leaders appear to have begun shifting their rhetorical focus to prepare for this trend by emphasizing the opportunities that China's further opening to the outside world will create for its trading partners.

Reflecting this theme, at the World Economic Forum in Davos this year, President Xi touted the windfall benefits of China's growing demand for global goods. Xi also reaffirmed China's commitment to continued opening to the outside world.<sup>30</sup> Similarly, Foreign Minister Wang Yi has pledged to facilitate free trade arrangements with the Gulf Cooperation Council, speed up China-Japan-Korea free trade negotiations, and explore opportunities to expand trade and investment liberalization with Europe, Africa, Latin America, and the Caribbean.<sup>31</sup>

These efforts reflect China's shifting view of where it sees a growth potential. ASEAN has now become China's largest trading partner, with the EU number two. America is now a less important market for China than it was in the past, and it is perceived by Beijing to be less reliable, given growing American trade and investment restrictions resulting from concerns about China's actions in Xinjiang, Hong Kong, and elsewhere. With the entry into force of RCEP, China's position in regional and global value chains likely will deepen as it produces value-added items that then go to firms in the developing world for final assembly.

Beijing views its relationship with Moscow as an important bulwark against growing American pressure. Beijing and Moscow have significantly expanded military cooperation during the past year, conducting combined war games on Chinese territory and elevating the sophistication and geographic range of joint exercises. President Xi and President Putin signed a joint statement on June 28, 2021, that declared that Sino-Russian relations exceed those of an alliance in terms of closeness.<sup>32</sup> The two leaders issued a subsequent joint statement on February 4, 2022, that highlighted deepening Sino-Russian coordination to adapt the international system to better suit

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<sup>29</sup> Yun Sun, "FOCAC 2021: China's Retrenchment from Africa?" Brookings Institution, December 6, 2021, <https://www.brookings.edu/blog/africa-in-focus/2021/12/06/focac-2021-chinas-retrenchment-from-africa/>

<sup>30</sup> "Full Text: Special Address by Chinese President Xi Jinping at the World Economic Forum Virtual Event of the Davos Agenda," Xinhua, January 25, 2021, [http://www.xinhuanet.com/english/2021-01/25/c\\_139696610.htm](http://www.xinhuanet.com/english/2021-01/25/c_139696610.htm)

<sup>31</sup> "State Councilor and Foreign Minister Wang Yi Gives Interview to Xinhua News Agency and China Media Group on International Situation and China's Diplomacy in 2021."

<sup>32</sup> "Joint Statement of the Russian Federation and the People's Republic of China on the Twentieth Anniversary of the Treaty of Good Neighbourliness and Friendly Cooperation between the Russian Federation and the People's Republic of China," June 28, 2021, <http://static.kremlin.ru/media/events/files/en/Bo3RF3JzGDvMAPjHBQAUsemVPWTEvb3c.pdf>

both countries' preferences.<sup>33</sup> Sino-Russian economic and energy relations continue to expand, as China looks to diversify its energy dependence away from the Gulf region and secure advanced Russian military equipment.

China also utilizes its relationships with regional institutions to compensate for its absence of formal allies, save for a mutual defense treaty with North Korea. Beijing recognizes that Washington's global network of alliances is a force multiplier for American influence. Even so, China has not sought allies of its own, both as a function of its diplomatic tradition of non-alignment and because of its reticence about becoming entangled in other countries' problems. Instead, Beijing has sought to limit its strategic deficit with the United States by developing relationships with regional groupings of countries around the world. These include ASEAN in Southeast Asia, the Shanghai Cooperation Organization (SCO) in Central Asia, the Gulf Cooperation Council (GCC) in the Persian Gulf, the Forum on China-Africa Cooperation (FOCAC) in Africa, and the Community of Latin American and Caribbean States (CELAC), among others. Beijing's growing engagements with these groupings serves as a mechanism for China to develop relationships with leaders of other countries and to share its foreign policy priorities with them.

Recently, China has been expanding its use of law-enforcement cooperation as an entry point to enhance relations with other countries. After riots in the Solomon Islands, Beijing dispatched equipment and advisers to support a restoration of law and order.<sup>34</sup> Beijing made a similar offer to Kazakhstan following the outbreak of violent protests there.<sup>35</sup> Chinese companies are also exporting surveillance and facial recognition technology to help foreign governments monitor activities by their citizens. In addition to generating revenue for Chinese firms, such practices also help normalize China's own domestic law-enforcement practices by making them seem more commonplace around the world.

### **Will China's Strategy Work?**

It is far from certain whether China will succeed in minimizing damage from the United States and the West while maximizing its gains with the rest of the world. How well Beijing does in balancing these objectives while addressing its own domestic challenges will inform its ability to achieve its national ambitions.

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<sup>33</sup> "Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development," February 4, 2022, <http://en.kremlin.ru/supplement/5770>

<sup>34</sup> "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on December 23, 2021," Foreign Ministry of the People's Republic of China, December 23, 2021, [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/202112/t20211223\\_10474892.html](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/202112/t20211223_10474892.html)

<sup>35</sup> "China Offers Kazakhstan Security Support, Opposes 'External Forces,'" Reuters, January 10, 2022, <https://www.reuters.com/world/asia-pacific/china-offers-kazakhstan-security-support-opposes-external-forces-2022-01-10/>

In a U.S.-China context, it is unlikely that Chinese diplomacy will have any near-term transformative effect on public opinion or the political saliency of the China challenge inside the United States. As such, the main sources of aggravation in relations now likely will remain the same for the near-term future. These include Xinjiang, Hong Kong, Taiwan, human rights, China's state-led economic model, security concerns related to China's military build-up and how it uses its military in pursuit of its political objectives, and China's coercion against America's allies and partners.

