



U.S.-China Relations for the 2030s: Toward a Realistic Scenario for Coexistence

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Preface by Mariano-Florentino (Tino) Cuéllar

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Contents

Preface	i
Mariano-Florentino (Tino) Cuéllar	
Introduction	1
Christopher S. Chivvis	
CHAPTER 1	
A Realistic Scenario for Coexistence Between China and America in the Mid-2030s	5
Christopher S. Chivvis	
CHAPTER 2	
Scenarios for the U.S.-China Relationship: Reflections on “Positive but Realistic Futures”	19
Evan S. Medeiros	
CHAPTER 3	
The Future of China-U.S. Relations: What Can International Relations Theory Tell Us?	27
Stephen M. Walt	
CHAPTER 4	
Envisioning Positive U.S.-China Relations in the 2030s	37
John Culver	
CHAPTER 5	
China-U.S. Relations in a Changing Global Order: Prospects for the Future	47
Rosemary Foot	

CHAPTER 6		
	The United States, China, and the World Economy to 2035	59
	C. Fred Bergsten	
CHAPTER 7		
	What Future for the Renminbi in the Global Monetary System?	67
	Edoardo Campanella and Meg Rithmire	
CHAPTER 8		
	Envisioning a Stable Military Balance in 2034	79
	M. Taylor Fravel and Eric Heginbotham	
CHAPTER 9		
	U.S.-China Strategic/Nuclear Policy Moving Toward 2035	91
	George Perkovich	
CHAPTER 10		
	China's Economic and Informational Influence Activities	97
	Audrye Wong	
CHAPTER 11		
	After Engagement, What? Mapping Future Conceptual Frameworks for U.S. Relations with China	109
	Stephen Wertheim	
	About the Authors	119
	Notes	121
	Carnegie Endowment for International Peace	139



Preface

Mariano-Florentino (Tino) Cuéllar

As an undergraduate at Stanford University, Morton Abramowitz—who would later become the seventh president of the Carnegie Endowment—thought the world was far too oblivious to China’s future. It was the early 1950s, and China was hardly a global power. It was a large and poor country: its annual gross domestic product per capita was less than \$60, generated by a stagnant and state-controlled economy relatively isolated from global trade.¹ But Abramowitz thought in decades rather than years, envisioning a China that “would eventually loom large in world affairs.”² Four decades later, Carnegie issued a report titled *China: Can We Have a Policy?* in which Abramowitz observed that “what we see is a rapidly changing China that gives us cause for both optimism and concern.”³

Since his report, China kept growing its economy and power, rising to unprecedented heights in world affairs. Its economy has grown almost twentyfold to become the world’s second largest, just behind the United States.⁴ It is a global leader in manufacturing, technology, and science. Its influence spans the globe, from Asia and Africa to the Middle East and Latin America. Adapting to this reality is likely to remain an enormous challenge for American statecraft for decades to come.

Washington and Beijing are now competing in virtually every domain of global power. Yet their competition and differing goals do not eliminate the possibility of certain convergent interests. Indeed, the two countries and the rest of the world may benefit from a measure of cooperation on issues of core importance at this moment in history: from managing the climate crisis to developing norms to govern artificial intelligence, to reducing nuclear risks, to preventing the next global pandemic. Most of all the United States and China owe it to their peoples and the world to avoid a catastrophic war. How they manage their relationship over the next decade will be of enormous consequence for the future of humanity.

This new project from Carnegie has taken on the ambitious task of finding a path forward, asking “How might China and America come to coexist peacefully?” It does this with an eye to the troubled reality of the moment we are in, but also a deep concern for the consequences of failing to imagine a more stable future.

Carnegie has a long legacy of supporting international cooperation during times of great tension and uncertainty. After the Second World War, former Carnegie president James T. Shotwell helped draft the United Nations Charter. During the Cold War, Carnegie experts laid the groundwork for nuclear nonproliferation, a cornerstone to détente between the United States and the Soviet Union. This compilation follows that tradition of forging realistic paths for diplomats on the most difficult challenges, and in the most difficult of circumstances.

As members of a vibrant policy community determined to address the world’s most pressing challenges, it is our responsibility to imagine what’s possible while remaining realistic about what’s attainable. U.S. and Chinese national interests will often diverge, and we should be clear sighted and vigilant about these differences. But the path to a world more aligned with America’s needs also compels us to be open to cooperation where our interests converge. A pragmatic approach that resists both starry-eyed optimism and bleak skepticism will therefore be needed. In the following chapters, experts use their practical imagination, grounded in evidence, to take seriously the prescient challenge Morton Abramowitz posed and reiterated decades ago and to envision a more constructive and promising future for U.S.-China relations in the 2030s.

I thank the American Statecraft Program and Christopher S. Chivvis for his leadership and contributions to this compilation. I also extend my gratitude to the contributing authors: Evan S. Medeiros, Stephen M. Walt, John Culver, Rosemary Foot, C. Fred Bergsten, Edoardo Campanella, Meg Rithmire, M. Taylor Fravel, Eric Heginbotham, George Perkovich, Audrye Wong, and Stephen Wertheim.

Mariano-Florentino (Tino) Cuéllar
President
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October 2024



Introduction

Christopher S. Chivvis

The tensions marking the U.S.-China relationship have generated a pessimistic, sometimes dire, vision for its future. Hostility has reached a level that makes war thinkable and perhaps even likely within the next decade. It has become difficult to imagine how Washington and Beijing might turn their relationship, which is so crucial to the future of world order, toward calmer waters. If there is to be any hope of doing so, however, policy experts need some realistic vision of what those calmer waters might look like. This volume provides such a vision. The chapters collectively sketch a scenario for U.S.-China relations that is realistic and more positive than many on offer in Washington today. In it, America and China are less hostile toward one another and manage their competitive relationship predictably and without recourse to open conflict.

During the Cold War, the United States and the Soviet Union found a path toward calmer waters in the 1970s, thanks to the efforts of then president Richard Nixon and his national security advisor, Henry Kissinger. Their policy of *détente* did not bring the superpower confrontation to an end, but it did stabilize a dangerous relationship and set the stage for the peaceful resolution of the Cold War in the following decade. This volume does not outline a specific path toward *détente* with China, and different authors have different views on the prospects for such an outcome. But together these chapters sketch what a successful effort to relax tensions might realistically aim to achieve.

It is important to note upfront that this volume does not aim to predict the future. Instead, the aim is to sketch a possible version of the future. Whether the United States and China will successfully repair their relationship and slow the trend toward greater conflict cannot be known today. The bilateral relationship is passing through a particularly dangerous phase and it is likely to remain competitive if not adversarial for decades to come. There is a real possibility that conflict will get worse, as many of the authors in this volume note.

But as historians know, the future is never set in stone, and if we are to develop strategies that steer us toward more positive futures, we need some understanding of what these futures might look like. In the initial chapter, I lay out an overview of the broad contours of such a future, bringing together ideas from several other chapters and adding additional material that is the product of my own reflection on the subject.

In the second chapter, Evan Medeiros explains the full range of possible scenarios that might develop and the critical factors that will drive the relationship toward one scenario or another. His analysis moves from the fundamental assertion that “the future of the U.S.-China relationship is as consequential as it is uncertain.” His scenarios range from a global condominium to a war.

The past is not always a good predictor of the future, as Stephen Walt explains in his survey of what the major theories of international relations teach us about the future of the U.S.-China relationship. Policymakers err when they make predictions based on a single moment in time, Walt writes, “because states define and defend their interests differently as their relative power changes and as internal and external circumstances evolve.” As his chapter makes clear, this does not mean we should expect peace to endure—far from it—but that policies grounded in defensive realism and economic liberalism are most likely to sustain it.

John Culver’s chapter identifies what it would take for Washington and Beijing to constrain their competition and “stop racing toward the bottom”—in other words, what it will take to move toward a more stable, managed competition constrained by mutually agreed rules and norms. A key part of getting there is that both countries recognize that the existential fears that so often inform their respective strategies are “at least partially imagined” and that a less confrontational approach is feasible and compatible with their security and interests.

Rosemary Foot outlines how Washington and Beijing might get to a similar point through a reformulated approach to major problems of world order. She argues that a less confrontational, or at least more stable, global relationship is possible. It will require strengthening channels of communication, accepting the reality of a shared fate, and building from current “islands of consensus” about major international legal and normative questions—among other steps.

Geopolitical rivalry between the America and China is often thought to make mutually profitable economic exchange impossible in the future, but Fred Bergsten argues that this need not be the case. His chapter sketches a future in which each continues to try to maximize its alliances and power while both continue to enjoy economic interdependence. In this scenario, the “two superpowers will learn to live with each other, with continuing tensions but without hostile interactions.”

The role that monetary relations will play in the future of the relationship is easily misunderstood. The United States has for decades enjoyed the extraordinary privilege of the dollar’s unchallenged role as the world’s premier global reserve currency, but China has talked about

replacing the dollar with the renminbi. In their chapter, Edoardo Campanella and Meg Rithmire argue that the United States can afford to be more sanguine about this possibility than many assume. Not only would the rise of the renminbi as a global reserve currency require that China undertake economic reforms that are very desirable from a U.S. perspective, but a more balanced global monetary system might also decrease tension and conflict.

The military dimension is perhaps the most vexing part of the relationship, especially given China's pretensions to dominate East Asia militarily and the issue of Taiwan. During the Cold War, a rough military balance that was recognized by both sides was a precursor to superpower détente. The same will be difficult to achieve in East Asia. Taylor Fravel and Eric Heginbotham sketch basic parameters for this to happen in their chapter. The key will be for the United States to maintain forward deployments for deterrence but in a posture of defense-dominance—"forward-deployed U.S. forces that are resilient with capabilities primarily oriented toward defeating attacks rather than launching offensives."

China is poised to substantially increase the size and capabilities of its nuclear forces, and this greatly complicates the global strategic environment. George Perkovich pinpoints the steps that the two countries need to take to get to a more stable situation in which they are "engaged in sustained bilateral talks, with subgroups on nuclear and missile risk-reduction measures, giving substance to these topics."

Conceptual frameworks and narratives—in China, America, and around the world—will also shape the future of the relationship. As Audrye Wong explains in her chapter, Beijing has pushed global narratives that tend to heighten tensions rather than alleviate them. These narratives often take the form of propaganda or disinformation. They have sometimes fallen flat or backfired, but the United States should still be wary of them, encourage China to adopt a less provocative approach in its global messaging, and insist that Beijing refrain from efforts to interfere in U.S. domestic politics.

In his chapter on U.S. narratives about China, Stephen Wertheim sketches three possible frameworks for U.S. policy, including competitive coexistence, strategic competition, and Cold War-style containment. "Given the mutual interests and economic and ecological interdependence that bind the two powers," he writes, "it might seem logical that Washington would alight upon competitive coexistence after a period of adjustment to a stronger and more assertive China." But nothing is guaranteed. America may prove more comfortable with the familiar mental map of the Cold War.

The United States and China have a joint interest in finding a *modus vivendi* that provides the context for continued peace, prosperity, and national flourishing. America's allies around the world share this interest and can support it. There are no guarantees that either country will muster the restraint and discipline needed to steer their relationship in this direction—far from it— but this is not impossible and it would be dangerous not to try. Having a realistic picture of what it might look like is the first step in this direction.

CHAPTER 1

A Realistic Scenario for Coexistence Between China and America in the Mid-2030s

Christopher S. Chivvis

The list of frictions in the relationship between the United States and China is long and growing. Beijing is threatening Taiwan with its military maneuvering, has declared a no-limits partnership with Russia, has pursued a far-reaching conventional and nuclear arms buildup, and is using its coercive economic tools against U.S. allies and partners. The rule of the Chinese Communist Party has meanwhile grown more personalized under President Xi Jinping, which makes its foreign policy less predictable in some regards. The United States has responded with far-reaching economic measures aimed at countering China, measures that deny China access to advanced U.S. technologies, provocative visits by congressional leaders to Taiwan, a diplomatic initiative to strengthen U.S. alliances in Asia, and an arms buildup of its own. The consensus that once surrounded a strategy of deep engagement with China has collapsed, and one of the few policy issues that Democrats and Republicans agree on is being much tougher on China. Most recent strategic thinking about China has, accordingly, advocated a more aggressive U.S. approach, with a strong coercive military element and ideological dimension.⁵

These trends can make it difficult to envision what a more stable and predictable relationship between China and America might look like. But doing so is extremely important. History teaches us that nations will take steps to protect themselves when they believe that conflict and war are likely or unavoidable, and that these steps often increase the chances of the conflict they seek to avoid—sometimes creating a self-fulfilling prophecy. Today, U.S.-China relations are following this pattern, reducing incentives for cooperation and creating spiral dynamics.⁶

But there are still multiple scenarios for the future of U.S.-China relations, including ones that are realistic and attainable, and in which the two countries find a stable *modus vivendi* for coexistence and manage their frictions and conflicts without sliding into a major power war. This possibility is the subject of this volume, and this chapter sketches what such a scenario might look like between today and the mid-2030s economically, militarily, and when it comes to world order:

- Economically, the United States and China might be at rough parity, but a *modus vivendi* would still be possible. Although it would be preferable if trade and investment levels between the two powers remained robust, it is more important that political friction over trade and investment is reduced. Some degree of technological decoupling is unavoidable, but this could reach its limits by the next decade, reducing the tensions it has recently caused.
- A rough military balance in East Asia would provide a foundation for strategic coexistence. This new strategic reality would open the possibility of nuclear arms control. China would not, however, have developed the capability to challenge the United States' military power globally, even as its global reach increases.
- Tensions between the United States and China over the shape of the twenty-first century world order would continue but would be reduced, and collaboration in some areas would be beginning. In a best-case outcome, Beijing and Washington would cooperate on global challenges where they share interests, such as climate, artificial intelligence norms, and global health.

The scenario involves a core geopolitical bargain in which the United States accepts China's continued growth and development but works to balance its regional hegemony and receives reassurance from Beijing that it can be content without global preeminence. For its part, China shows that it does not seek to replace U.S. hegemony with a hegemony of its own, and that it can be satisfied with something approximating equality in East Asia combined with a greater global role—or at least recognizes that this is preferable to gambling on a war or trying to undercut the United States virtually everywhere. In this scenario, China is not intensifying efforts to change the territorial status quo in Taiwan by force, even though it is certain to retain its claim to the island and not to renounce the use of force altogether. Both sides meanwhile compete economically to maximize their national wealth, but they do so in a way that does not intentionally damage the other. Protective “scaffolding” in the form of military crisis-management procedures, arms control, and cooperation on at least some key issues of global governance helps to stabilize the relationship.

To be sure, this scenario will require changes on both sides, and these might never materialize. Trust is seriously lacking between Beijing and Washington, and this makes it much more difficult to pursue policies that move in the more positive direction of this scenario. Leaders in either nation might also just reject this scenario as too limiting of their national

ambition and hope to achieve more, no matter the risks. China might be unwilling to make credible commitments to global restraint. The United States might be unwilling to accept any global role for China whatsoever. But the scenario should still be appealing today because it represents a realistic equilibrium, one that allows both sides to flourish in the context of a reduced risk of great power war.

The chapter begins with a brief overview of *détente* between the United States and the Soviet Union during the Cold War. That historical episode sets a useful precedent for what might be achievable between the United States and China in the next decade. Then, the chapter considers the economic, military, and world order aspects of a potential U.S.-China *modus vivendi*.

The Cold War Precedent

The *détente* period of the Cold War began in the late 1960s at a time when the enormous costs and risks of superpower war had become clear. This clarity was in part due to the fact that the Soviet Union had reached nuclear parity with the United States. The prospect of continuing the nuclear arms race looked costly and dangerous, especially in the wake of the Cuban Missile Crisis, which had almost ended in a history-altering nuclear war. American policymakers recognized that a cooling down in superpower relations was badly needed—and also desired by many Americans, who were weary from the war in Vietnam and the strain of the nuclear age. Then president Richard Nixon and national security adviser Henry Kissinger disliked the fact that West Germany, a key ally, had itself begun pursuing a cooling off with Moscow through its *Ostpolitik*. They hoped that *détente* would restore America to the driver's seat in East-West relations and thwart Moscow's emerging divide-and-conquer approach to western Europe. They also hoped (vainly) that Moscow could help deliver a ceasefire in Vietnam. For its part, Moscow shared Washington's desire to reduce costs and concerns about nuclear war, and it also viewed *détente* as a chance to gain legitimacy and prestige.⁷

A key factor that facilitated the emergence of *détente* was the reality that the geographical lines of superpower confrontation in Europe had become static, despite East-West hostility and the continued risk of nuclear war. Although a political conservative, Nixon had come to view the Soviet Union as a status quo power rather than the anti-capitalist revolutionary power that it professed—and many believed it—to be. This made negotiation with the Kremlin possible. As Nixon wrote in a letter to his defense secretary Melvin Laird, “We must recognize that the Soviet Union has interests; in the present circumstances we cannot but take account of them in defining our own. We should leave the Soviet leadership in no doubt that we expect them to adopt a similar approach toward us.”⁸ For Soviet leaders, it was now possible to negotiate with the United States as an equal, thanks to the progress they had made in building up their country's nuclear arsenal.

Kissinger said that Nixon's statecraft also aimed to "improve the possibilities of accommodations" with Moscow while increasing Washington's diplomatic room for maneuver.⁹ Specifically, the aim was to reduce conflicts with the Soviets in marginal areas and create alternatives to conflict in the most important ones. Nixon thus announced in his inaugural address in 1969 that his would be an "era of negotiation."¹⁰ The two sides then agreed to a set of "Basic Principles" that would guide their relationship and eventually signed landmark arms control agreements on missile defenses and nuclear weapons, as well as novel trade agreements that allowed Soviet grain to flow into the United States.

Some scholars discount the relevance of détente to U.S.-China relations today. They argue that Nixon and Kissinger's efforts did not resolve the conflict with the Soviet Union once and for all. To be sure, American statecraft in this era was imperfect and impermanent. It is undeniable that U.S.-Soviet relations deteriorated when Soviet troops invaded Afghanistan during Jimmy Carter's presidency, and even more early in Ronald Reagan's. But to dismiss détente in this way is a superficial historical analysis. What Nixon and Kissinger set in motion was important not only in itself, but also to later efforts that helped bring about the end of the Cold War. It also reduced the threat of war throughout the 1970s.

Nixon and Kissinger's statecraft has been fairly criticized on many fronts for its duplicity and sometimes blatant disregard for human rights, but the efforts that the United States made in these years to stabilize relations with the Soviet Union and thus lower the risk of superpower war were a real contribution to the well-being of the world. It is worth noting that by making the 1975 Helsinki Accords possible, détente also made possible a shared commitment to basic human rights on a global scale.

Key features that facilitated détente in these years included some level of domestic political support on both sides, a joint recognition that the potential for future gains through military means are limited, and an acknowledgment of a mutual interest in reducing the risk of war and the costs of constantly preparing for it. Whether such conditions will emerge in the next decade between the United States and China is uncertain. A major challenge that stands out between the détente period and the present is that whereas Washington and Moscow basically agreed about what constituted the status-quo in Europe by the late 1960s, the United States and China fundamentally disagree over what constitutes the status-quo in East Asia, and this is a significant obstacle.

U.S.-Soviet détente should nevertheless not be viewed as a strict roadmap for what détente between the United States and China must look like. A relaxation of tensions in U.S.-China relations might mirror U.S.-Soviet experience in some ways but is sure to have its own unique drivers. At a minimum, the détente of the 1970s is a reminder of the potential for positive change even in the most conflict-prone superpower relations.

Economic Relations

U.S.-China economic relations can be divided into three areas: first, relative economic scale, which is the most relevant for global geopolitics and is determined primarily by the overall size of each nation's economy and its growth trajectory; second, the degree of economic interdependence between the two economies, especially through trade and investment; and third, the technology relationship, which has become increasingly challenging in recent years due in particular to the prevalence of dual use technologies.

Relative Economic Scale

One of the main reasons China has caused so much anxiety in Washington in the last decade is its surging economic heft and future potential. This growth has stoked fear in the hearts of many Americans—not just for economic but also for geopolitical reasons. Economic strength is a key determinant of national power in world politics, and if China were to greatly surpass the United States in national economic power, it could gain the resources for a realistic bid to impose its hegemony on the world.¹¹ Were this to occur, a *modus vivendi* would be nearly impossible to achieve and the chances of hegemonic war between the United States and China would vastly increase.¹² Fortunately, earlier forecasts that China was bound to greatly surpass the United States in economic power now look off the mark. It is of course difficult to make economic predictions for ten or twenty years into the future, but since the economic crisis caused by COVID-19, it seems more likely that the United States and China will be at rough economic parity for the foreseeable future. China will remain a major challenger to the United States, but it is far from certain that it will surpass the United States in economic power. This parity should make a *modus vivendi* less problematic than it might have been if China seemed on track to continue its previous high levels of economic growth through the 2030s and 2040s.

China's economy has recovered from the sharp slowdown that it experienced as a consequence of COVID-19 and Xi's response to it, but as of 2024, it still faces significant near and medium-term headwinds. These include a real-estate sector that is badly in debt, slowing productivity growth, an ongoing trade war with the United States that could expand to Europe, and a declining population. China's Belt and Road Initiative once sat at the center of Beijing's bid to extend its economic influence across Eurasia and globally, but it appears to have diminished in ambition as China's partners have grown more skeptical and Beijing has felt the financial strain of its lavish spending.¹³ Xi remains focused on making China the world's industrial superpower, but this will be difficult if Beijing cannot scale up domestic demand or convince the rest of the world to buy its high-end industrial exports on a large scale.¹⁴ Increases in domestic demand are possible, but necessary reforms are a long way off and it is unclear whether Xi will pursue them. Meanwhile, Xi's continued emphasis on

high-end manufacturing for export is creating a backlash against Chinese exports in many wealthy countries, as evidenced by recent U.S. and European tariffs on Chinese electric vehicles. In these conditions, the export-oriented model that sped China along the path toward economic success for decades will not produce the impressive levels of growth that China enjoyed in the past.¹⁵

Most economists therefore predict that China's average GDP growth will fall to a rate between two and five percent over the next two decades. The IMF, for example, forecasts that China's economic output will gradually decline from five percent growth in 2024 to a little more than three percent in 2029.¹⁶ At these levels, China would probably surpass the United States by 2050, but only marginally—its GDP would be only 15 percent larger, for instance.¹⁷ This would not be a very substantial lead, especially when the demands of China's much larger population and likely technological lag are taken into account.¹⁸ If China grows more slowly than forecasted, it will not surpass the United States at all unless U.S. growth also badly stalls.¹⁹ Only in the unlikely scenario where U.S. growth remains very low and China's growth is very high would China's GDP surpass U.S. GDP much sooner than 2050.²⁰

As a result, China's prospects for amassing so much economic power that it can supplant America's role in the world seem dimmer than they did a decade ago.²¹ More likely, the United States and China will continue to have roughly equal weight in the world economy at least in the next decade and very possibly well beyond that. The fact that China is unlikely to outshine America economically should, however, both diminish U.S. anxieties and cool unrealistic Chinese hopes that a new global dominion will emerge for Beijing. This does not, of course, mean that China's economic power will recede, or that that frictions and challenges between China and the United States will go away. China will still be a rough economic peer to America, one that can and will confront American primacy for decades to come.²²

The Trade and Investment Relationship

The U.S.-China trade and investment relationship has become more and more fraught over the last decade now. It is poised to get even more contentious as long as Xi continues to dump China's advanced industrial exports onto world markets. But it is nevertheless too soon to write off the possibility of continuing a mutually beneficial economic relationship. Even if the two economies decouple to a significant degree, this would not preclude a stable political relationship or cooperation on global public goods.

Washington has been critical of China's protectionism, intellectual property practices, and state subsidies to key export industries for giving China unfair advantages and damaging U.S. prosperity. Xi's "Made in China 2025" plan for massive industrial expansion, which was first announced in 2015,²³ could still generate further protectionism in the United States and other major economies. The risk that U.S. capital investment in advanced manufacturing sectors in China furthers the People's Liberation Army (PLA)'s acquisition of militarily-relevant advanced technology could also reduce momentum for economic integration.

But China's illiberal economic practices and U.S. protectionism will not necessarily make decoupling inevitable. There is a scenario in which the trade frictions of recent years dwindle by the 2030s, and the U.S.-China trade war stabilizes. In this case, the level of bilateral trade would probably still be significant. Today, even with the higher tariffs imposed under Presidents Donald Trump and Joe Biden, bilateral trade remains important to both economies: the United States exported \$154 billion in goods to China in 2022, making the country its third-largest export market for goods that year.²⁴ U.S. investment remained high, with an annual average of \$10 billion in outward flows of FDI between 2019 and 2022.²⁵

Both China and the United States have an interest in preserving much of their economic relationship. China needs the markets of the United States and U.S. allies to sustain consistent growth. Maintaining significant levels of U.S.-China economic exchange is also conducive to military restraint. As long as Beijing sees its economic future as linked to access to the U.S. economy and the economies of U.S. allies, it will be more reluctant to risk a sharp break, for example by invading or imposing a military blockade on Taiwan. And the United States, for its part, has more than a purely economic interest in maintaining some level of economic interdependence with China, even if this is not a guarantee against conflict.²⁶

If the trade and investment relationship dwindles substantially, a *modus vivendi* would be less likely but not foreclosed. Just as economic interdependence does not guarantee peace, it is not a requirement for peaceful coexistence. For example, the U.S.-Soviet relationship moved toward greater levels of economic exchange as part of *détente*, but their overall level of economic interdependence was far below that of the United States and China today.

The Technology Relationship

Competition over advanced technology is sure to remain an area of friction between the United States and China for years due to the impact of artificial intelligence, advanced biotechnology, quantum computing, and other technologies on national economic and military power. But technological competition need not become all-consuming. Frictions over sharing technology also could diminish as time passes and the United States and China settle into a new normal in which both sides accept that technology limitations are natural.

The Biden administration has introduced major export and investment restrictions aimed at limiting China's access to U.S. technology. These primarily target advanced semiconductors that could be used for artificial intelligence or specialized military applications.²⁷ The United States has promised to keep the number of highly restricted technologies very limited, but pressure to include limitations on more technologies is growing. As it does, China's claims that the United States is aiming to undercut its economic growth will become more intense and credible, and reprisals from Beijing will be more likely.²⁸

This trend notwithstanding, it is not unusual for a nation to seek to protect its advanced technologies, especially in critical areas and for legitimate security interests. The United States employed export restrictions throughout the Cold War and post-Cold War era, after all. It often does not even share its most advanced technologies with close allies. Beijing should be able to accept this reality without viewing it as an unnatural or unfair assault on China's national growth.

At the same time, U.S. restrictions are likely to decelerate over time as they reach the limits of their effectiveness. After all, the United States cannot entirely cut off China's access to technology with such measures; it can only delay China's acquisition of similar technologies. Technological knowledge lies on top of a foundation of scientific research, and China's native research capabilities have grown substantially in the last decade—especially in applied fields relevant to economic growth and military capabilities.²⁹ The marginal gain to U.S. security of new restrictions will therefore decrease over time as China increases its own capacity. Additional U.S. restrictions will naturally address technological areas decreasingly vital to national security and economic growth, such that the United States may reach a point at which additional restrictions no longer make sense. Those already in place are likely to remain, but the pace at which new ones are introduced is likely to decline over the next decade, reducing the bilateral friction that this has created in the last few years.

The Military Balance

The military balance between the United States and China will play a critical part in any coexistence scenario. It can be analyzed at three levels: the global military balance, the military balance in East Asia, and the nuclear-strategic balance.

The Global Military Balance

China has considerably expanded its military power over the last two decades, but the threat this poses to the U.S. global military footprint should not be exaggerated. Its navy has and will continue to have more ships than the United States does.³⁰ The gap appears likely to grow; whereas the U.S. fleet will remain at around 290 ships for the next decade, China's is expected to grow from 370 to 435 ships.³¹ As many naval experts have noted, however, the size of a fleet is not an accurate measure of its overall capability—the U.S. fleet is not only larger in tonnage (U.S. ships are heavier) but also widely regarded as more capable.³² Moreover, most of China's fleet is concentrated in East Asia, so its size is more relevant to China's power in that region than to the potential for Chinese global military power.

China's efforts to secure naval basing around the world have also led many in Washington to fear that China will soon threaten America's longstanding primacy on the high seas. There are good strategic reasons for Washington to monitor China's basing, but its significance for Beijing's global military posture can often be overstated. Currently, China has built only

one military base outside Asia in Djibouti. It is seeking to establish more bases, primarily in the Indian Ocean, where it hopes to protect its access to energy from the Middle East, upon which it is dependent.³³ It is true that the PLA Navy benefits from China's global network of commercial ports for some of its logistics, but this network does not provide anywhere near the same level of capability that a network of military bases would.³⁴

Intent is also not capability. For China to expand basing at a level that would create a truly global navy with combat capability that could rival America's would be extremely difficult and take decades. Building a reliable global infrastructure for naval logistics, let alone for an army or air force, requires a long-term and persistent effort, very favorable political conditions, and good luck.³⁵ Britain built its global presence over more than a century, while America did so in large part as the consequence of victory in the Second World War, which was a uniquely propitious historical moment.

China's navy may therefore be growing, but in a decade China will still have nothing comparable to the global military footprint the United States has acquired over the last seventy-five years, and which includes hundreds of thousands of ground forces deployed in dozens of countries, massive airpower in three major overseas regions, unprecedented naval basing rights and infrastructure, and far-reaching diplomatic and political supporting arrangements.

China's navy could pose a threat to the United States' capacity to operate around the world as freely as it does now, but only if it chooses to act in certain costly ways. For example, if China's fleet behaves as it has behaved in the South China Sea and harasses and pressures other states globally, this would be a serious problem, even if it did not result in direct conflict with the United States. If Beijing wants to be seen as a constructive force for the global commons, it has an interest in using its global naval presence more benignly.

Chinese emplacements or deployments that open the United States to direct conventional attack would obviously create a new situation to which Washington would be forced to respond. These are imaginable if, for example, China makes significant inroads in Latin America. But this is less likely than is sometimes portrayed because the nations of the Western Hemisphere are highly susceptible to U.S. pressure should they venture too far down the path of close security ties to China. The tiny steps that some have made in this direction should not be uncritically extrapolated as straight-line projections into the future.

The Military Balance in East Asia

Finding a stable military balance in East Asia is the most difficult challenge for the United States and China in finding an overall *modus vivendi* for their relationship. During the Cold War, a rough nuclear and conventional military balance between East and West had emerged by the mid-1960s. With both sides bristling with arms, it was clear that neither had much to gain from starting a war. Flashpoints were stabilized through fortifications like the

Berlin Wall. This balance helped to stabilize Europe and lay the ground for détente in the 1970s. An analogous balance will be very difficult to achieve in East Asia in the next several years, but it is possible the situation may be more balanced by the 2030s than it is today.

To begin with, it is hard to imagine differences over territorial issues around China, especially over Taiwan and the South and East China Seas, improving much. Unlike during the Cold War, there is no underlying agreement between the United States and China about what constitutes the status quo in the first place when it comes to Taiwan. Washington views the status quo primarily in territorial terms whereas China views it primarily in political terms. Beijing believes the political status quo on Taiwan is changing with U.S. encouragement such that the island's permanent separation from the mainland is becoming more likely. In contrast, the prevailing view in Washington is that Beijing is threatening to change the territorial status quo through military force. This is hugely problematic and will take serious diplomacy and restraint on both sides to change.

It was at one time possible, at least theoretically, to envision a scenario in which the standoff over Taiwan would be resolved through the United States accommodating China's desire for reunification through some kind of a grand bargain.³⁶ Such a policy has no political support today, however, and pursuing it could end up emboldening China's leadership into a more aggressive foreign policy elsewhere.

Deterrence that creates military parity must therefore be the basis of stability and a *modus vivendi*. By the mid-2030s, this is likely to be the reality. There are plenty of ways in which the United States or China could get the military balance in East Asia wrong and thus end up at war, but it is likely that military parity will be more clear in a decade than it is today. Enhanced U.S. military deployments in East Asia—such as the addition of the B-21 stealth bomber, more nuclear-powered attack submarines, more long-range missile stocks, enhanced command and control networks, dispersion, hardening of bases and key infrastructure, and other measures that the United States is putting in place—should help create a more stable balance. This balance will be reinforced by the enhanced capabilities of key allies such as Australia and Japan, and the implementation of a more effective national defense strategy by Taiwan.

It is also possible that by the mid-2030s, military crisis-management arrangements will be established that reduce the risk of accidental escalation. Granted, China has sometimes been reticent about establishing such procedures because it viewed instability as favorable to its regional aims. China's record on this front is not encouraging. Whereas Washington's experience of the Cold War inclines it positively toward such measures, Beijing has no such history to inform its military culture. Nevertheless, if the next decade sees an increase in military incidents—for example due to growing militarization of East Asia—this could encourage a more constructive approach from Beijing. Its agreement to reinvigorate communication channels at the Biden-Xi summit in November 2023 was a step in the right direction however, and with luck could result in functional crisis mechanisms by the mid-2030s.

In debates over political military strategy, it can be too easy to disregard the importance of reassuring adversaries. Nevertheless, adversaries must know that restraint on their part will be rewarded. Just as the United States fears emboldening Beijing through restraint, Beijing fears that restraint on its part emboldens Washington to encourage Taiwan to move to a permanent state of independence from the mainland, which would be unacceptable for Beijing. Washington can avoid, or at least reduce this perception, with a redoubled effort to reassure China that it does not support unilateral Taiwanese moves toward independence and does not seek to keep Taiwan permanently detached from the mainland. Doing so would reduce Beijing's incentive to take military action against the island and mitigate its tendency to view U.S. policy through a worst-case lens. This might involve Washington taking greater care to avoid statements and actions that imply U.S. support for or openness to Taiwan's independence or permanent self-rule, while reinforcing the U.S. commitment to its One China policy—or even returning to the past practice of publicly criticizing Taiwan if it shows signs of moving toward independence.³⁷

The Nuclear-Strategic Balance

When it comes to the growth of China's military power, one development that many in Washington find especially disturbing is China's plan to build a nuclear force of 1,500 operational nuclear warheads by 2035.³⁸ This plan is clearly problematic from the standpoint of global nonproliferation. It will also make deterrence across the Taiwan Strait more challenging if China concludes that its large nuclear arsenal will give it more latitude for conventional military operations against Taiwan. At the same time, however, looking to the 2030s, China's buildup could offer a silver lining. With a much larger nuclear force, China should have more confidence in the security of its second-strike capability (assuming the United States has not radically changed its own nuclear or nuclear-relevant conventional capabilities). Mutual vulnerability would thus be a reality, and Beijing is bound to see a greater benefit in strategic arms talks under these conditions.

Such talks might focus on numerical targets, but they might also be construed more broadly to include, for example, developing off-ramps and communication channels for managing a crisis, or other measures that reduce the likelihood of war.³⁹ Talks of this kind would also generally add scaffolding to the relationship, as they once did for the United States and the Soviet Union in the 1970s under Nixon and the 1980s under Reagan.

If stability will inevitably require a measure of deterrence, it is also possible that by the mid-2030s, the arms race might be slowed simply because both sides see an interest in reducing costs. During the Cold War, the financial strains created by the conventional and nuclear arms buildup provided the foundation for arms-control agreements, which in turn helped to stabilize relations between the superpowers. Similar dynamics are easily imaginable between the United States and China.

World Order

A final area of major contestation between the United States and China consists of the rules, norms, and institutions that shape world order. Beijing has called for major reforms to the existing structures of global governance, and U.S. leaders have often warned that such reforms challenge or threaten the current world order altogether.⁴⁰ In the system that China aspires to create, economic and social development is paramount, democracy and human rights take a back seat, Washington's power in international organizations and the world economy is reduced, and its global alliances are weakened. This is a challenge to the United States for several reasons, but it does not add up to a bid to replace the U.S.-led order with a China-led order. It should be manageable if the U.S. pursues the right mix of diplomacy and openness to reforms.

China has articulated its long-standing preferences in recent years through three initiatives: the Global Development Initiative, Global Security Initiative, and Global Civilization Initiative. Its Global Development Initiative emphasizes its preference for economic development without political preconditions, Global Civilization Initiative attempts to make the case for a pluralistic world order in which different interpretations of human rights and democracy coexist, and its Global Security Initiative claims a preference for negotiation over the use of force in resolving international disputes. The Global Security Initiative also has a component that involves the export of police training and surveillance technologies that strengthen internal security, including for non-democratic regimes.⁴¹ In this regard, as well as in its critique of “blocs” as elements of world order, the Global Security Initiative reflects China's fear that it is surrounded by a powerful system of U.S.-led democratic alliances that evince varying degrees of hostility to the rule of the Chinese Communist Party.

China's proposals for an alternative world order thus reflect the real differences between itself and the United States in terms of values and interests, but they need to be taken seriously because they have the support of many nations that are poised to play an important role in the future of world order, including India, Indonesia, Brazil, South Africa, and Turkey. In part, they appeal to these emerging powers because Beijing promises benefits in the form of technology, financing, and trade for those who support its initiatives, but China's initiatives also speak to longstanding concerns about the inequities in the existing world order that many emerging powers share.⁴²

China is not, however, about to replace the U.S.-led world order with one of its own, both because it does not necessarily seek to do so and because it would face serious obstacles if it were to try. It has sufficient power to criticize and complicate the U.S.-led order, but not enough to impose a comprehensive alternative vision of one—even if it can make inroads for its preferences in certain functional areas. Emerging powers support some of China's initiatives partly because they reflect shared criticism of the existing system, not because they represent their preferred blueprints for future reforms. It also does not help Beijing's case that it does not adhere to some of the principles that it proclaims, for example when it comes to the South China Seas. Meanwhile, Beijing's attack on “bloc politics,” which clearly

suits its interest in weakening Washington's alliances, may be attractive to some emerging powers that aim to increase their power and influence in the international system, but not to America's many allies who enjoy membership in these "blocs." Nor has Beijing demonstrated that it can provide global public goods and resolve difficult problems of global governance such as mitigating climate change and preventing pandemics. Although China has made efforts to negotiate agreements between Iran and Saudi Arabia, Russia and Ukraine, and Israel and Hamas, the results have been lackluster.

Moreover, the differences between China and the United States on questions of global order can sometimes be exaggerated. After all, Beijing does not appear to seek, and there is no reason to believe that it seeks, to overturn the current international order and replace it with something radically different in all domains.⁴³ Its objections to the current system of global governance are primarily about reducing U.S. structural power in that system and altering norms so that it can escape pressure to democratize and respect human rights. These are significant challenges to America but do not represent all-encompassing, non-negotiable differences with it.

With time and the right approach, the United States could defuse and mitigate the challenge that China is posing to the existing world order. This will require co-opting some of Beijing's proposals into a program for reforming world order that also aligns with basic U.S. interests. It also requires providing emerging powers with alternatives to the financial and technological benefits they seek from China. Such an approach would demonstrate openness to strengthening the voice of large countries such as Brazil, India, and Indonesia in global institutions. It would probably also require a recognition that America's emphasis on democracy as a foundation of world order does not always further its efforts to build a global coalition supporting the other rules and norms that it would like to see preserved, such as respect for Article 2 of the United Nations Charter and nonaggression in general.⁴⁴ An emphasis on good governance and other U.S. priorities that are less controversial among emerging powers is compatible with such an approach.⁴⁵

Meanwhile, provided that they maintain robust diplomatic channels, it should also be possible for the United States and China to find ways to cooperate on major challenges of global governance, such as articulating norms for the use of artificial intelligence, managing and mitigating climate change, and strengthening global health response mechanisms. Cooperation on these issues would not only be good in itself; if effective and performed in good faith, such cooperation would also strengthen coexistence by providing scaffolding for it.