A series of anticipable events in 2022 will generate stresses in the relationship. These include: likely American (and international) scrutiny of Hong Kong's diminishment of political freedoms around the selection of its chief executive this spring; implementation of American legislation banning the import of products from Xinjiang unless they are certified not to have been made with forced labor;<sup>36</sup> American (and international) unease about China's perceived turn toward authoritarian strong-man rule at the National Party Congress to be held this fall; and complaints about the knock-on effects of China's zero-COVID policy for global supply chains throughout the year.

A more conceptual challenge for Chinese strategists will be to preserve clear thinking about the international balance of power. As Leigh Sarty has observed, previous Leninist political systems have struggled to maintain intellectual rigor after top leaders determined that trends favored their causes. In such cases when political correctness intruded upon analytic objectivity, policy miscalculations often followed.<sup>37</sup> Sarty advises, "Just as it was premature to discount the West's staying power during the oil shocks and stagflation of the 1970s, we should not be too quick today to see 'East rising, West falling' as the incontrovertible trend of the times."<sup>38</sup>

There is quantifiable evidence to support Sarty's suggestion. According to the Lowy Institute's 2021 Asia Power Index, America's growth in national power outpaced that of China last year.<sup>39</sup> These results are at odds with Chinese narratives about America's decline. It is still too soon to say whether narratives about Chinese ascendance and Western decay will prove premature, but if such narratives prove to be correct, Xi will find himself in the company of Brezhnev, Lenin, Stalin, and Mao as a leader who assumed America was in decline and ended up disappointed by America's defiance of their forecasts.

China also will need to contend with second-order effects of its rapid rise. It runs the risk of emulating the experience of Germany in the post-Bismarck period. Under Bismarck, Germany fastidiously guarded against presenting itself as a threat to avoid alerting neighbors to the need to

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<sup>36</sup> "H.R.1155 - 117th Congress (2021–2022): Uyghur Forced Labor Prevention Act," December 8, 2021, <https://www.congress.gov/bill/117th-congress/house-bill/1155>

<sup>37</sup> Leigh Sarty, "East Rising, West Falling': Not So Fast, History Suggests," *Washington Quarterly* 44, no. 3 (September 2021): 91–106, <https://www.tandfonline.com/doi/full/10.1080/0163660X.2021.1969090>

<sup>38</sup> Ibid.

<sup>39</sup> "Asia Power Index Edition 2021," Lowy Institute, 2021, <https://power.lowyinstitute.org/>.

band together to guard against Germany's growing power. Bismarck successor, Kaiser Wilhelm, concerned himself far less with reassuring Germany's neighbors of Germany's benign ambitions. Partly as a result, Germany's growth in economic and military strength came to be viewed as a threat to European stability.<sup>40</sup> With Chinese leaders now talking less about "peaceful rise" and more about the need for other countries to respect China's strength, Beijing now runs risk of setting in motion a similar dynamic in East Asia.

There already has been a proliferation of efforts in recent years by countries along China's periphery to tighten regional security cooperation. There has been the AUKUS accord, the Quad grouping, a new Japan-Australia security pact, closer Australia-India-U.S. military coordination, and expanding rotational access for U.S. forces in the Philippines, Vietnam, Malaysia, and Australia, to name but a few examples. This trend is not favorable to China's strategic position. It beckons the question of whether China will adapt its policies to mitigate the risks of strategic encirclement, or whether generational leadership change will be required for China to modify its muscular approach to the region.

Arguably the most fundamental variable influencing the trajectory of China's rise is its domestic situation. This is where the preponderance of the attention of China's leaders is focused. China's proximate challenges include containing the spread of COVID-19, unwinding a property sector that has become overleveraged, and addressing rising social inequality. At a more systemic level, China's economic model is beginning to sputter, with mounting debt, worsening demographics, declining growth, and flat productivity. China faces vulnerabilities in its dependence on foreign sources for energy, food, and technological inputs. Management of usable water also is a growing and growth-constraining challenge. Beijing faces water scarcity in northern China and rising risks from flooding and sea-level rises in southern China. Its leaders also confront challenges along the country's internal boundaries, as tensions in Inner Mongolia, Xinjiang, Tibet, and Hong Kong simmer. But none of these challenges, in whole or in part, appear to be existential risks to the CCP's hold on power. Even so, each of them poses difficult choices.

Perhaps recognizing these mounting challenges, leading Chinese thinkers such as former dean of Peking University's School of International Relations, Jia Qingguo, have begun raising concerns publicly about potential risks for China on the horizon. Jia, who is also a member of the Standing Committee of the Chinese People's Political Consultative Conference, China's top political advisory body, has been calling for sober, balanced responses. He has warned of the potential perils of overreaction by, for example, China closing itself to the outside world in efforts to inoculate against supply-chain vulnerabilities or overinvesting in national security at the expense of other domestic priorities. In a long recent article in the *Journal of International Security Studies*, Jia warns against making sweeping policy pendulum swings or overreacting to challenges.<sup>41</sup>

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<sup>40</sup> Ikenberry, "Systemic Rivals: America's Emerging Grand Strategy toward China," 14–18.

<sup>41</sup> Jia Qingguo, "对国家安全特点与治理原则的思考" (Reflections on Characteristics of National Security and Its Governance Principles), *Journal of International Security Studies*,

Jia's message is a reminder that policy decisions in Beijing are made according to evaluations of risks, opportunities, and requirements. China's leaders confront tough trade-offs between competing priorities, just like other leaders around the world. China's future is not predestined.

Up until now, China's leaders have made decisions that have led to rising living standards at home and growing influence on the world stage. They may yet find ways to overcome the domestic challenges and growing geopolitical headwinds. As every good investment adviser will tell you, though, past performance is not indicative of future results.

### **About the Contributor**

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