Conclusion

Moving toward the more stable U.S.-China relationship sketched above will be hard. There are no permanent solutions to the risks inherent in the relationship today. Nevertheless, without some vision of what a realistically better situation might look like, and some sense

that it is achievable, it will be even more difficult for policymakers to steer a course around the many risks and pitfalls that lie ahead. Some of these are dire. America has many interests in the world, but one of the most vital is avoiding a war with China. China would almost certainly collapse under the strain of a war, but the United States and indeed world history would likely be greatly altered by the suffering a great power war would create. There are no guarantees that either side will muster the restraint and discipline needed to steer the relationship wisely, even if both desire to do so. But more improbable things have happened, including in U.S.-China relations, and it would be dangerous to rule it out.

CHAPTER 2

Scenarios for the U.S.-China Relationship: Reflections on “Positive but Realistic Futures”

Evan S. Medeiros

The future of the U.S.-China relationship is as consequential as it is uncertain. As the two largest economies in the world and two nuclear powers with multiple arenas of competition, this relationship is rapidly becoming *the* pacesetter for geopolitics in the twenty-first century. Yet, its trajectory and the implications for global order remain very open questions. Perhaps most vexing is the fact that many future pathways are possible.

Seldom, if ever, in modern international relations have two countries that are so deeply interdependent—economically, technologically, and ecologically—also been involved in an intensifying and broad competition covering security, economics, technology, and ideology. The multiple and competing demands of their complex interdependence and of security polarization will have a defining impact on the trajectory of their ties. How these forces will net out is exceptionally challenging to predict with certainty. The stark and accumulating differences between the American and Chinese political systems and worldviews, amid shifting material capabilities, substantially complicate assessments of the future.

This chapter seeks to jump into the fray by presenting five scenarios for the evolution of the U.S.-China relationship. Many analysts, using straight projections of current trends, see the future of the relationship as endlessly and inevitably fraught. This paper puts aside such deterministic pessimism by exploring “positive but realistic futures.” The scenarios do not exclude the possibility of more dire outcomes, but they also explore the conditions that could produce a relationship in which competition and confrontation do not prevail at every moment and in every context.

Beginning by outlining the variables that will influence the trajectory of the U.S.-China relationship, the chapter then sets out the five scenarios. Each shows a distinct future, with a focus on its attributes and requirements as well as the pathways to it. These scenarios are ideal types meant to provoke discussion and they are not mutually exclusive.

Variables Influencing U.S.-China Futures

There are seven broad variables that will shape the trajectory of the U.S.-China relationship, each influencing the degree to which ties become driven by cooperative or competitive dynamics as well as the scope and intensity of both.

- **Sources of Competition:** Today, the United States and China compete in four main arenas: security, economics, technology, and ideas. The influence of each on their relationship will likely vary over time, but the dominance of one arena—or two—over others would have a substantial, perhaps defining, influence on the future. For example, the Cold War was principally an ideological and, secondarily, a military competition between the United States and the Soviet Union. The order and respective intensity of the drivers of competition will have a defining impact on the future of U.S.-China relations.
- **Channels of Communication:** The degree to and way in which U.S. and Chinese officials talk to one another about the most pressing issues will shape the relationship's future. Currently, such communication is often treated by both sides as more of a risk or vulnerability than as a strategic necessity. The use of effective communication channels or even confidence-building measures to manage competition will be a key determinant of future interactions and the ability to manage competition.
- **Bilateral Cooperation:** The type and quality of cooperation—let alone the mere existence of it—is an important factor that will influence any possible future. Cooperation can have a dampening effect on perceptions and policies on both sides. At a minimum, it can reduce the prevalence of worst-case assessments. At best, it can create a sense of common interest that mitigates distrust.
- **Sources of Ballast and Stability:** Over the past forty years, the U.S.-China relationship has enjoyed several sources of ballast and stability, including the support of top policymakers, business leaders, politicians, and civil society. At different times and to differing degrees, these factors have provided ballast to ties during difficult periods, but many of them have now faded away, become dormant, or changed their orientation. Their relative presence or absence will shape of the evolution of the relationship.

- **Domestic Politics:** The scope and outcomes of debates among U.S. and Chinese policymakers will be one of the most important factors shaping the relationship. During the Cold War, there was a remarkable consensus across U.S. politics and society supporting containment of the Soviet Union, at least outside the foreign policy elite. There is no such agreement today on China policy, and U.S. policymakers and business leaders are only beginning to debate the costs and risks of different strategies. Will a consensus emerge in the United States? How would a lack of consensus affect future ties? In China, by contrast, there is a strong agreement among Chinese Communist Party (CCP) elite that they are locked in a long-term geopolitical and ideological competition with Western powers, led by the United States.
- **U.S. Allies and Partners:** As the United States' relationship with China evolves, the views of its key allies and partners will matter more. Washington needs its allies' and partners' policies to align, to some degree, with its own to have any hope of effectively competing with Beijing. However, U.S. allies and partners in Asia and Europe are often not fully synched with Washington or with each other. Thus, these partners can enable or constrain U.S. actions. Some allies and partners can have the salutary effect of encouraging more dialogue and cooperation, as they did in the lead up to the November 2023 U.S.-China summit. Others, such as Taiwan and the Philippines, can have the practical effect of pulling the United States into situations that strain ties with China. Thus, the disposition of these allies and partners, as well as China's perceptions of their relative alignment with Washington, will affect future ties.
- **Geopolitical Context:** The distribution of power in the international system, the nature of alignment among power centers (e.g., Russia and Europe), and the character of the global economy will weigh heavily on the U.S.-China relationship. These and other factors could be an accelerant of competition and conflict, but the realities of complex interdependence could also moderate confrontational strategies on both sides.

Five Scenarios

Scenario 1: A U.S.-China Condominium

This scenario represents the most positive outcome for the U.S.-China relationship. It envisions broad convergence, rather than full alignment, in economic and security interests and in worldviews. In it, the United States and China actively work together on a variety of regional and global challenges, to substantial positive effect for many countries. They drive global growth and set the terms of trade, investment, and technology development. The U.S. dollar and the renminbi (RMB) are the dominant currencies.

This is not simply a bipolar world, but one in which U.S. and Chinese actions define the terms of global politics and economics. Washington and Beijing are the principal reference point for most countries and are looked to for leadership on all manner of problems. The United States and China are active in new frontiers—space exploration, the Arctic, artificial intelligence—in ways that open opportunities for most other countries. In short, there is not just a bilateral condominium, but other countries perceive the U.S.-China relationship as delivering for them, legitimizing this concentration of power in the hands of two large countries.

Identifying the requirements of this scenario involves creative thinking. In it, the greatest sources of bilateral competition (such as Taiwan and ideological differences) are largely muted, and U.S. and Chinese leaders have created mechanisms for effectively managing remaining differences. Political and ideological differences are no longer salient, facilitating a similarity in worldviews. The two economies become more complementary than competitive, and fears of vulnerability diminish. The risk of military conflict recedes, and most tensions arise around economic issues and burden sharing in global problem solving. The main tension in the relationship stems from latent identities: China's as a supporter of the interests of developing countries and the United States' association with the interests of developed ones.

Imagining the pathways to this scenario is difficult to do as it requires not only drastic changes in China's security frontier—solving the Taiwan issue—but also a dramatic evolution in its political system, values, and perceptions.

Scenario 2: U.S.-China Détente

This scenario reflects more modest ambitions than the prior one. It envisions a détente defined by the United States and China settling into a predictable and stable pattern of interactions including a mix of competition and cooperation. The nature of the relationship is much like it is today: competition across the arenas of security, economics, technology and ideology. However, within that structure, détente has the following attributes. Security competition is effectively bounded by mechanisms ranging from consistent communication and crisis management to confidence-building measures and arms control. The economic and technology relationships remain competitive, especially in certain sectors, but are restrained and managed through bilateral consultation mechanisms that both sides are invested in. The United States and China see substantial shared interests in working together to keep global markets open and to share technologies unrelated to national security. The two still jockey for diplomatic advantage globally, while cooperating on common regional and global problems. Collectively, these dynamics have the practical effect of moderating security dilemma dynamics by diminishing the influence of worst-case assessments on both sides. The breadth and depth of this cooperation becomes an essential counterpart to their bounded

competition and in sustaining détente. The specter of conflict is present but does not loom large, based on the shared desire to privilege stability and prosperity over competition and absolute gains. Nuclear weapons never become a dangerous and destabilizing feature of the military competition.

There are two main requirements for this scenario to emerge. The first is recognition by U.S. and Chinese policymakers that the progressive deterioration of the relationship is dangerous and needs to be addressed. They realize that left unattended, it would drift toward militarized confrontation and potentially war. The second is an acceptance on both sides that some strategic restraint is in their interests, and, accordingly, both sides invest in a variety of mechanisms that can achieve this. A third requirement for fostering détente would be the emergence of a domestic political consensus in both countries supporting détente. This will be a substantial challenge for Washington and Beijing to create and sustain for the foreseeable future.⁴⁶

Regarding pathways, the central question is what sparks the required recognition by U.S. and Chinese policymakers. There would need to be an event, or series of events, that changes their calculations about their capabilities and ambitions. This could involve a bilateral crisis that “shocks the conscience” on both sides, as the Cuban missile crisis did during the Cold War. This could involve a domestic crisis in either country that incentivizes it to seek greater stability. Or this could involve a leadership change that results in a new set of policymakers’ preferences.

Scenario 3: Muddling Through with Strategic Competition

This scenario involves the continuation of the current status quo with no end in sight, and with only little improvement or deterioration in the U.S.-China relationship. There is a deeply liminal quality to this state of bilateral affairs: there are no major changes for the better or for the worse.

In this scenario, the relationship is defined by constant tensions in every aspect, especially disagreements about Taiwan, maritime disputes, and respective defense modernization. The bilateral economic relationship becomes more securitized as both sides see economic exchange as highly competitive and creating vulnerabilities. Technology policy becomes more focused on national security risks, and trade and investment controls grow. Both “the yard” and “the fence” of export controls and investment restrictions expand in an interactive dynamic. Economic derisking and technology decoupling become common and continuous. Diverging visions of domestic and global governance increase mistrust in all aspects of the relationship. A competition of ideas and values becomes a common feature of U.S.-China global interactions. Diplomatic dialogue and communication occur in fits and starts, with no apparent or productive pattern. Both sides are wary of talking but resort to it when

all else fails. Bilateral, regional, and global cooperation is very limited in scope and time. Emerging issues in global affairs immediately get treated as arenas of competition. To the extent there is a domestic consensus on either side, it is to view the other as an adversary and interdependence as an uncomfortable legacy that needs to be minimized, if not eliminated. Washington and Beijing do just enough, often at the last minute, to prevent strategic competition from morphing into rivalry and confrontation.

The requirements and pathways for this scenario are quite basic: accumulating distrust, political inertia, gradual accretion of capabilities, limited diplomatic interactions, and minimal leadership role in managing relations. This scenario results from the lack of a strategic *modus vivendi*—a vision for managing competition—as well as the lack of domestic political consensus supporting stable and productive bilateral ties. This scenario also requires implicit or explicit constraints on the ambitions or capabilities of either country, which tempers the scope and manifestations of various arenas of competition. These conditions collectively produce the muddling through effect. A final requirement is luck, in that security competition never produces an accident or a miscalculation that leads to escalation.

Scenario 4: Slow Burn Toward Rivalry

This scenario differs in degree rather than in type from the “muddling through” one. It too involves wide-ranging competition, growing mistrust, limited communication and cooperation, and diminishing societal contact between the United States and China, all amid the fragmentation of global economic and security affairs. The scenario has several unique attributes as well. Defense and security competition dominate the relationship, as both sides accelerate their military build-up. The conventional arms race over Taiwan and the South China Sea gets worse as the U.S. and Chinese militaries operate with greater capabilities and in closer proximity to one another. The risk of major accident or miscalculation is constant as both sides engage in progressively riskier behavior. Nuclear competition moves to the forefront of the relationship and the two countries expand and modernize their arsenals, with increased risk of nuclear use.

As the security competition intensifies, the pressures for economic and technological disengagement grow. Duplicate supply chains emerge in critical technologies and technology competition starts spreading to sectors, like clean energy, that have indirect national security implications. A prime attribute of this scenario involves the intensification of ideological competition. Deftly using dis/misinformation, China promotes its political values and especially President Xi Jinping’s vision of global order, first stated in a 2017 UN speech, for a “community of common destiny for mankind (*renlei mingyun gongtongti*).” U.S. reactions to Chinese values and visions foster a sense of struggle between the two political systems, with many arguing it is existential.

The requirements and pathways for this scenario are myriad. A major requirement is a gradual expansion of capabilities and ambitions of both sides, which intensifies competition. A second is closer linkage between global geopolitics and U.S.-China competition. A fracturing of global order into competing groupings accentuates the divergence in U.S. and Chinese interests and perceptions. A third requirement is the predominance of various domestic political forces in both countries' policymaking. These foster distrust in a manner that shrinks space for the contact, communication, and cooperation necessary for managing differences. The traditional sources of ballast and stability diminish as the actors promoting competition and confrontation gain importance. Leaders in both countries use competition as a source of political legitimacy and advantage, propelling even more confrontational policies. In terms of pathways, it is the combination of the consistent influence of global events, such as the war in Ukraine, and of growing domestic political pressures in both countries that fosters the perceptions and policies that create the conditions for this scenario.

Scenario 5: A New (Occasionally Hot) Cold War

This scenario is the easiest to specify given its stark nature. At its core, it combines the prior scenario of incipient rivalry with a security crisis or crises that sends the relationship into a downward spiral. The most likely triggers for this are a major U.S.-China military incident over Taiwan or a military confrontation between China and an ally of the United States, likely triggering Washington's direct involvement. The relationship then turns into a full-blown, all-encompassing new Cold War. Both sides begin to see security and ideological competition in existential terms, and these become the central arenas for competition.

Washington and Beijing move to a constant warlike footing with increases in forward deployed military forces in Asia and, for China, all along its eastern coastline. The United States initiates a major defense buildup in Asia, perhaps including placing forces in Taiwan. Conventional military proximity and contact—bumping into and bruising each other—becomes a common occurrence. Nuclear weapons become a centerpiece of the relationship, with the United States redeploying them to South Korea and on its naval vessels in the region, notably those based in Japan. The central risk in the relationship shifts from that of an accident or a miscalculation to that of a deliberate conflict.

Both sides switch from economic and technological de-risking to a more severe decoupling. They rush to reduce interdependence as much as possible, putting substantial stress on the global trading order. The United States and China identify their respective political systems as threats to their values and dis/misinformation becomes a major feature of the new Cold War. In this scenario, Asia becomes split, and Washington's allies there become more closely involved in its regional defense buildup and host more U.S. forces.

Global geopolitical fragmentation accelerates, leading to a world of competing camps, with China and Russia leading one of them. Like in the U.S.-Soviet Cold War, competition for influence in the Global South becomes a central feature. This arena of competition becomes mainly about economic and technological assistance to middle powers that are seeking to modernize and assert as much agency in the newly divided global order. States move in and out of the competing camps based on changes in their domestic politics.

The requirements and pathways for this scenario are evident in the description above. The main requirement is a major military incident that fundamentally alters the perceptions and policies of both sides, precipitating a dramatic change in relations. Unlike in the *détente* scenario, this incident does not precipitate a shift toward mutual restraint but rather leads to a major escalation of tensions. This is a function of the leaders and domestic politics in both countries. For this scenario to occur, a baseline level of nationalism on the part of U.S. and Chinese leaders is necessary; they become focused on accumulating capabilities in pursuit of global influence. A related requirement is accumulating geopolitical tensions between the two camps that are simultaneously cause and effect of the U.S.-China confrontation.

The Future of China-U.S. Relations: What Can International Relations Theory Tell Us?

Stephen Walt

The state of relations between China and the United States will cast a long shadow over world politics for many years to come. If the world's two strongest powers are unremittingly hostile to one another, then each will spend more money on armaments, unaligned states will face strong pressure to choose a side, economic growth will slow, global challenges such as climate change or pandemic preparedness will be harder to address, and the risk of war will rise. If competition between Washington and Beijing is muted, however, then each can devote more of its wealth to domestic needs, global economic integration will yield greater benefits for all states, common dangers will be more likely to be solved, and the danger of war will recede.

No one knows for certain which of these two worlds we will inhabit, or even how China and the United States will deal with each other. Past behavior is an unreliable guide because states define and defend their interests differently as their relative power changes and as internal and external circumstances evolve. For this reason, we cannot assume that either country will act in the future as it did under different conditions in the past.

Therefore, efforts to peer into the future and devise policies to produce desired outcomes must rely on theory. In a world of infinite complexity, human beings must employ some sort of intellectual framework that identifies the most important causal forces shaping behavior and omits elements believed to be less relevant. Even policymakers who dismiss academic theorizing invariably rely on mental maps to help them anticipate what others will do and the responses that their different policy choices will produce.⁴⁷ Because competing theories of international relations highlight different causes, they typically lead to different forecasts about the future and to different foreign policy prescriptions.

This chapter explores four important approaches to international relations—realism, liberalism, social constructivism, and individual leadership—and identifies what each implies for the future of China-U.S. relations. It describes the logic of each perspective and some of the core predictions and policy conclusions that it implies. It concludes by arguing that policies based on a combination of defensive realism and economic liberalism have the best chance of preventing a dangerous clash between China and the United States.

Realism

Realism begins with the observation that states coexist in a world where there is no central authority that can protect them from each other. Each must therefore rely on its own resources and strategies to survive. Although states cooperate for mutual benefit and are not constantly at war, the possibility of war is always present and shapes much of what they do, even when they are formally at peace.⁴⁸

All realist theories predict that the two strongest states will eye each other warily, because each is the other's greatest potential threat, and neither can be entirely sure that the other will not do something harmful. Although ideological divisions and the ambitions of individual leaders may deepen a conflict, realism predicts that the strongest powers will be rivals no matter what their domestic characteristics may be or who happens to be in power at any given moment. At the same time, competing strands of realist theory reach different conclusions about the intensity of the resulting competition between two great powers and the best approaches for dealing with it.

Offensive Realism

For offensive realists, the anarchic structure of the international system compels states to maximize their relative power if they wish to survive. According to John Mearsheimer, the leading proponent of this view, “apprehensive about the ultimate intentions of other states and aware that they operate in a self-help system, states quickly understand that the best way to ensure their survival is to be the strongest state in the system.”⁴⁹ Offensive realism is descriptive and prescriptive: its proponents claim that great powers think and act this way and are also correct in doing so.⁵⁰

The difficulty of projecting power across oceans and onto a hostile shore (which Mearsheimer calls “the stopping power of water”) prevents any state from becoming a global hegemon.⁵¹ Instead, great powers typically aspire to become a “regional hegemon” (that is, the only great power in a given area). A great power that is unchallenged in its own neighborhood need not worry about defending its own territory and will be free to project power further afield if it wishes.

Offensive realists draw several implications for China-U.S. relations from this perspective. First, they believe a rising China will try to become a regional hegemon in Asia, because achieving this position would maximize its security. Second, the United States should do whatever it takes to prevent this from occurring, thereby forcing Beijing to devote more resources and attention to its own neighborhood and reducing its ability to project power and influence into other areas (and especially into the Western hemisphere). Third, the United States should also strive to slow Chinese economic development, especially in key areas of advanced technology.⁵² The United States should also do what it can to isolate China within the global community, recruit other powers into broad anti-China coalitions (especially in Asia), and maintain U.S. military superiority at all levels (including in nuclear and cyber capabilities). Offensive realism does not exclude efforts to sow dissension and weaken the hold of the Chinese Communist Party on power, if doing so could make China a less formidable competitor over time. Offensive realists do not seek war, but they believe maximizing U.S. power remains the best guarantee of U.S. security.

Thus, offensive realism predicts that an intense, zero-sum competition between China and the United States is nearly inevitable and that the risk of war will be substantial. Offensive realists believe this competition is hardwired into the current structure of world politics, and that the United States must do whatever it takes to win it.

Defensive Realism

Defensive realists agree that international anarchy forces all states to worry about security, but they point out that trying to maximize power can make a state less rather than more secure.⁵³ According to Kenneth Waltz, neorealists “see power as a possibly useful means, with states running risks if they have either too little or too much of it [and] sensible statesmen try to have an appropriate amount of it. In crucial situations, the ultimate concern of states is not for power but for security.”⁵⁴ Defensive realists argue that rational states seeking to survive should acquire military capabilities sufficient to defend their vital interests while threatening others as little as possible, so as not to provoke an aggressive response by others or inspire the creation of a balancing coalition whose combined capabilities would leave them more vulnerable.

Thus, defensive realists accept that anarchy incentivizes states to want power and allows them to try to acquire it if they wish. But, at the same time, the absence of a central authority also gives states powerful incentives to counter bids for hegemony. For this reason, otherwise wary rivals will join forces to oppose whichever state appears to pose the greatest threat at a given point in time. Offensive realists focus solely on the desirability of getting more power; defensive realists emphasize that trying to do so can make a state less secure if it leads others to form a powerful coalition against it.

Defensive realists agree that relations between China and the United States will be competitive, but they are more sanguine about the prospects of avoiding war and preserving a significant level of cooperation. For starters, they emphasize that apart from the remote possibility of an all-out nuclear exchange, neither state poses an existential threat to the other. Neither could hope to conquer the other, crash its economy, or topple its government. Coexistence between the two is not merely desirable, therefore—it is unavoidable.

They also believe a bid by China for regional hegemony would be likely to fail. In the modern era, all but one of the previous bids for regional hegemony ended in catastrophic defeats for the great power that made the attempt, in each case at the hands of a more powerful balancing coalition.⁵⁵ China's rise and its increasingly assertive behavior is already causing many of its neighbors to balance more vigorously, and Asia is filled with highly nationalistic societies that would actively resist any effort by Beijing to dominate them. Furthermore, Japan and South Korea could easily acquire nuclear weapons if they felt the need for a deterrent, further limiting China's ability to force them to accept its dominance.

For these reasons, defensive realists believe that preventing China from becoming a regional hegemon will not be overly difficult. The United States has a role to play in this effort, but much of the burden can and should be borne by local powers acting in their own self-interest. Defensive realists also favor U.S. efforts to lower tensions with Beijing so as to reduce its threat perceptions and concomitant desire to revise the regional status quo as well as to reassure U.S. allies that may be tempted to distance themselves from Washington if they begin to see it as the greater threat to regional stability.

In particular, defensive realists believe China and the United States alike could benefit from policies designed to enhance security (as opposed to simply maximizing power), even if competition continued in other realms. They recommend primarily defensive military postures designed to limit Beijing's ability to project power against its neighbors (such as "porcupine" strategies and area denial) while refraining from developing conventional capabilities or war plans that require threatening or attacking Chinese territory. Defensive realists also favor arms-control agreements intended to reduce first-strike incentives (whether in the nuclear or cyber realms) and the formation of defensive alliances that commit their members to aid each other if they are attacked, but not if one of the member states is the aggressor.⁵⁶

Power-Transition Theory

A final strand of realist theory—sometimes labeled power-transition theory or the theory of hegemonic war—focuses on how shifts in the balance of power can make conflict more likely. This logic is implicit in several recent works that see China-U.S. relations as reminiscent of earlier conflicts between leading powers and rising challengers.⁵⁷

There are at least four reasons why a rapidly shifting balance of power may make conflict more likely.⁵⁸ First, rising powers may be dissatisfied with arrangements that were established when they were weaker, but any attempt to revise the status quo will be seen as dangerous by the powers that established the existing order and resisted by them. At a minimum, this will increase the number of issues on which the major powers are at odds. Second, a rising state's efforts to increase its power or to translate greater wealth into military capabilities is likely to be regarded as threatening and as evidence of malign intent. Third, rapid changes in the balance of power create greater uncertainty about the state of the military balance, thereby making it more likely that both sides think they can win a military contest. In other words, when the balance is less certain, miscalculation is more likely. Finally, rapid shifts in the balance of power can lead to windows of opportunity that encourage one side or the other to act while it has the chance.⁵⁹

To sum up, all realist theories predict that relations between China and the United States will be competitive, and that the two states will monitor each other's actions closely and seek to prevent each other from gaining a decisive advantage. But realists disagree on how intense the competition will be, and on the steps that should be taken to manage it.

Liberalism

Realism emphasizes how the lack of central authority in the international system encourages states to fear each other and to compete for power or security. Liberal theories, by contrast, focus on the effects of different domestic arrangements, the impact of economic exchange on state behavior, or the possible benefits from international institutions. Political liberalism argues that regime type and/or the distribution of power and preferences within countries has powerful effects on foreign policy. This perspective includes the claim that liberal states are driven to spread liberal principles abroad or the widespread belief that “democracies don't fight each other.”⁶⁰ Economic liberalism argues that high levels of economic interdependence discourages conflict because states can more easily obtain what they need by trading than by fighting, and because they will not want to lose the benefits of trade and investment by going to war.⁶¹ Liberal internationalism maintains that states can create rules and institutions to overcome the fear that others will renege or cheat on agreements and thus achieve more cooperative outcomes than most realists expect.⁶²

In the euphoria that followed the peaceful end of the Cold War, all three strands of liberal theory encouraged naïve optimism about the future of China-U.S. relations. Convinced that liberal democratic capitalism was the only viable path in a globalizing world, scholars, pundits, and politicians concluded that economic engagement with China would create powerful bonds of mutual dependence and diminish the risks of conflict.⁶³ Others argued that the citizens of China would demand greater political freedoms and the Chinese Communist Party would face powerful pressures to liberalize as the country modernized

and grew richer, although they sometimes conceded that a transition to genuine democracy was not inevitable.⁶⁴ Last, welcoming China into existing international institutions would, in the words of Deputy Secretary of State Robert Zoellick, make it more likely to become a “responsible stakeholder” and reduce its incentives to revise the existing global order.⁶⁵ This optimistic vision of possible convergence and institutionalized cooperation has few, if any, adherents today.

A more modest and sophisticated liberal view may still provide useful guidance for the future of China-U.S. relations. Even if China remains a one-party autocracy and relations between Beijing and Washington are highly competitive, the combination of mutual economic dependence and China’s commitment to key global institutions may attenuate the rivalry significantly and reduce the risk of war.

As Iain Johnston has documented, China remains committed to many existing international institutions—in some cases more so than the United States.⁶⁶ In recent years, for example, Washington has done far more to undermine the World Trade Organization than Beijing has. As liberal theories predict, financial and commercial interests in China and the United States have actively opposed the trade restrictions that each government has imposed on the other and pressed political leaders to reduce tensions and avoid a costly rupture. These efforts have been at least partially successful: efforts to “decouple” or “de-risk” the two countries’ economies have reduced economic exchange from what it would otherwise have been, but trade between them still reached an all-time high in 2022 and each country remains among the other’s top trading partners.⁶⁷

Furthermore, China’s recent economic problems—including a sluggish post-COVID-19 recovery, a financially troubled real estate sector, accelerating deflation, and declining consumer confidence—appears to have led its leaders to moderate their behavior that had produced a powerful backlash in the United States and elsewhere.⁶⁸ Direct talks between high-level U.S. and Chinese officials have been restored (most visibly in the face-to-face meeting between Presidents Joe Biden and Xi Jinping in November 2023), suggesting that a desire to preserve some of the economic ties upon which the two economies depend is having a moderating effect on the overall relationship.

Other strands of liberal theory offer a gloomier forecast, however. The Biden administration’s efforts to define contemporary world politics as a wide-ranging competition between democracies and autocracies reflects a fundamentally liberal view of foreign policy and blames most of the world’s problems on autocratic regimes whose values are antithetical to America’s. Moreover, the belief that China is a threat because it is run by an autocratic Leninist party enjoys considerable support among Republicans as well. In the words of H.R. McMaster, who was national security advisor under former president Donald Trump, China is a threat “because its leaders are promoting a closed, authoritarian model as an alternative to democratic governance and free-market economics.”⁶⁹ Or as former Secretary of State Mike Pompeo argued in 2020: “It’s a different Chinese Communist Party today than it was

10 years ago. . . . This is a Chinese Communist Party that has come to view itself as intent upon the destruction of Western ideas, Western democracies, Western values.”⁷⁰ From this perspective, dealing with a powerful China must seek to alter its domestic order.

This tendency to see world politics as a struggle between good and bad systems shows liberalism’s dark side. At its core, liberalism assumes that all human beings possess certain basic rights that should not be infringed and suggests that only governments that respect these rights are truly legitimate. In practice, this means a political system where state power is limited, leaders are accountable to citizens, the rule of law prevails, and basic rights are respected. Given the belief that these rights apply to all human beings no matter where they live, powerful liberal states are often tempted to export these principles to other countries. Unfortunately, this “crusader impulse” makes conflict between the United States and authoritarian regimes such as the ones in China or Russia more or less inevitable.⁷¹ It also complicates U.S. efforts to partner with other non-democracies in order to isolate specific great-power rivals. Potential partners may be resentful and resistant if Washington makes its support conditional on them adopting democratic reforms or improving their human rights records (and even more so if Beijing makes no such demands on its partners). Moreover, U.S. leaders will appear hypocritical if they extol the need to respect human rights and embrace democracy, and then turn a blind eye when some key partners ignore this advice.

In short, liberalism’s implications for relations between the United States and China are mixed. On the one hand, it correctly identifies the moderating impact that close economic ties can have on bilateral relations, and the ability of global institutions to facilitate cooperation in the face of temptations by states to cheat or to go it alone. These factors do not make conflict or war impossible, but they do make them less likely. On the other hand, the liberal view that democratic regimes are the only reliable protectors of basic rights cannot help but exacerbate Beijing’s perceptions of threat and reinforce the belief that the United States and China cannot coexist over the longer term.

Social Constructivism

Social constructivism emphasizes how ideas, norms, and identities influence how states act.⁷² It recognizes that human interaction creates social facts—patterns of thought and behavior that guide how humans act and that establish what types of behavior are regarded as right or proper. Social constructivists emphasize that what states do and say, and how they define themselves, is constantly evolving, and that the resulting changes in beliefs, attitudes, and discourse can have profound effects on what they do. For example, centuries ago ruling elites in the West believed that it was proper and even desirable for powerful states to rule large colonial empires; today, ruling a foreign people that wishes to be independent is typically condemned and usually unsuccessful. Similarly, slavery was once an accepted practice, but today is anathema.

The rise of modern nationalism is another illustration of constructivism at work. The sense that a given people constitutes a unique group with a shared sense of belonging, a common history and culture, and a collective sense of itself as constituting a “nation” plays a key role in how states define their interests and formulate state policies. Such collective awareness did not exist in most of the world until the last two centuries, but it is now widespread. National identities typically rest on particular, usually self-serving, historical narratives that often have a profound impact on the actions states regard as legitimate.

Constructivism encourages us to consider the different ways in which the United States and China view the past. American elites see their fortunate history as evidence of their country’s exceptional virtues, which they believe made its rise to great power nearly inevitable and give it special global rights and responsibilities. In their eyes, America is the “indispensable power” whose stewardship of a “rules-based order” has been broadly beneficial to nearly everyone and should be maintained for as long as possible. Among other things, this view justifies preserving an active U.S. security role in Asia. For Chinese elites, however, the recent past includes a “century of humiliation” in which hostile great powers from far away repeatedly exploited China’s weakness. From this perspective, the country’s recent rise is a long-overdue return to its position as a (or, perhaps, the) leading world power, and Beijing must overcome any attempt to deny it this rightful place. Similarly, when Chinese writers invoke concepts such as *tianxia* (rightful rule) or argue that “Asia is for Asians,” they are promoting a worldview that depicts the United States as an illegitimate foreign presence in the region and suggest that other Asian states would benefit from greater Chinese leadership.⁷³

Where realists emphasize the role of hard power and balancing coalitions, and liberals stress the impact of regime-type, economic ties, or institutions, constructivists call attention to the arguments and normative claims that Washington and Beijing are deploying to persuade others to accept or tacitly support their preferred policy outcomes. Each will be quick to point out the other’s ethical lapses, attempt to justify or undermine territorial claims on different historical interpretations, contend over competing conceptions of human rights, and strive to control global debates on a wide variety of issues.

Because social constructivism lacks a detailed causal story and cannot anticipate which ideas, norms, or identities will ultimately win out, it is not, strictly speaking, a predictive theory. It is still a useful perspective, however, because it highlights the impact that competing narratives, identities, and normative claims can exert on the behavior of states, and because it calls attention to the need to persuade others to regard one’s own claims and behavior as consistent with collectively held notions of right and wrong.

Individual Leadership

A final perspective on international relations downplays the structural forces emphasized by realists, the domestic, economic, and institutional factors in liberal theory, and the ideas, norms, and identities that social constructivists regard as important influences on state

behavior. This perspective focuses instead on the agency of individual leaders, the scope of their authority, and their specific ambitions or traits that will allow them to succeed or fail.⁷⁴

Unfortunately, there are no well-specified and robust theories linking individual leadership traits to specific foreign policy decisions. Even so, the tendency to explain a state's foreign policy and predict its future behavior by focusing on who is in charge is widespread, especially in popular commentaries on world affairs. For example, pundits routinely assume that U.S. foreign policy will be heavily influenced by whoever occupies the Oval Office, or they attribute Russia's behavior almost entirely to the character and whims of President Vladimir Putin. This approach has some basis in fact: even the most committed structural realist or diehard liberal theorist would concede that some individuals—such as Napoleon Bonaparte, Adolf Hitler, Nelson Mandela, or Margaret Thatcher—have exerted a profound and wholly individual impact on world affairs.

Not surprisingly, therefore, commentaries on China-U.S. relations often highlight the role of individual leaders. It is now commonplace to “explain” China's approach to world affairs by invoking the personal ambitions and leadership style of Xi. According to Kevin Rudd, Australia's former prime minister with extensive knowledge about the inner workings of Chinese politics, the country's foreign policy is “an expression of Xi Jinping's personal leadership temperament, which is impatient with the incremental bureaucratism endemic to the Chinese system.”⁷⁵ Similarly, Timothy Garton Ash blames the deteriorating relations between China and the West on “the turn taken by the Chinese communist party leadership under Xi Jinping since 2012: more oppressive at home, more aggressive abroad.” According to Suisheng Zhao, “Chinese foreign policy is clearly in Xi's grip [giving him] a strong personal and institutional capacity to chart a new course for China's approach to its international relations.”⁷⁶

From an American perspective, a focus on individual leadership has good and bad implications for China-U.S. relations. The good news—such as it is—is that Xi may be not only the most powerful Chinese leader since Mao Zedong but also the most error-prone. Mao's impulsive, ideologically driven initiatives, such as the Great Leap Forward or the Cultural Revolution, did enormous damage to China and left the country much weaker than it otherwise would have been. Under Xi, China mismanaged its response to the COVID-19 pandemic, alienated other countries with a confrontational “wolf warrior” approach to diplomacy, and damaged the country's economy by reimposing the authority of the Chinese Communist Party over several critical sectors. Those hoping for the United States to maintain a position of global primacy may be tempted to see Xi's unchallenged authority as a blessing in disguise.

The bad news is that the combination of great ambitions and unchecked authority means that Xi may take big gambles and accept greater risks than more cautious leaders would. Even if a major roll of the dice—for example, over Taiwan—went badly for China, it would harm many others as well.

Conclusion

None of the competing perspectives outlined above offers a foolproof formula for managing a competitive relationship between the United States and China. Nonetheless, which worldviews predominate within the two states' foreign policy communities is likely to have a profound impact on their interactions and on the character of global politics.

A purely structural theory such as offensive realism sees conflict as hardwired into the international system and leaves the least room for agency. It offers also something of a self-fulfilling prophecy insofar as its predictions are more likely to come true if elites in one or both states embrace them fully. It sees China and the United States as locked into a zero-sum game that will only end when one is subordinated to the other, although it is also possible that both will lose and eventually be supplanted by other rising states.

It follows that China and the United States will presumably compete intensely no matter who is in power in either country, and that evolving norms and institutions will matter only to the extent that they favor one side or the other. Ironically, a deep commitment to political liberalism points in the same direction as offensive realism, given that it highlights the incompatibility of democratic and autocratic political systems and believe the former must do what it can to replace the latter.

Prospects for peace will be greatest if China and the United States adopt a combination of defensive realism and economic liberalism. From defensive realism comes the recognition that neither can conquer the other and the warning that overly ambitious efforts to revise the status quo (such as a bid by China for regional hegemony) would be self-defeating. With each state's existence assured, both can engage in mutually beneficial forms of economic cooperation without being overly concerned that doing so will shift the balance of power decisively. As economic liberalism predicts, extensive economic connections will allow citizens in both countries to live more bountiful lives and give their leaders an additional incentive to keep competition within bounds.

No one knows which of these competing perspectives will win out. What may matter most is which of these competing theories is embraced by the handful of key individuals who will lead China and the United States. As John Maynard Keynes famously wrote, whether they know it or not, the people in charge of great nations are often guided by the ideas of "some academic scribbler from a few years back."⁷⁷ It is no exaggeration to say that the academic theories on which future leaders choose to rely will have a profound impact on relations between the two countries as well as on the rest of the planet.

CHAPTER 4

Envisioning Positive U.S.-China Relations in the 2030s

John Culver

How could the United States and China move meaningfully in the direction of a *modus vivendi* based on managed economic competition, deepened crisis-management mechanisms, sustained trade and investment, limited technology restrictions, and cooperation on shared global threats? The rapid deterioration in their relations over the past five years makes this difficult to envision, but the November 2023 meetings between Presidents Joe Biden and Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) summit saw progress in this direction. Nonetheless, the two countries still seem more likely to plunge into a second Cold War. What is more, they risk replicating the fraught early Cold War years, with nuclear and conventional arms races, the formation of political and economic blocs, and an existential crisis. If there is to be any hope of steering the U.S.-China relationship away from this outcome, a vision of a more positive direction is needed.

The core requirements for realizing a less fraught future are:

- Washington and Beijing setting what is out of bounds in their competition.
- Consensus between them to shift from a dynamic war preparation to one of war prevention.
- Avoiding an existential crisis or a “race to the bottom” economic and military rivalry.

Engine of U.S.-China Rivalry

To envision a fundamental change in the currently negative trajectory of U.S.-China rivalry, it is necessary first to review how each country views the other and the main perceptions that drive durable and deepening mutual animosity.

China's View of the United States as "Global Hegemon" Bent on Regime Change

The Chinese regime's increasingly public narrative about the nature of the United States as a global power is stark. This paints the United States as a violent, existential threat targeting China as it previously pursued regime change in and/or the destruction of the Soviet Union, Iraq, al-Qaeda, and Afghanistan. The Chinese Communist Party (CCP) frames Washington as the "global hegemon" that ruthlessly seeks to defend its primacy, virtually in every domain.

Aspects of the CCP's view of the United States date back to the Mao period and are embedded in Marxist-Leninist ideology and to the Korean War, but were blunted by the greater threat posed by the Soviet Union by the 1970s. China managed relations with the United States in the initial post-Cold War period with a strategy to "hide our strengths, bide our time."⁷⁸ Its entry (with U.S. backing) into the World Trade Organization (WTO) in 2001 allowed it to build the trade and manufacturing foundation for its claims to great power status. At the time, its GDP was \$1.3 trillion; today it is estimated to be \$18 trillion.⁷⁹ Meanwhile, Beijing also benefitted from Washington's preoccupation with the Global War on Terror, which encouraged a U.S. policy of benign neglect when it came to the more problematic aspects of China's economic and political activities, such as its illegal subsidies, intellectual property theft, and increasingly bombastic and sometimes coercive behavior.

The CCP uses its adversarial framing of the U.S.-China relationship to justify its domestic monopoly on power and growing suppression of citizens' open access to information and human rights. The fact that this framing long predates the full emergence of the current rivalry between the two countries suggests that it is at least in part instrumental rhetoric deployed for primarily domestic purposes. However, China's leaders seem increasingly to believe their rhetoric. As Xi, who is not only president but also CCP leader and military supreme commander, told the National People's Congress in March 2023, "Western countries headed by the United States have implemented containment from all directions, encirclement and suppression against us, which has brought unprecedented severe challenges to our country's development."⁸⁰

Even before the Trump administration identified China as the United States' primary adversary, in its 2017 National Security Strategy, China saw itself as highly vulnerable to U.S. efforts to blunt its rise and to overthrow the CCP. Ironically, as the view that the "peaceful

evolution” strategy of promoting political reform in China through economic opening had failed became prevalent in the United States,⁸¹ the CCP was concerned that Washington was succeeding in weakening its hold on power.

Xi has framed the historic events surrounding the recent period of China’s growth as a “once-in-a-century change,” an allusion to the First World War and its aftermath, which overturned the international order dominated by European great powers.⁸² The CCP probably does not seek to overturn the international order that has brought China enormous benefits, enabled and sustained its unprecedented economic rise, and provided an architecture for its global influence. But it does seek to alter what it sees as that order’s bias toward liberal democratic norms and values. Above all, China’s leaders seek an order that accepts the legitimacy of their authoritarian political model, which they believe provides security, stability, and development—public goods that parts of the world that have not benefited from the Western development model may find attractive.

U.S. Fears That China Seeks Global Primacy

The United States has many objective reasons for strong policy responses to China’s actions, including the abhorrent systemic persecution of its Muslim minority, the suppression of Hong Kong’s democratic institutions, and the growing overt military threats to Taiwan and coercive operations against the Philippines and others that challenge China’s maritime claims, some of which have been ruled invalid by a Permanent Court for Arbitration tribunal.

But, in a parallel to the CCP, the United States has its own narrative about China: one that portrays the country as seeking regional or even global domination. China’s rapid rise is disruptive—as even the CCP sometimes recognizes—and poses significant challenges to the economic, security, information, cyber, and liberal underpinnings of the international order.

The strategic rivalry with China declared by the United States and sustained through the otherwise contrasting Trump and Biden administrations underscores that Washington, to some extent, fears that part of China’s narrative may be true: namely that the United States is losing a contest it only belatedly realized it was in, or, as Xi has argued, that “the East is rising and the West is declining.”⁸³

The United States remains unrivaled in most metrics of national power, but its relative military and economic might, its prestige, and its social harmony have declined in the two decades since 9/11. Like any great power that has enjoyed a position of extraordinary privilege in the international order, it is uncomfortable with the possibility of a true peer competitor rising and views this as a threat. China, which has been rising for decades, reached some key landmarks recently; it became the world’s top manufacturing and trading nation, as well as the world’s second-most capable military power (except in nuclear warheads, a capacity it

is now rapidly building up). In the past decade, China suddenly seemed to be everywhere, extending its relevance and influence through global development lending, building its first overseas military base in Djibouti, and becoming increasingly aggressive and coercive in land disputes with India and maritime disputes with Brunei, Japan, Malaysia, and the Philippines. In military terms, China has surprised and sometimes shocked Western observers with the speed and scale of its naval buildup, its deployment of hypersonic weapons in advance of the United States, and the 2021 fractal orbital bombardment demonstration that showed it could deploy hypersonic conventional or nuclear warheads for unwarned attack and the means to defeat missile defenses.

In combination with the political polarization in the United States and the global COVID-19 pandemic that started in China, Beijing's success and increasingly assertive and confident posture has driven a bipartisan competition in the United States to move toward a stance akin to a new Cold War one, which has prominently featured economic decoupling, especially in technological areas that are integral to military and competitive security. Much of the public discourse has been reminiscent of the Cold War, perhaps because the United States feels confident that it can again prevail in a new one.

Taiwan is the Most Dangerous Potential Flashpoint for a U.S.-China "Race to the Bottom"

The Taiwan issue, with Beijing's heightened military pressure on the island and Washington's greater support for it, poses the greatest risk of a U.S.-China war. The United States has been enmeshed in this issue, through acts and decisions not to act, almost since its inception during the Chinese Civil War. It has played a decisive role at every juncture, even while professing an official position of not taking a position, other than that of urging the two sides to resolve the issue peacefully. Beijing has made clear that if Taiwan or Washington ignore its red lines, it will quickly move to compel a return to the status quo through hostilities or, failing that, unification with the mainland by force. The United States, Taiwan, and China today are much closer to conflict than at any time since at least the 1970s. The year 2027, which will be the centennial of the founding of the People's Liberation Army (PLA), has frequently cited by senior U.S. military figures as a "war date," and hence a reference point for U.S. public discourse. By that year, the growing preparedness of the PLA may make Beijing likelier to take risks. But going to war with the United States over Taiwan would remain fraught with danger for the CCP and for China—Xi probably would take this step only if other options are exhausted.

On the U.S. side, a bipartisan consensus makes any soft stance toward China politically unpalatable. Republicans and Democrats alike increasingly see China as an issue that could feature prominently in upcoming elections and they are competing for appearing tougher in their statements. And, because of the long-standing and deeply ideological basis of the

CCP's views of the United States, it would be difficult for Washington to convince Beijing that any U.S. outreach is anything other than self-serving or a sign of weakness. China would not easily give credit to the United States for softening its position.

Envisioning a Different Path

The relationship needs to move first toward a more constrained competition in which both sides stop racing toward the bottom before it can be strengthened and move toward managed competition instead of adversarial enmity. This wouldn't mean an end to strategic rivalry between the two but would constrain its means and modes. That requires both to create complementary narratives that emphasize they have more to gain than lose from constraining the breadth and depth of their competition in economic and security affairs: that the existential urgency both sides are positing today is at least partially imagined, that a less confrontational approach is possible, and that "time is on my side."

Third parties can play key roles in this, especially the United States' European and Indo-Pacific allies and partners that have already joined it in criticizing the worst aspect of Chinese behavior, while tempering the belligerent tone of some U.S. framing. For example, Washington's penchant for economic decoupling from China more recently has been largely replaced by economic "de-risking," following European Commission President Ursula von der Leyen's use of the term in an important speech on EU-China relations in March 2023.⁸⁴

Words alone will not suffice, but the lexicon of framing and public statements carry unusual weight in a period of truncated dialogue between Washington and Beijing. While the meeting between Biden and Xi at the November 2023 APEC summit resulted in resumed military dialogue, a nascent strategic arms-control dialogue, and a slight economic thaw, the past several years have demonstrated the underlying fragility of the relationship and with that the possibility that moments of relative *détente* may be fleeting.⁸⁵ The deepening tensions following House of Representatives Speaker Nancy Pelosi's August 2022 visit to Taiwan and China's spy balloon transit of the United States airspace in early 2023 demonstrate how events can drive the dynamic. In October 2023, the Department of Defense revealed that, over the previous two years, more than 180 Chinese intercepts of U.S. and allied reconnaissance flights in international airspace off China's coast had been unsafe and unprofessional, risking fatal incidents and resulting crisis—as happened in 2001 at a time when relations were generally stable—with little warning and at far higher stakes.⁸⁶ Since this revelation, such intercepts have ended, demonstrating that the United States can shape Chinese behavior, especially on the eve of important leadership meetings.⁸⁷

Setting Boundaries on Competition

Shifting the context for U.S.-China strategic rivalry requires both sides and key third parties to prioritize predictability and stability while managing domestic reactions and expectations. To remain within the Cold War analogy, it requires a mutual desire to move to a situation like the stable middle phase of the Cold War without undergoing similar earlier existential crises.

Nuclear arms control and risk reduction is a relatively new priority for the two countries, but it is constrained at present. A dialogue in November 2023 brought together foreign affairs officials, not military representatives. The impetus for greater engagement comes from China's decision to expand its nuclear weapons stockpile and delivery systems five-fold between 2020 and 2035, as reported in the Department of Defense's last three annual reports to Congress on PLA capabilities. China has not acknowledged this force expansion, which will transform its nuclear forces from the smallest of any of the permanent five members of the UN Security Council to rough parity with the United States and Russia in terms of intercontinental nuclear forces. Beijing long rebuffed U.S. arms control entreaties, primarily because the large force disparity and the inspection provisions of any agreement would disadvantage it. But, if the U.S. assessment is accurate, this should no longer be the case and trilateral strategic arms control (including Russia) could prove advantageous for Beijing by enhancing nuclear stability, avoiding an arms race, and expanding constraint on U.S. missile defenses. It would also clearly signal that China had arrived as a strategic peer of the United States.

Unintended military incidents could derail diplomacy and provoke a crisis—an issue that is becoming more urgent after several recent maritime and air incidents. While the recently reestablished regular U.S.-China military dialogue mechanisms provide venues to discuss incidents, so far they have not proven sufficiently robust to prevent them. China's increasingly aggressive military behavior is the primary catalyst for these, but the U.S. policy of “sailing, flying, and operating wherever international law allows” is an open-ended challenge to it since all of this takes place within a few dozen miles of its coastline.⁸⁸ In response to the Department of Defense's revelation about the unsafe intercepts of U.S. and allied aircraft over the past two years, China's Defense Ministry alleged the United States had flown 2,000 air operations and conducted numerous naval operations close to China.⁸⁹ Even if this Chinese figure is exaggerated, there are grounds for dialogue and adopting rules of the road to reduce dangerous incidents. This likely would require the countries' leaders to direct the respective militaries to curtail aggressive operations and to adopt new rules, while avoiding a public backlash for looking weak.

Speaking with one voice with the United States' allies has been a strength of the Biden administration, but that is likely to become more difficult if the rivalry with China becomes more adversarial, or if elections result in a return to the more confrontational stance toward allies seen during the Trump administration. The ramifications of deepening U.S.-China confrontation, even short of military conflict, include steep economic and technology costs

for all Western allies—more than has been the case from the international impact of their sanctions on Russia after it invaded Ukraine. Burgeoning defense budgets and the incipient formation of blocs can undermine public support for and pose great challenges to alliance cohesion. While China remains the United States’ official strategic focus, the Israel-Hamas war and the war in Ukraine also demonstrate that even superpowers cannot always pick their priorities. Sustaining allied solidarity requires deeper U.S. engagement and leadership, extending into the trade and economic spheres, where “America First!” policies continue under the Biden administration.

Taiwan remains the most likely cause for war with China, including nuclear brinkmanship. Under the Trump and Biden administrations U.S. policy on Taiwan shifted as Beijing’s military capabilities increased, making the risk of a Chinese war of choice more plausible. Since 2019, China has effectively remilitarized the status quo over Taiwan, with air and naval operations around the island—largely in international airspace and waters—a near-daily occurrence. Calls in the United States to shift from a policy of strategic ambiguity to one of strategic clarity, with a defined combat commitment to defend Taiwan, risk a deterrence trap, in which reciprocal actions to show strength deepen the security dilemma, thus bringing on the very crisis such a change would be intended to prevent. Instead, Washington and its Pacific allies and partners should reinforce their capacities to blunt China’s military ambitions, strengthen Taiwan’s self-defense, and oppose change to the political status quo by either side. The goal should be to preserve strategic stability over Taiwan since the alternative—whether China succeeds or fails to achieve “reunification”—would likely involve the destruction of Taiwan.

Staying out of each other’s internal politics should become a foundation for less confrontational relations. For China, this would mean a commitment not to attempt to influence or interfere in the politics of the United States and its allies and partners, including Taiwan. For Washington, it would mean a commitment not to delegitimize the CCP or to seek to overthrow it, while still retaining the right to criticize actions that are outside international norms.

The United States and China Are Capable of Change

Adversarial hostility need not be the only path forward. The CCP’s hardening against domestic dissent and freedom of expression under Xi were partially the result of China’s unexpected relative success vis-à-vis the United States. So, for the CCP’s strategic thinkers, who are materialists and realists, new demonstrations by Washington of its performance, recuperative powers, and restored political legitimacy can still be key determinants of the trajectory of relations. If the United States performs better domestically and strategically, and champions greater adherence to shared liberal and democratic values at home and abroad, China may reassess its course, just as it has before.⁹⁰ If the United States continues to demonstrate that it is internally cohesive, financially dominant, and the leader of a broad coalition of allies and partners, China may be forced to reconsider its earlier forecasts.

The United States is already doing this at the external level by focusing anew on strengthening its alliances in the context of Russia's invasion of Ukraine, and coordinating more closely with its allies and partners on new economic and technology restrictions to prevent accelerated Chinese military advances that employ artificial intelligence and advanced semiconductor manufacturing. Moreover, the reaction to the war in Ukraine, including severe economic and diplomatic sanctions against Russia, demonstrated strong cohesion among the Western allies. This underscores for China that aggression against Taiwan likely would be met by a similarly united stance, with severe costs to its economic growth and international standing.

Since much of the current framing for U.S.-China strategic rivalry reflects Cold War thinking, it is useful to remember China's role in the last phase of that contest. It aligned strategically with the United States not out of trust, but because the Soviet Union represented a more proximate and severe threat to its security and the CCP's survival. China cooperated with the United States to collect intelligence and their military cooperation grew to the point where—before the 1989 Tiananmen massacre—the United States had sold the PLA some \$1 billion in military technology. China fought Vietnam, a Soviet proxy, starting with invading the country's northern provinces in 1979 and then in consistent artillery and infantry combat in Ha Giang province throughout the 1980s. The United States and West may have won the Cold War, but China remembers that it also was on the winning side. This is why Beijing viewed the West's post-Cold War triumphalism about ideological superiority as threatening to itself as the last great communist power. Today, China sees rivalry with the United States as a more even contest than in the Cold War, with a strong U.S. performance since 2020 and its own stumbles creating a new environment for managed competition.

Shared threats could provide a driver for collaboration. These include climate change and environmental disasters, the risk of new pandemics, and the potential for terrorism, newly underscored by Hamas's massacre of Israelis and Israel's pledge to eradicate the terrorist group, which could open a new era of sectarian violence.

But finding any path to reduced tensions and a mutually productive relationship requires that war over Taiwan is avoided, and that the United States and China become newly motivated to focus on war prevention instead of war preparation. In the Cold War, the 1962 Cuban Missile Crisis forced Washington and Moscow to stare into the nuclear abyss. (The United States and rest of world would not learn for thirty years after the 1962 Cuban crisis just how close the two sides came to nuclear war.)⁹¹ The subsequent détente did not immediately result from the crisis, but the two sides never again moved so close to the brink, and the next year they signed the first arms control protocol, a limited nuclear test ban, along with the United Kingdom.⁹² The United States and the Soviet Union in 1963 also established the first hotline between their leaders to prevent crisis escalation. By the late 1960s, after decades of their arms race, they began taking major steps toward nuclear arms control and threat reduction.

The Alternative Is a Crisis

The United States and China should understand that the ingredients for a major crisis are already in place and growing, as demonstrated by Pelosi's visit to Taiwan, the lack of high-level political contact between the two sides, and the breakdown of military communications channels.

China's unprecedented response to Pelosi's trip demonstrated not just that it was willing to risk a crisis but that it wanted one. Past crises—in 1995–1996 in the Taiwan Strait, in 1999 over the U.S. bombing of China's embassy in Belgrade, and in 2001 over the collision of a PLA fighter jet with a U.S. reconnaissance aircraft—were followed by direct communication between senior leaders, more robust military engagement, and periods of robust diplomacy. It is far from clear that the same could happen in the current environment of strategic rivalry, yet Beijing seems willing to gamble on calm eventually prevailing in the event of a crisis.

The stakes in any potential crisis are likely to rise as China builds up its nuclear forces to 1,500 warheads by 2035, as assessed by the Department of Defense.⁹³ This major posture change is glaringly inconsistent with Beijing's long-standing pledge not to be the first to use nuclear weapons and its previous commitment to a minimum, credible retaliatory stance. This suggests that China may now have a more dangerous concept of escalation and deterrence in the event of a war over Taiwan, and that it is basing this on the fact that the United States has never directly fought a highly capable nuclear-armed adversary.

At the same time, however, China's move toward strategic nuclear parity with the United States (and Russia) could provide a basis for intensified engagement on new arms-control measures, especially as many of the previous Cold War agreements—the Anti-Ballistic Missile Treaty, the Intermediate-Range Nuclear Forces Treaty, the Treaty on Open Skies—have been abandoned. The challenges for U.S. and Chinese policy and diplomacy will be to retrace the steps taken by the United States and the Soviet Union to reduce nuclear and war risks without first going through an existential crisis like the Cuban one. China is unlikely to agree to any such process until it judges the United States is upholding constraints on U.S. military forces on the island and offensive weapons sales and will not cross its red lines over Taiwan—such as recognizing independence or returning to a formal war fighting commitment. But that does not prevent the United States and its allies and partners from working now to deter aggression by China against Taiwan, or to prepare to manage and defuse a crisis that increasingly seems more a matter of when, rather than if.

China-U.S. Relations in a Changing Global Order: Prospects for the Future

Rosemary Foot

Relations between China and the United States today are generally accepted to be the worst they have been since their rapprochement in 1971–1972. War between them—inadvertent or deliberately initiated—is not ruled out. In this disturbing circumstance, it is urgent to find a way of stabilizing what is regarded as the most important state-to-state relationship in world politics. One potentially productive pathway would be to adopt a less direct focus on bilateral contestation and instead to envision a global order that over the next five to ten years can support that stabilization goal.

The following analysis first presents a broad sketch of the current state of China-U.S. relations and of the current condition of global order, second considers why it is productive to think about stabilization despite the many difficulties in and around the relationship, third shows how the analytical lens of global order can aid the search for stability, and fourth suggests forms of coexistence that could provide a minimal basis for stabilization. Finally, some of the ordering mechanisms and key characteristics of a global order capable of accommodating a stable China-U.S. relationship are outlined.

Analysis of this kind requires a degree of forecasting that is generally regarded as perilous. There is a great deal of contingency in international relations that often yields consequences, often unintended, capable of reshaping not only bilateral relations but also global and regional orders. A more modest goal here is to establish some underlying trends in the China-U.S. relationship and in global-order characteristics that may carry over to an indeterminate future.

Bilateral Tensions in a Fragmenting Global Order

China-U.S. relations since the rapprochement in the early 1970s have never been easy. Nevertheless, they benefitted initially from the two countries' strategic alignment against the Soviet threat, and later from their growing economic interdependence and regular communication. The two governments held economic, political, and strategic dialogues across a wide range of issue areas. The aim was to increase transparency, to reduce the prospect of shocks destabilizing the relationship, and to find solutions to some of the issues that caused bilateral tension and contributed to global disorder.

However, China's rise to power, together with the advent of a more ambitious leader in Xi Jinping, has disrupted that *modus vivendi* at a time when global order is in transition. Stable coexistence has become difficult, in significant part because China's resurgence has not been a singular event but an important component of what Fareed Zakaria called the "rise of the rest."⁹⁴ The presence of additional power centers and the diffusion of agency to state, non-state, and transnational bodies (termed by Amitav Acharya as a "multiplex world order"⁹⁵) are the conditions under which the United States has to formulate a new strategy toward China. Against a backdrop of military, economic, and political crises, and given a more decentered system, coming U.S. administrations will need to consider how the course of the relationship, together with China's emergence as a major global actor, affects many disparate constituencies around the world and their prospects.

Many of these new voices contest what they see as the unfairness of the current global order. They are ready to challenge what they perceive as the unwillingness of those states and peoples who have enjoyed the perquisites of the post-1945 order to reduce those privileges. Referred to by Christian Reus-Smit and Ayşe Zarakol as "polymorphic justice claims,"⁹⁶ these mostly unmet demands are contributing to the erosion of that order, at least as much as the geopolitical struggle between China and the United States. In addition to its relationship with Beijing, Washington also needs to acknowledge and urgently address some of these claims.

This global contestation manifests itself in various venues and over several critical issues. Core components of the post-1945 global order, such as the United Nations and the Bretton Woods institutions, long ripe for reform, are now being more vigorously pressed to deliver fairly on a wide range of issues through more representative institutional structures. The unevenness in the world's ability and willingness to deal with compelling shared-fate issues, such as climate change, forced migration, health pandemics, debt crisis, poverty, and food security are high on a long list of challenges that must be solved. In an era scarred by the outbreak of devastating inter- and intra-state wars, critics note too the varying levels of attention and resources devoted to the world's many conflict zones. The demand for multi-lateral solutions is at an all-time high even as the multilateral institutions that were carriers of norms associated with the post-1945 era—control of weapons of mass destruction, nonuse of force except in self-defense, prohibitions against torture, commitment to free trade—have frayed.

Stabilization in China-U.S. Relations Amid Continuing Tension

This context suggests a need for China and the United States not only to attempt to manage the tension in their relationship but also to do so to direct more consistent attention to the management or resolution of shared-fate issues and neglected justice claims. There are nascent indications that both accept they must find a new *modus vivendi* in dangerous times. They have shown willingness since 2023 to step up contacts to manage and reduce the strain in their relationship, and thereby to diminish the prospect of war between them and to improve the chances for the survival of the planet.

Recognition by China and the United States that they are both vital to creating productive global conditions that can accommodate a stable bilateral relationship, and acting on this recognition, is fraught with underlying difficulties. For example, stability implies some degree of acceptance by Washington of status equality in their relationship, which undercuts the notion of all-encompassing U.S. primacy. It also requires Washington to accept that the post-Cold War U.S.-led global order at a minimum needs reforming. Both these ideas are difficult to stomach in the United States, and certainly in Congress where a bipartisan consensus has formed on the need to focus on containing the China threat. As scholars of American exceptionalism have argued, U.S. policymakers since the Second World War have shown a tendency to view the United States as the ultimate custodian of international order. This perspective has given many U.S. administrations what they have regarded as license to sometimes act extra-legally in defense of the existing order. It will be difficult to cast aside that hegemonic presumption.

In addition, critical issues exacerbate the tension in the China-U.S. relationship, and there are dangerous flashpoints associated with several of China's unresolved sovereignty disputes. How the Taiwan issue is handled is key to any future stabilization of ties, but China also is at the center of other competing sovereignty claims affecting long-standing U.S. allies such as Japan and the Philippines. Beijing additionally has a different understanding from Washington of the status of the maritime routes that are involved in that contest. Public attitudes in each society display strongly negative sentiments toward the other side. In the United States these attitudes have deepened in the last few years as a result of the exposure of Beijing's dire human rights record with respect to ethnic minorities in Tibet and Xinjiang. In China there is the perception of a lack of U.S. respect for its achievements and of a need to counter what it describes as a U.S. decision to "encircle, contain and suppress" the country and halt its ascendancy.⁹⁷

Instability also derives from uncertainty about the trajectory of U.S. politics and policies as a result of widespread populist sentiment. The potential return to the presidency of a believer in the "America First" idea that led, during the Trump administration, to a far tougher stance toward the trade relationship with China, together with the United States' breaching of international agreements and withdrawal from global governance organizations, cannot be ruled out. China is also experiencing a particularly challenging domestic environment

that includes a sluggish domestic economy, high youth unemployment, and a sense that the external environment is one of turbulence and uncertainty rather than the stability that Beijing believes it requires to support its continuing ascendance.

The rise of China represents a challenge to U.S. interests and values. And many in China are reluctant to accept that the United States will ever be a neutral and necessary partner in the search for a politically stable and prosperous future for the party-state. Neither does China's leadership want to see the United States persist in its role as a major security and economic actor in the Asia-Pacific. Given these potential and actual barriers to progress, it is difficult to be optimistic about the current quest to manage the stresses in the relationship.

A Global-Order Lens

China and the United States giving less attention to bilateral tensions and more joint attention to the rehabilitation of global order has something positive to offer in the search for the stabilization of their relationship. That rehabilitation would come with associated rules, norms, and institutions that define collective expectations of proper behavior and offer some degree of predictability and reciprocity to all political actors and not just Beijing and Washington. That focus on global order would also address the impatience of many countries with the way the China-U.S. geopolitical struggle, which is likely to continue, has reduced attention to other crucial policy agendas.

Adopting a global-order focus also allows for the exploration of areas of benefit to both states that come from aspects of China's rise. The increased material capacity and political influence that China offers in the context of highly complex global issues resistant to solution could sometimes be used to good effect. There is no doubting China's influence in countries in the Global South, especially in those that the United States has relatively neglected. Joint China-U.S. provision of global public goods could not only contribute to the sustainability of a world that faces many global governance challenges, it could also demonstrate that these two major states can move beyond narrow self-interest and instead act in ways that help stabilize a world of interdependence.

The depth and forms of such a coming together are not predetermined, and some plausible outcomes can be envisaged that reflect that variability. As Andrew Hurrell has argued, there are three distinct possibilities worth contemplating when it comes to global order, from its narrowest to more expansive forms.⁹⁸

As the outcomes of current geo-political rivalries often suggest, the next few years may see the consolidation of a minimalist form of global order that relies on exercises of power and occasional coincidences of interest rather than on negotiated rules, norms, or common understandings. Such an order would do little to prevent violent conflict between China

and the United States, or between their proxies, given the antagonistic framing on which it would be built. It would rest on a narrow conception of national interest and would not take account of global existential needs.

Alternatively, there may be a return to a pluralist order that privileges the preservation of the society of states through the regulation of violence, as well as a renewed commitment by major states to state sovereignty, territorial integrity, and noninterference in a state's internal affairs. This state-based formulation appeals to many governments because of its familiarity and of the protective function this traditional understanding of sovereignty can perform. However, it does not fully reflect the world in which the China-U.S. relationship is embedded, which is one of interdependence, the diffusion of political agency to actors other than states, the normative trend in support of human rather than solely state security, and the inadequacy of nationally determined solutions in dealing with shared-fate issues.

A third alternative is an international society with a relatively high degree of consensus on core principles and negotiating processes among state, nonstate, and transnational actors involved in the governance of complex and urgent global-order issues. This seems a desirable alternative, but it may be too ambitious given current conditions, except in the event that shared-fate issues—most notably climate change—become recognized as so overwhelming as to demand such ambition. When it comes to the China-U.S. relationship, the hurdles to establishing such a consensus on core principles and to acceptance by a state-centric China of the prominent role allotted to nonstate actors would be difficult to overcome.

Incremental Building Blocks at the Bilateral Level

Despite the challenges noted, the second and third alternative versions of global order above are preferable to the first. They are better able to address what would need to be in place to arrive at a more stable order together with a more stable U.S.-China relationship within it. At the bilateral level the building blocks of that order would include:

- **Regularized channels of communication to identify areas of common interest where progress is most likely to be made, together with a willingness to delink progress on those issues from others that generate high levels of discord.** For example, China would have to tolerate continuing criticism of its human rights record as a part of any attempt to place a ceiling on the deterioration of ties, but the United States would have to give greater weight to the indivisibility of rights and to economic rights, in particular. The United States would have to accept that the Taiwan issue requires a renewed, demonstrated commitment that long-standing political understandings will hold, including its commitment to a one-China policy, while China would have to re-prioritize language and behavior related to peaceful resolution.

- **Willingness to establish achievable commitments that can be verified while in progress and on completion.** For example, with the onset of the global financial crisis of 2008, China and the United States undertook to devise complementary macroeconomic policy interventions to tame some of its worst aspects. Implementation of agreements of this kind would demonstrate a reciprocal basis for the relationship and help build trust between the two countries. In global terms, they would enhance the likelihood of other political actors becoming convinced of the positive outcomes that would result from adding their weight to issues Beijing and Washington treat as some of the most critical global governance challenges.
- **The United States prioritizing issues related to planetary survival as well as to ones that reduce the prospects for catastrophic conflict.** In this regard, Washington would need to demonstrate acceptance that China has been playing and will continue to play a larger role in world politics, and that an overwhelming focus on policies designed to ensure a continuation of U.S. material primacy makes little sense in an era when leadership or legitimate authority rests on treatment of the survival issues that directly confront us all.
- **China reducing its U.S.-critical framing.** Beijing would need to recognize that the regular translation of its global-order initiatives into attacks on aspects of U.S. foreign policy reduces their appeal. Instead, it needs to voice arguments and potential solutions in support of the demands for fairness that animate many peoples and states or that address current global governance challenges. Such U.S.-focused hostility also diminishes the prospects for cooperation with Washington in policy areas of significance to Beijing.
- **Agreeing to mutual non-subversion.**⁹⁹ China and the United States would have to accept that each has adopted a different politico-economic model whose preservation it prioritizes and that is unlikely to undergo fundamental transformation.

Building Blocks for Global Ordering

What are the commitments to global values and the specific areas of joint policy action by China and the United States that could form the basis of this ordering project? As noted above, reform of the core post-1945 institutions such as the United Nations and the Bretton Woods institutions is high on the list of demands by other actors. The World Trade Organization similarly needs to undergo major reform, including reestablishing some version of its Dispute Settlement Mechanism (DSM). Major states have been willing in the past to subject themselves to its adjudication, on the understanding that others may also later fall foul of trading rules that have later to be adjudicated. To date, China and other states have made use of the organization's Multi-Party Interim Appeal Arbitration Arrangement to try to overcome the demise of the formal DSM.

Many other shared-fate issues have been identified: some appear more acute than others, some connect with and magnify other vital governance challenges, and some could benefit from the experience of previous periods when China and the United States found it possible to cooperate.

The one multilateral organization that could provide the overarching framework required to address these issues is the United Nations (UN). At present, it is facing particularly challenging circumstances and high levels of criticism. However, the normative standards outlined in the Charter of the United Nations, which have shaped the post-1945 global order, still provide aspirational goals. UN Specialized Agencies deal with topics such as development, health governance, nuclear-weapons proliferation, and climate change. The UN has built up vital peacekeeping and diplomatic services to address conflicts or to respond to humanitarian disasters. It has provided political space for actors other than states to put issues on the global agenda. The charter and recognition of the roles the UN has played in managing crises during the Cold War may provide a route to neutralizing or mitigating disagreements about the characteristics of a preferred future global order. They may also provide a common language that China and the United States find acceptable to adopt.

Beijing and Washington have committed themselves—in rhetorical terms at least—to the idea of a UN-centered order: one where they afford a more representative UN a larger role in the resolution or management of issues that are crucial to planetary survival. This might seem unlikely at a time of great dismay with regard to the UN’s ability to resolve some of the critical issues on its agenda, but that is a situation predominantly due to the disruptive condition of major-state relations and not to the scope of UN competencies. China and the United States arriving at a deeper appreciation of what a constrained UN has been able to achieve in the past could be a useful starting point for consideration of what it might be able to do in the future. In a positive development, high-level Chinese and U.S. officials have recently displayed a change in rhetoric in this direction.

U.S. Secretary of State Antony Blinken and U.S. National Security Adviser Jake Sullivan have affirmed that the UN Charter has the primary role in enshrining concepts such as self-determination, sovereignty, and the peaceful settlement of disputes, arguing that it represents a key set of norms that have helped manage relations between states and peoples and prevented some areas of conflict. In an article in October 2023, Sullivan promised that the United States “will work with any country prepared to stand up for the principles of the UN Charter.”¹⁰⁰ In a 2022 speech on U.S.-China relations, Blinken described the UN Charter approvingly as one of the “founding documents” of the post-1945 order.¹⁰¹

Chinese official records also document a commitment to a global order based on the charter because of the UN’s standing as the world’s most “universal, representative, and authoritative inter-governmental international organization” that deals with the collective challenges facing the world.¹⁰² Beijing has also stepped up its material commitment to parts of the UN’s agenda, particularly in peace operations and economic development, and it has emerged as the UN’s second-largest funder of the UN’s regular and peacekeeping budgets.

China's interpretation of the charter does not fully correspond with that of the United States, nor does Beijing actually give the UN such predominant importance when taking its most crucial foreign policy decisions. Neither does Washington. However, the charter is one of several international legal texts and treaties that could form the basis of a conversation between the two governments. More importantly, such a conversation could signal a desire on their part to move away from a perspective that sees global order as dependent on the types of major-state agreement that predominantly serve their national interests toward something that is more enlightened and system-preserving.

Three Specific Domains of Order Building

The process of building global order can be unpacked by separating order into a series of norms, rules, and standards in specific issue areas. Many scholars of global order support the proposition that there is no fixed rules-based order with clear demarcations. Instead, as Alistair Iain Johnston has argued, global order “yields a world of multiple orders in different domains,” some of which overlap and others are in tension.¹⁰³ As noted earlier, some of these normative components of global order are particularly expansive because they connect or are interdependent with other major shared-fate issues. They can act as a gateway for discussion of other related issues that are similarly vital to many political actors, thus improving the prospects for developing a broader international consensus.

Three such issues or areas of negotiations are explored below, the first and second of which are likelier to lead to progress. All of these depend crucially on the outcome of the November 2024 election in the United States.

- **Climate change** could lead to further discussions about other matters of planetary and political concern. The climate emergency connects with, for example, forced migration, disrupted food and water supply, reductions in biodiversity, the increased prevalence of health crises, rising levels of poverty, and growing domestic and international economic inequality. It similarly affects energy security and energy transition.

There also have been in the recent past some personalized and institutionalized structures in place for dealing with this issue that could encourage further China-U.S. cooperation in related areas. Over recent years, the two states' attention to this topic has benefitted from the establishment of a strong and seemingly respectful relationship between the former lead negotiators: John Kerry for the United States and Xie Zhenhua for China. It remains to be seen what will happen after the 2024 election, given the certain change in administration. However, even with new negotiators on both sides, this personalized approach could be continued. Climate change has regularly appeared at or close to the top of the list that both

governments mention when they look for examples of potential or actual cooperation. And there have been instances where agreement between them has given a boost to cooperative outcomes at the global level, the Paris Agreement being a case in point.

- **Nuclear arms control** is another area where China and the United States have found it possible either to cooperate in the past or to regard their positions as sufficiently intertwined to bring about consensus on several aspects of the non-proliferation regime. They worked closely together in 1998, for example, to condemn the nuclear tests conducted by India and Pakistan. They have both signed (though not ratified) the Comprehensive Test Ban Treaty, and they took part in the negotiations that led to the 2015 Joint Comprehensive Plan of Action to place a cap on Iran's uranium enrichment program (only for the United States to withdraw from the agreement during the Trump presidency). We are now in an era in which China's strategic capabilities have become far more sophisticated across all domains, and it has increased the number of its nuclear warheads. However, these developments could form the basis of a serious negotiation between the United States and China, built around Beijing's fears deriving from growing U.S. damage limitation facilities—such as Theatre Missile Defense—and Washington's concerns that China's enhanced nuclear arsenal makes conventional warfare more of a possibility. Neither side, however, wishes to see any further weakening of the non-proliferation regime as statements on potential nuclear use in Russia's war against Ukraine demonstrate. These developments could act as sufficient prompts for a future China-U.S. effort to revitalize serious discussion on this issue.
- **The regulation of artificial intelligence (AI)**, as a more recent issue, has only lately become a topic of bilateral discussion, starting in January 2024 with ensuring progress on the safety of artificial intelligence systems. AI is a domain of urgent concern with extensive negative and positive global-order consequences that could manifest themselves within a few years. Almost all AI technologies can have military and civilian uses; they can be vital to the spread of information needed to solve policy issues but also of misinformation; they can find the causes of many diseases as well as create new health threats. China and the United States are seen to have the leading edge over other countries when it comes to AI, and they are developing their respective domestic frameworks for governing it. Undoubtedly competition in the race for the development of high-level AI-related technologies will continue as a core feature of this relationship. However, both will also face a world in which AI can be a disruptive force in ways that many experts warn are not yet experienced or envisaged. Neither can AI be easily prevented from proliferating to a vast range of nonstate actors around the globe.

The United Kingdom in November 2023 held an AI safety summit that included Chinese and U.S. representatives and led to signature of the Bletchley Declaration. The UN has sought to advance global cooperation on AI and in October 2023 it created a new advisory body tasked to look at the opportunities, risks, and best means of governing AI at the global level. This body also contains representation from China and the United States as well as from a wide range of state and nonstate actors from all continents. A negotiated China-U.S. consensus on some of the tasks given to this UN body could feed into it in the expectation that their joint contribution would boost the chances for global regulation. Although cooperation between them is difficult to envision, as Ian Bremmer and Mustafa Suleyman have argued,¹⁰⁴ Beijing and Washington may find common interest in slowing the proliferation of powerful AI systems that encroach on state authority. They may also see some benefits in jointly constricting the extent to which open-source software can benefit actors intent on inflicting massive global harm.

Conclusion

The current geopolitical rivalry between China and the United States imposes formidable constraints on a transition to a global order characterized by greater stability in their bilateral relationship. The domestic obstacles to progress in both countries are also considerable and rooted in the uncertainties associated with their respective political futures. For China, there is no designated successor to Xi, and the long-term, calculated spurring of nationalist sentiment in the population by the country's leadership will be a major hurdle for any future leader who seeks a more productive relationship with the United States. For the United States, domestic polarization and the real prospect of the further strengthening of Trumpian sentiment, with all that portends for foreign relations and global order, similarly makes the search for stabilization of relations with China hugely challenging.

However, in reflecting on the recent past, some desirable features of China-U.S. relations in the context of global-order creation in the medium term suggest themselves:

- A commitment to regular communication channels devoted to uncovering the inherent and comprehensive nature of threats to global order and planetary survival from which neither China nor the United States can escape.
- A verification mechanism for joint commitments.
- An acceptance of equality of status not based on material power but on capacity to contribute to the management or resolution of shared-fate issues.
- A recognition that “islands of consensus” based on international legal and normative language could in turn form a language for diplomatic negotiation.

Were these features to be in place over an extended period—say, a decade—a degree of trust between Beijing and Washington could be rebuilt. With a more firmly institutionalized relationship, the two countries should be better able to withstand some of the tensions that are bound to arise between them. The expectations associated with the notion that the world is already in a new Cold War would abate, and with that deliberate actions to aggravate crises affecting the rival side to the point of potential conflict would be reduced. There might also be a possibility of moving beyond a cold form of coexistence—where states only engage in non-armed conflict underpinned by mutual deterrence, but do perceive war as a long-term possibility—to an acceptance that neither state represents an existential threat to the other.

The importance of these bilateral moves to global-order creation rests on the argument that this would allow greater space for the realization that the largest threats to humankind relate to planetary survival. One result of this realization would be the forms of followership by others that it might generate, based less on compulsion and more on evidence that China and the United States have acknowledged what the current conditions demand.

CHAPTER 6

The United States, China, and the World Economy to 2035

C. Fred Bergsten

China and the United States have reached rough equivalence in terms of international economic power. They should thus compete steadily for global economic leadership over the next decade. This would partly replicate the Cold War in terms of widespread bilateral restrictions, efforts to maximize alliances, and periodic confrontations. But it would differ sharply in terms of continuing extensive economic interdependence and occasional, perhaps substantial, episodes of systemic cooperation.

This assumes that the two superpowers will learn to live with each other, with continuing tensions but without hostile interactions. It further assumes that President Xi Jinping remains in power in China, there is no armed conflict over Taiwan, and that there is no Donald Trump presidency in the United States.

China is a rising power, but it is also a risen power. On virtually all relevant metrics, its international economic power is roughly equivalent, if not superior, to that of the United States on a purely bilateral comparison (as is the case for some aspects of its military power). It will improve this relative position even if its economic growth is sharply lower than in the past at 3–4 percent annually, which would still be double that of the United States. Containment of Beijing is therefore not a feasible policy option for Washington even if it were desirable, which it is not. China is simply too large, too dynamic, and too important to most of the world for the United States to contain it as it did the Soviet Union. Today, the United States publicly denies that it is pursuing containment—but it needs to adopt such a policy and mindset in actuality.

China's growing power can perhaps be seen most readily in the increasing international adoption, including by the United States, of some of its own preferred norms. Protectionist trade and investment policies are increasingly widespread and industrial policies are becoming commonplace. The democratic advances the world witnessed in the 1990s have

been eroded by the rise of populism and authoritarianism worldwide. Without any explicit negotiations to rewrite rules and governance structures, China is increasingly molding international behavior.

There is unlikely to be any generalized decline in the international position of the United States. It is in fact likely to continue outpacing the other high-income countries, as it has since the end of the Cold War, while losing more ground to China and the other most successful developing countries. Given Beijing's achievement of rough bilateral equivalence, however, Washington's clout will depend even more heavily on maintaining and hopefully strengthening its alliances, especially in Asia. Its allies bring to the United States roughly the equivalent of its strength in GDP terms, doubling the potential power of the alliances as a whole.

China has demonstrated that it can resist bilateral pressure from the United States, but it abhors widespread multilateral attempts to isolate it. It will thus probably accelerate its efforts to broaden its network beyond the other rogue states (Iran, North Korea, Russia) and especially in the Global South.¹⁰⁵ Much of the competitive relationship between the two superpowers in 2035 will be determined by their relative success in winning support from India, which by then will clearly be the third-largest economy, Saudi Arabia and other Gulf Arab states, major Southeast Asian states (and especially Indonesia), and to some extent the large Latin American states.

Much will depend on whether the United States can retain its decisive soft-power lead over China on major global issues, notably democracy and the rule of law, and can manage its alliance relationships successfully. This will in turn depend heavily on how the United States manages its internal problems: not only its economy but also, more broadly, its governance and politics. If domestic dysfunction continues, its appeal to the rest of the world and its ability to work constructively with other countries will erode substantially and a more hostile global pattern could well emerge by the mid-2030s, if not sooner.

Functional Decoupling

Among the greatest challenges to the relationship between China and the United States, and for the world, will be their finding ways to cooperate on the global issues that require effectively a G2 leadership. Climate change heads the list of these issues and there will be no solution even partially to that existential problem without decisive action by the United States (by far the top historical emitter of greenhouse gases) and China (by far the top current emitter). Future pandemics, and preparations to forestall them, form another vital issue.

So does maintaining a stable world economy. The cardinal question for the future of the global trading system is whether it will be based on the traditional preference of the United States and its allies for openness and rule of law or on China's predilection for industrial policy and state management. Current trends are heading toward the latter as the United

States and the West adopt parts of China's approach. Regarding the international monetary system, the central issue is the preference for free-floating exchange rates, as favored by the United States and Europe, or for a heavily managed one, as favored by China and other Asian countries.

China's egregious underrepresentation at the International Monetary Fund (IMF) and World Bank severely undermines the United States' desire to keep these institutions and their doctrines at the heart of the global economy. China's quota and voting rights in both—supposedly based on an objective formula reflecting countries' importance in the world economy—are only one-third of that of the United States and an even smaller fraction of those of the European countries.

These challenges are especially acute because fundamental, and probably irreconcilable, differences between Beijing and Washington will almost certainly continue to prevail on a wide range of security, political, and values issues. The two superpowers will thus have to find a path toward functional decoupling: a process in which they cooperate where needed and disagree sharply elsewhere. Fortunately, the Trump and Biden administrations have acknowledged the imperative of cooperating as well as competing with China, and thus paved the way for an evolution of policy in this direction. Functional decoupling will largely mean separating economic and global public goods issues, about which cooperation should be feasible, from the confrontational security and values issues. It stands in sharp contrast to national decoupling, where the two countries would separate across all issues.

A minimum requirement for functional decoupling would be the establishment of effective communication between Chinese and U.S. officials at all levels from heads of state down. Such a thickening network can be expected to develop over the next decade as issues in the "cooperation" basket are identified and pursued. One precedent has been created, though not yet implemented, with the Phase One trade agreement negotiated by the Trump administration. Earlier examples can be found in the George W. Bush administration's Strategic Economic Dialogue and the Barack Obama administration's Strategic and Economic Dialogue.

A further stage in functional decoupling would be negotiations on some or all of the issues that most plague the China-U.S. relationship and, hence, the world economy. Beyond the global public goods issues mentioned above, the most difficult challenge is determining the dividing line between the security and economic dimensions of trade, technology, and investment. Virtually all quarrels over import barriers, export controls, foreign direct investment restrictions, and the like, turn on whether the category of concern legitimately raises security anxieties. First, the United States and its allies and, secondly, China will need to work out criteria and procedures for implementing such distinctions if they are to reach a stable relationship over the coming decade. An important step in this direction would be ending the current trade war between China and the United States, which can be done on a fully reciprocal basis that avoids any criticism on either side of "going soft" (see below).

Another constructive step in functional decoupling would be China and the United States joining one or more of the respective international economic institutions that the other leads, which should be feasible over the next decade. Both are members of the major global organizations but there are many important functional groupings to which one or the other does not belong. On development issues, for example, Washington could belatedly accept Beijing's invitation to join the Asian Infrastructure Investment Bank (AIIB), and Beijing—as now the world's leading lender to developing countries—could accept the entreaties of the West for it to join the Paris Club that negotiates rescheduling of these countries' debt. As the world's leading energy importer, China could also join the International Energy Agency, while the Organization for Economic Cooperation and Development could waive its rule that only full members can join that subsidiary. Such institutional interpenetration would carry symbolic as well as substantive implications that would reinforce the stated decisions of the two countries to institutionalize their systemic cooperation to at least a degree.

There are also plausible possibilities to do this at the regional level. The United States would have to resume serious trade negotiations in Asia including the topic of increased access to the U.S. market, if it is to remain relevant there. China would have to at least limit its objectionable trade practices (especially subsidies) if it is to avoid perpetuating trade and technology wars. One way forward would be for both countries to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to which China has already applied. The United States was the main driver of the Trans-Pacific Partnership, its precursor, and Washington was very active in the CPTPP's founding negotiations, inspiring many of its rules. Joining together would permit them to address some of their most contentious trade, technology, and investment issues in a multilateral context that might facilitate resolution, in contrast to their bilateral confrontations to date. Since Canada, Mexico, and most of the members of the Regional Comprehensive Economic Partnership already participate in the CPTPP, this would also represent a consolidation of economic relationships across the Pacific and sharply reduce the risk of economic conflict.

A China-U.S. G2?

The most important international institutional issue is the composition of a de facto steering committee for the world economy, and sometimes for more. The G7 is a useful caucus for high-income powers but lacks global legitimacy, given that it excludes China and any other emerging markets, while the G20 is much too large to be operational.

The most logical grouping from an economic perspective would be a G3 of China, the EU, and the United States, or a G4 adding Japan. But China would regard this as stacking the deck with U.S. allies (and as having to share leadership in Asia if Japan were included) and would be unlikely to agree. In addition, the EU continues to experience its perennial inability to speak with a single voice on many key issues, including macroeconomics and finance.

Including another emerging market, which would have to be India, would dilute the group and bring in a rival to China, thus making negotiations very difficult. China would likely insist on a truly co-leadership position with the United States, which could only happen in a G2.

However, with the two countries soon to account for almost half of global economic output, there is no realistic alternative to the evolution toward a G2 of China and the United States, at least over the medium term, as deliberate steps in that direction would be needed much sooner.

Beijing and Washington have already done this on an ad hoc basis on occasion: rescuing the world from the global financial crisis in 2008–09 and avoiding the protectionist reactions that were widely feared; achieving major advances at the UN conferences on climate change in Paris in 2015 and Glasgow in 2021; saving the World Trade Organization (WTO) ministerial from failure in 2022. The George W. Bush and Barack Obama administrations actively sought a G2 (without calling it that) between 2006 and 2009. China eventually rebuffed this effort—like Washington later rebuffed Beijing’s invitations to join the AIIB and the Belt and Road Initiative (BRI)—at a time when its hubris and disdain for the United States peaked after the global financial crisis. But that tendency may have moderated now, with the slowdown in its economy and the United States’ strengthening of its Asian (and other) alliances, so a similar approach might be more successful, especially if pursued with full recognition of the need for functional decoupling.

Any China-U.S. G2 would have to be de facto or tacit rather than formal, at least for some time. This would be necessary for domestic politics in both countries and to avoid adverse reactions from their important partners. The latter should be engaged through concentric circles radiating out from the G2 through to G7, G20, BRICS, the IMF, the World Bank, and the WTO. Successful China-U.S. cooperation would clearly be in the interest of the rest of the world and, as noted, has already worked well in several specific settings.

One piece of low-hanging fruit that would bring about and symbolize such China-U.S. cooperation is ending their trade war, which has seen U.S. tariffs on most imports from China rising from 3 to about 20 percent and roughly equal Chinese restrictions on imports from the United States.¹⁰⁶ The Trump administration tariffs, which have been maintained by the Biden administration, and the Chinese retaliatory tariffs are costly for both countries and achieve no discernible benefits for either. China applied its tariffs in a carefully reciprocal manner so those on both sides could be removed without stimulating domestic charges of “softness” or “capitulation” (and in the United States Congressional approval would not be needed). No other single step would as dramatically indicate a new G2 effort to proceed pragmatically where the national interests of both countries would be served.

Would China Play?

Is China ready, over the coming decade, to move initially toward functional decoupling and subsequently toward a de facto G2 with the United States? Its behavior to date paints a mixed picture in this regard: it has done both on occasion, exhibiting encouraging global economic leadership at several key moments, and it has rejected both on occasion. Three related considerations could be determinative.

First, China may now be realizing that its aggressive foreign economic policy and overall foreign policy, as in the South China Sea, is producing a global backlash that jeopardizes its economy and priority development goals (and thus the domestic control of the Chinese Communist Party). Its economy could require cooperation from the United States and its allies to maintain its annual growth rate at the acceptable level of 4–5 percent.¹⁰⁷ China has so far been unsuccessful in replacing its export/investment-led model with a domestic-demand/consumption-led model, and in its bid for technology leadership, without external expertise and financing. The international backlash will continue to grow, especially from its main economic partners (the United States, EU, and Japan), unless China moderates its objectionable policies. In particular, China should hope to defuse the aggressive pushback from Washington that encompasses direct controls on bilateral transactions, along with a growing coalition of countries adopting similar strategies.¹⁰⁸

Second, China is belatedly seeking to broaden its international alliances to compete more extensively with the United States and its relatively robust alliance network, with the Global South as its primary target. But its strategies to do so—mainly through the BRI and BRICS—have not gone very far. A more constructive leadership posture, especially on international economic issues, is more likely to win converts than continued belligerence and deviations from international rules and norms.

Third, China may be realizing that it can better achieve its desired global economic leadership role by working within the existing system rather than challenging or disrupting it. So far, it has pursued coequal status with, or superiority to, the United States by operating simultaneously inside the Bretton Woods framework (for example, lending via the IMF and adhering to WTO decisions) and outside it (for example, through the AIIB and BRI). Linked closely to the previous two points, China may now decide to emphasize the “inside game” to achieve positive results such as equal status at the IMF and market economy status at the WTO and to minimize negative reactions, such as trade and technology controls.

All this suggests that China may be willing to adopt more internationally compatible economic policies—for example, regarding subsidies and intellectual property theft—and take on more consistent global economic leadership responsibilities in return for continuing ascendance toward co-leadership status and stronger ties with emerging markets. It thus seems plausible that over the coming decade it will be responsive to U.S. initiatives toward

functional decoupling and even a G2. Even if confrontation and conflict over security and values issues persist, the result would be a healthier global system and a less dangerous relationship between the two superpowers.

Greater trust between the two will have to be realized to decisively head off descent into a new Cold War or worse. China will have to convince the United States that it does not seek to oust it from its global economic leadership position but to share it. The United States will have to convince China that it does not seek to block its ascent to co-leadership. This will require both to modify their traditional and current views. A functional G2 that demonstrates pragmatic and effective cooperation on a growing set of issues, mainly economic, would represent major progress.

An Alternative Scenario: A Trump Presidency

Donald Trump returning to the presidency would add a huge degree of uncertainty to these already highly uncertain propositions.

First, he might disrupt U.S. alliances once again, just when they are desperately needed to face China. This could turn some countries, especially in Asia, neutral toward Beijing (Finlandization¹⁰⁹) and even tilt them into its camp—strengthening China in its competition with the United States, perhaps decisively depending on how far Trump might go against Europe and in disrupting NATO, including by abandoning Ukraine.¹¹⁰ It could also tempt Japan, South Korea, and perhaps others to acquire nuclear weapons to protect themselves. The reduction in, or end of, concerted outside pressure on China to pursue constructive reforms, and Trump's probable adoption of more Chinese-style policies, are unlikely to push Beijing in positive directions.

Second, Trump would almost certainly employ more confrontational and even hostile rhetoric toward China. He has floated plans to introduce a 10 percent tariff on most imports and a tariff of 60 percent or more on Chinese goods, which would escalate the trade war and spread it to the rest of the world.¹¹¹ This might encourage China-bashing (and hostility toward Asian Americans) in the United States and make it increasingly difficult to avoid escalating actions against Beijing, with the Democrats and Republicans perhaps competing to be viewed as more hawkish. The prospects for cooperation, even on a limited set of essential issues like climate change (which Trump additionally denies is a problem¹¹²) would be greatly jeopardized, if not totally eliminated, and a new Cold War would probably set in fairly quickly.

Third, although Trump's personal preferences related to Taiwan are not entirely clear, if he follows the trends in Republican strategic thinking about the issue, it is very possible that he might adopt a belligerent stance on the issues and thereby escalate tensions, maybe greatly,

with China.¹¹³ Given the centrality of the issue to Beijing, all chances of improving the China-U.S. relationship would probably disappear, and the risk of direct hostility would rise.

Most importantly, polarization and dysfunction in the United States would undoubtedly escalate even further. The country's soft power would erode substantially. America First could again produce America Alone, only more so as the fears of other countries that the United States could never again be a trustworthy friend, let alone leader, would seem confirmed.

Looking ahead over a full decade, a great deal would also hinge on what followed a second Trump presidency. Continued Trumpism, even if conducted in a more civil manner, could not overcome its negative impacts, especially if the domestic politics over China were poisoned permanently and if U.S. alliances were totally disabled. More cooperation with Beijing under a successor might be possible, but it would be an uphill battle in light of China's gains and the potential loss of U.S. allies under Trump.

What Future for the Renminbi in the Global Monetary System?

Edoardo Campanella and Meg Rithmire

The economic historian Charles Kindleberger famously argued that the disastrous 1930s should be attributed to the failure of a rising hegemon—the United States—to provide global public goods, including currency stability, in the context of the United Kingdom’s hegemonic decline.¹¹⁴ The “Kindleberger trap” prospect in the context of China’s emergence as a global financier looks like a real risk as Washington increasingly resorts to isolationism and Beijing rejects global responsibilities. But such a scenario is less convincing when one considers what roles the dollar and the renminbi (RMB) can play next decade or so, what U.S. policy toward China’s participation in global finance should be, and what China’s leadership wants for the renminbi—a perspective that is lacking in today’s highly biased debate.

Our reading of Chinese analysis of these problems suggests that Beijing wants to facilitate the internationalization of the renminbi but not to displace or to replace the dollar, contrary to anxieties in the United States. Moreover, macroeconomic and political dynamics suggest that such a displacement is not possible in the medium term. In fact, counter to what so many seem to believe about the importance of maintaining the dollar’s global hegemony, the benefits to the United States and the world for deriving from a more widely used renminbi would be sizable. Rather than fighting against the latter, U.S. policymakers should welcome the possibility that the renminbi will be more widely accepted as a global currency a decade from now.

The substantial benefits of encouraging the renminbi’s internationalization are obscured when the global financial system is simplistically seen as one where a challenger competes with the dollar. Instead, as shown below, the stickiness of the dollar, compounded by structural deficiencies of the renminbi—such as the lack of deep and liquid financial markets, an open capital account, and rule of law in China¹¹⁵—should make U.S. policymakers confident enough to support and to incentivize its internationalization. Instead of simply warning of global currency competition, we outline three scenarios for the evolution of

the global financial system over the next decade: first, a multipolar international monetary system where more currencies act as safe havens during a crisis (monetary coexistence); second, independent and insulated monetary blocs anchored by separate currencies (monetary bifurcation); and third, overstretched dollar dominance deriving from the suppression of the global role of the renminbi (monetary suppression).

The second and third scenarios are consistent with an unstable global equilibrium where financial crises can be poorly managed and geopolitical tensions risk spiraling out of control. The first, with the euro and the renminbi playing key roles, would be more aligned with today's geopolitical and geoeconomic reality, and it would increase the stability of the system by relieving the dollar from oversized international duties, without necessarily elevating the renminbi to the status of principal reserve currency. In addition, a more international Chinese currency could increase the accountability and transparency of Beijing's decision-making process. The renminbi's internationalization offers an opportunity for the United States and its allies to engage in a more sustained and iterative, rather than existentially competitive, economic relationship with China, welcoming its financial participation in a context in which markets, rather than other states per se, can provide discipline.

The Tortuous Road to Reserve Currency

Less than one hundred days after his election in 2023 as Brazil's president, Luiz Inácio Lula da Silva, who has frequently positioned himself as a voice for the developing world in an unequal global political economy, arrived in China for a state visit and discussions with President Xi Jinping. He had already been to the United States, and his visit and meeting with Xi was seen as an effort at "active nonalignment," by which developing countries decline to take sides in what appears to be an intensifying economic and political rivalry between Beijing and Washington. In China, Lula expressed frustration with the dominance of the dollar in the global financial system, and signed swap agreements with China to facilitate trade in the Brazilian real and the renminbi.¹¹⁶

Lula's words and the swap agreement came amid global debates about the future of the dollar and of the global currency system. Repeated bouts of debt ceiling showdowns in Washington have frayed global nerves about the reliability of U.S. debt and the value of the dollar, even after the 2008 global financial crisis seemed to demonstrate the primacy of the dollar as investors fled to safety. Following its invasion of Ukraine in early 2022, unprecedented sanctions on Russia constituted a new chapter in the expansion of Washington's use of the dollar's centrality and of its control over financial networks such as the Society for Worldwide Interbank Financial Telecommunications (SWIFT) to pursue geopolitical aims. In such a context, Brazil was not the only country fretting about dependence on the dollar and concerned about the long-term stability of the global financial system.

At the same time, anxieties about the dollar coincided with ones concerning China's global economic ascent. The Belt and Road Initiative (BRI), along with pursuit of the "digital renminbi," domestic industrial policies (exemplified by the Made in China 2025 strategic plan), and a general national security turn in its political economy, gave rise to fears that China was seeking economic dominance, or was even trying to replace the United States as the global political and economic hegemon.¹¹⁷ To many, such a status would require the renminbi to eclipse the dollar as a premier global currency. History shows a correlation between global economic and political power and currency dominance, but hard power and currency power do not necessarily coincide.

Monetary history points to a clear sequence for the emergence of a reserve currency.¹¹⁸ First, rising powers impose their currency to invoice and settle trade transactions. The guilder and the pound sterling accompanied the expansionary trade reaches of the Netherlands and the British Empire respectively, while the dollar rose to prominence with the economic rise of the United States. Today, reserve preferences among central banks reflect the patterns of currency choice in a country's trading relationships.¹¹⁹ Second, international currencies need to be backed by deep, liquid, open, and trustworthy domestic financial markets as central banks want to have access to assets that can be quickly liquidated and converted into a medium useful for intervention purposes.¹²⁰ London and New York played a pivotal role as global financial centers before the pound sterling and the dollar started to be held by central banks as official reserves.¹²¹ Only when the trade and investment roles are fulfilled can a currency aspire to the role of reserve.¹²² According to the Hongkong and Shanghai Banking Corporation (HSBC), China seems to have designed its strategy for the internationalization of the renminbi with these steps in mind: "First trade, then investment; and after that, reserve currency status. That is the roadmap for the renminbi in a single sentence."¹²³

Although the United States' share of the global economy is now 15 percent, almost 90 percent of all foreign exchange transactions still involve the dollar and around 60 percent of all official foreign exchange reserves are held in dollar-denominated assets.¹²⁴ In contrast, despite China's growing economic and geopolitical weight, the use of the renminbi accounts for 2 percent of total cross-border transactions, while its share of the world's foreign exchange reserves is 3 percent.¹²⁵ At the moment, less than 25 percent of China's trade in goods is settled in renminbi and there is almost no global use of the currency outside of that.¹²⁶ High-frequency data from SWIFT indicates that the renminbi accounts for 2.2 percent of global payments for all types of transactions.¹²⁷ Similarly, use of the cross-border interbank payment system was launched in 2015 by the People's Bank of China keeps rising but it remains limited, with the volume of transactions in it roughly 1 percent of that of global payments handled by the SWIFT system.¹²⁸ Progress has also been made on the development of the digital renminbi, which could accelerate the internationalization process of the Chinese currency if allowed to be used across borders.¹²⁹ Even if China is now the largest bilateral creditor of the developing world, ahead of the International Monetary Fund, the World Bank, the United States, and all the members of the Paris Club, most of its

lending and investment to date has been in dollars.¹³⁰ Finally, progress on the convertibility of the renminbi has been fairly limited in recent years. As of 2023, foreign investors owned 2 percent of Chinese stocks and 4 percent of Chinese bonds, compared to 40 percent and 33 percent of U.S. stocks and bonds respectively.¹³¹ Licensing and time requirements, quantitative limits, and direct prohibitions on capital inflows and outflows further limit the extent to which global investors can and desire to access the renminbi and Chinese financial assets.¹³²

The People's Bank of China has currency swap agreements with about forty central banks, mostly in emerging economies, that are designed to finance the provision of trade credit and working capital.¹³³ These central banks use the funds to provide renminbi to local banks in order to extend renminbi-denominated trade credit to their clients. By contrast, U.S. Federal Reserve swap lines are designed to address the dollar funding needs of foreign banks themselves in connection to their financial investment and trading activities.¹³⁴ On top of the renminbi having been included in the currency basket of the International Monetary Fund's special drawing rights, China has also expanded its institutional footprint by introducing an emergency renminbi liquidity arrangement under the auspices of the Bank for International Settlements.

While the renminbi can improve its status as an international currency over the next ten years thanks to its role in global trade (that is, denominating and settling cross-border trade and financial transactions), the process of becoming a reserve currency (that is, a currency held by other central banks as protection against balance of payment crises) would be more complicated and time-consuming as it would require a radical retooling of China's economic model. At a minimum, it would be necessary to create financial market depth in the country by further opening the capital account, diminishing control over the allocation of credit (for example, through subsidies to favored firms), allowing the exchange rate to freely float, and reducing the state's discretion in maneuvering the economy. Lifting capital controls and letting the currency freely float would imply exposing China's economy to global turbulence after decades of policy insulation, an outcome that Chinese policymakers have repeatedly rejected as intolerable because of the potential for instability and the limited discretion to allocate resources to favored firms and development goals.¹³⁵

Moreover, even a flexible exchange rate and an open capital account would not be enough; structural changes would also be needed. The quality, predictability, and reliability of the political institutions of the issuing country, for example, play an important role in determining the appeal of a currency as a reserve one—even if a purely democratic system is not a necessary prerequisite, adequate checks and balances are.¹³⁶ Moreover, China would need to start running sizable current account deficits in order to supply its currency to foreigners by reducing private savings and upgrading its development strategy. The aspiration of China's leadership is to move away from an investment-led, export-driven growth model toward one more focused on private consumption—its dual circulation strategy goes in that direction—but this requires drastically reducing the household savings rate, which, at around 35

percent, is almost six times higher than the U.S. one.¹³⁷ Cultural, generational, and historical factors are at the heart of China's economic structure and cannot be reversed with ease. The country's leadership has been advocating movement toward a consumption-driven economy since at least the late 1990s, but it has failed to generate the incentives for households to spend more and to save less, and policymakers continue to resort to "command and control" and investments-driven growth in moments of turmoil or uncertainty.¹³⁸ Moreover, in a world of emerging regional trade blocs, there will be fewer opportunities for currency exchanges worldwide and it would be in China's interest to retain as much control of its economy and national resources as possible.

What China Wants: Financial Stability and Global Security

Considering all these challenges to the renminbi's ascent as a widely used currency, it is no surprise that China's leadership is setting far less ambitious targets for its currency than many in the United States seem to realize. Beijing is clearly seeking a more prominent role in the international system, but not primacy, in order to increase financial stability and economic security. It resists the loss of sovereignty that a premier reserve currency status entails. While internationalization implies heightened prestige, greater influence in the international system, and improved trade efficiency, it also increases exposure to external shocks and diminishes control over domestic monetary policy.¹³⁹ Beijing is trying to strike the right balance between these costs and benefits with an eye on its long-standing development objectives. Xi has responded to domestic economic and financial challenges, which include ballooning local-government and corporate debt as well as a painful downsizing of the real estate sector, by prioritizing the Chinese Communist Party's control over the financial sector and stability over other goals. In this context, if the United States were to encourage the renminbi's internationalization, this would also encourage domestic reform in China. In addition, if the dollar remained the anchor of the international monetary system, with the renminbi playing a secondary role, this would maintain the effectiveness of financial sanctions as a deterrent. A bifurcation scenario in which the dollar and the renminbi anchor separate international currency systems would render sanctions ineffective for this purpose.

Although reformers have not gained power in Xi's third term, his tenure has not been a linear march toward economic statism and rolling back market reforms, and reform-minded policymakers remain. During his first term, a push for financial liberalization included efforts to boost the stock market, to attract more international capital, and to increase transparency in financial policymaking. This led to a stock market bubble and financial instability and was eventually reined in, but it revealed that reform-minded economic policymakers tend to be concentrated in the financial regulatory institutions, including the People's Bank of China.¹⁴⁰ Top personnel in financial regulatory agencies and monetary authorities have tended to be trained in the West and they recognize the role of transparency and rules, rather than discretion, in building a credible and healthy financial system. Encouraging

internationalization of the renminbi would empower these voices for reform and transparency that are presently restrained, and it would provide a relatively cheap way for the United States to reassure China that it is a welcome participant in the global economic system.

Following the deployment of unprecedented financial sanctions against Russia in response to its invasion of Ukraine, the People's Bank of China embarked on the assessment of how China should think about and anticipate the risk of financial "weaponization." The papers produced by researchers affiliated with the bank share some conclusions. First, though none condemns the sanctions against Russia (or Iran), China's monetary authorities are frustrated with the United States' weaponization of the dollar's primacy to advance its geopolitical aims. They argue that financial sanctions have expanded in scope over the last several decades, which is hardly a controversial view. Chinese analysts consider the dollar system to be a "public goods regime," and they acknowledge the "stickiness" and political commitments embedded within it. Second, although these analysts reference the Kindleberger trap, none conclude that the renminbi could or should replace the dollar as a primary currency of global exchange, because this would challenge China's domestic financial stability and require dramatic changes in currency convertibility.

Analysts and policymakers in China instead advocate the renminbi's internationalization as a proactive defense against sanctions targeting China or Chinese firms as well as a source of diversification and stability in the international monetary system. What is most striking is that Chinese analysts consistently view the possibility of financial sanctions against China as disastrous, arguing that "the blow to the Chinese economy would far exceed the impact experienced in Russia."¹⁴¹ The majority of the research published on China's "counter-sanctions" strategy advocates restraint, compliance, and cooperation. This includes "recognizing the power contrast between the two sides" and maintaining "multi-level communication and influence within the United States,"¹⁴² as well as global cooperation on issues of shared interest, such as: combating money laundering, participating in and promoting multilateral rule building, and enacting domestic financial liberalization with appropriate regulation to buttress China's financial strength for any situation.¹⁴³

Three conclusions emerge from this analysis. First, discussions of the prospect of U.S. financial sanctions on China seem indicative of their potential deterrent effects; for example, against military action in Taiwan, which would presumably trigger the kinds of financial sanctions the west wielded against Russia after its invasion of Ukraine, but with far greater consequences for a more diversified and globally integrated economy like China's. It seems clear that some of China's efforts to establish cross-border renminbi settlement are motivated by the desire to build resilience in case of sanctions, but nonetheless analysts recognize that this kind of resilience is unattainable in the short term. Appearing to exclude China from the global financial system, for example by aggressively combatting renminbi internationalization, may only accelerate efforts to build resilience and thereby decrease deterrent effects. Conversely, encouraging renminbi globalization, naturally limited by China's own domestic financial policy, ensures that the deterrent effects of sanctions can be sustained. We return to these dynamics in the conclusion. Second, Beijing's intentions with regard to

the global financial system are to participate in it, but not to dominate it, in order to reduce the instability that comes from the dominance of the dollar. Third, following on from the previous two points, advocacy for the renminbi's internationalization is primarily defensive, and this step would require greater domestic liberalization and reform. Internationalization, limited by the Chinese Communist Party's domestic and financial priorities, would lay the foundations for a global financial system in which China's participation incentivizes domestic market-oriented reforms and keeps the country tethered to global markets and to the dollar. The benefits of this monetary coexistence scenario to the United States and the global system are many.

Seeking Equilibrium: The Benefits of the Renminbi's Internationalization for the United States

There is a sort of inertia in the international status of a global reserve currency.¹⁴⁴ Its ascendance usually coincides with the rise of the great power that issues it, but its fall does not necessarily occur with the decline of that power. Like technologies, international currencies get locked in, as any alternative would imply enormous transition costs for its users. The pound sterling, for example, remained the anchor of the international monetary system until the Bretton Woods agreement in 1944, even though the British Empire had started to disintegrate in the late nineteenth century and the United States had surpassed Britain in terms of economic size and financial power in the early twentieth century.¹⁴⁵ It took the huge shock of the Second World War to mark the end of the sterling era and the beginning of the dollar one.¹⁴⁶

Similar dynamics are at play today. As long as the United States adopts responsible fiscal policies and avoids abusing financial sanctions, the dollar will continue to remain the first-ranked currency, even if U.S. hegemony dissipates and the global order becomes multipolar. However, international monetary systems that are too out of alignment with the geopolitical and geoeconomic reality of their time can become a source of systemic vulnerability and instability. Washington would be smart to anticipate and to welcome a world in which the dollar remains the premier global currency while managing the process by which other currencies, especially the renminbi and the euro, share the burden of absorbing global shocks.

In normal circumstances, the global reserve currency enjoys an "exorbitant privilege."¹⁴⁷ It earns a higher return on its external assets than it pays on its external liabilities. But this can pave the way for instability. In the run-up to the 2008 global financial crisis, for example, countries accumulated dollar reserves as insurance against capital flow volatility and as a byproduct of policies of export-led growth. As a result, ten-year U.S. Treasury yields were 50 to 100 basis points lower than they would have been otherwise and low government bond yields gave rise to forms of risk-taking that distorted the American economy by propping up the housing bubble.¹⁴⁸ And, when a crisis eventually breaks out, the exorbitant privilege turns into an "exorbitant duty"¹⁴⁹ as the global demand for safe assets increases, which can overstretch the reserve currency to the point of a confidence crisis. Between 2007 and 2009,

for example, the United States experienced a large negative return on its net foreign asset position amounting to about 13 percent of GDP.¹⁵⁰ Even if the global financial crisis originated in the country, international investors rushed to buy dollar-denominated assets that were seen as a safe haven, while selling assets denominated in other currencies. As a result, the value of U.S. holdings abroad contracted more than the rest of the world's holdings in the United States. This was compounded by the appreciation of the dollar that was driven more by shifts in risk aversion than by macroeconomic fundamentals.¹⁵¹

However, playing the role of global stabilizer becomes increasingly difficult if there is a mismatch between the international status of a currency and the global influence of the issuing power when the center of gravity of economic activity is shifting. For example, Britain's relative economic decline, combined with the continued dependence of the world economy on the sterling-centered gold standard system, contributed to the trade and monetary tensions and imbalances that set the economic stage for the Second World War.¹⁵² The British economy was no longer large enough to accommodate the distressed goods of other countries and British overseas lending was unfit to stabilize the global monetary and financial system. But no other currency, including the dollar, could replace the sterling.¹⁵³ Similar dynamics are at play today. With a world that is fragmenting politically, the fading of Pax Americana has not undermined the international status of the dollar, but there is a risk of overstressing its role.¹⁵⁴ The origin of the global financial crisis of the 1930s lay in macroeconomic imbalances that were generated by the presence of a single major reserve currency at a time that a more diversified system would have been more resilient. As a result, there was no market discipline to trigger the policy adjustments needed to increase savings in the United States and to reduce the American borrowing of money from the rest of the world.¹⁵⁵

The larger the gap between the global status of the dollar and the leadership role of the United States, the more exorbitant the duty will be as the dollar would be assigned a stabilizing role beyond the capacity of the American economy. In a multipolar international monetary system where more currencies can act as safe havens during a crisis, this duty would be recalibrated for the dollar (the monetary coexistence scenario). The sheer size of the global economy means it is possible for more than one currency to create deep and liquid markets for safe assets denominated in that currency. Looking back at times when international financial markets were far less sophisticated and developed than now, multipolar international monetary arrangements have been the rule, not the exception.¹⁵⁶ Before 1914, there were three such currencies: the British pound, the French franc and the German mark. But multipolarity does not necessarily imply equal international status within the system. The pound stood out while the other two currencies were important, especially in regions dominated by France and Germany. The dollar could continue its role as primary reserve currency. The euro, which is neither backed by a liquid safe asset issued at the European level nor by a fully integrated geopolitical entity, cannot aspire to the role of leading reserve currency, but it can certainly act as an additional stabilizer. And, as discussed above, while China's leadership does not aspire to a role of that kind for the renminbi, a gradual opening

of its capital account, a more flexible exchange rate, and the deepening of its financial markets would provide the world with an additional safety valve in the case of another global financial crisis.

In short, the euro and the renminbi would be ancillary reserve currencies, while the dollar would preserve its status of primary reserve currency. The euro and the renminbi could act primarily as regional anchors in Europe and Asia respectively, where the trade of European and Chinese firms is concentrated, while retaining some global projections as international investors try to diversify their reserves away from the dollar as the global anchor.

Deeper involvement in the global financial system would be a source of accountability for China's policymakers and it would empower the most reform-oriented voices within the ruling elite, keeping Beijing attached to the global liberal order. Boosting the internationalization of the renminbi would provide an opportunity for "reform by stealth." Even if China's leaders are conflicted about the international role that the country's currency should play, its internationalization would give them a convenient excuse to pursue financial liberalization and market reforms. The People's Bank of China, for example, could push for a more flexible exchange rate, without appearing to have surrendered to U.S. pressure. Moreover, international financial flows are an important catalyst for additional domestic transformations in corporate governance structures, financial supervision, and the allocation of credit.¹⁵⁷ In turn, the Chinese economy would become a more stable anchor of the global economy. A similar stratagem was used two decades ago, when Premier Zhu Rongji used accession to the World Trade Organization to push through necessary but politically difficult structural reforms. From this perspective, the internationalization of the renminbi becomes a means more than an end in itself.

If the United States does not accommodate the gradual ascendance of the renminbi at a time when it can still dictate its own conditions, the risk is that China will build its own currency bloc, one made up of authoritarian and anti-West regimes. There have already been small steps toward this monetary bifurcation scenario. Since the full-scale invasion of Ukraine, and in response to Western financial sanctions, Russia has sought to increase its use of the renminbi to settle its trade transactions with China and adopted Beijing's cross-border interbank payment system for trading oil, bypassing SWIFT.¹⁵⁸ Similarly, Indonesia, Iran, and Venezuela are already settling some of their China oil trade in renminbi.¹⁵⁹ China and Saudi Arabia have also been in active talks to price some of their oil-related transactions in renminbi.¹⁶⁰

But a fragmented international monetary system, with two distinct anchors operating in different ways that hardly overlap, would be a source of financial and geopolitical instability globally. As long as the two blocs remain somewhat integrated commercially, they would be vulnerable to common macroeconomic shocks but each would have to deal with it individually, even when international cooperation would be desperately needed. Over time,

a fragmented monetary system could become so cumbersome as to make it impossible for firms and consumers to trade in both blocs, further insulating the two from one another, and greater reliance on a more limited geographical area may increase vulnerability to country-specific shocks.¹⁶¹

Moreover, if China and other countries are able to further their trade prospects without access to the dollar, the constraints and moderation that monetary authorities have advocated to avoid sanctions are not necessary and the costs of more aggressive behavior are reduced. The debate about whether sanctions change the behavior of the targeted country is inconclusive, but the availability of sanctions to react to geopolitical situations has allowed the United States to respond to violations of international norms with measures short of military action—and Chinese policymakers are clearly thinking about their deterrence effect.¹⁶² If China were excluded from the international monetary system or pursued a bifurcated order, it would not have to include the effects of economic sanctions in its calculations over whether to, for example, take military action against Taiwan.

Alternatively, if the United States resists the internationalization of the renminbi, the structure of the international monetary system might remain similar to its current form, with the dollar as an overstretched anchor and the Chinese currency as a marginal one (the monetary suppression scenario). This scenario could also constitute an unstable equilibrium. The dollar would be faced with the exorbitant duty to stabilize the global economy in the case of systemic financial stress. At the same time, the lack of alternative reserves would lead to the creation of imbalances within the American economy similar to those that contributed to the 2008 global financial crisis as financial markets would not impose upon the United States the adequate discipline to adopt responsible domestic policies. And the world itself would be vulnerable to unwise domestic economic policies adopted in Washington that could destabilize the global financial system. A typical example would be the Federal Reserve tightening monetary policy to tame domestic inflation, causing a sharp appreciation of the dollar that would cause inflationary pressures in other parts of the world, while destabilizing the public finances of those countries that issue dollar-denominated debt, whose servicing costs would jump.¹⁶³

Conclusion: A Path to Stable Participation

As Kindleberger observed of the Great Depression era, global hegemonic transitions can be financially turbulent, if not disastrous. The next decade, especially given China's slowing growth and clear competition with the United States in more economic arenas (for example, technology), is a critical time for Washington to envisage and facilitate an appropriate role for Beijing within the international monetary system. If the United States tries to counter the renminbi's internationalization alongside the dollar, a bifurcation or suppression scenario would push the world into the Kindleberger trap as neither the dollar nor the renminbi would be a strong enough stabilizer. Instead, if it promotes a multipolar international monetary system, there would be collective benefits.

First, the specter of financial sanctions for norm violations can serve a deterrent role, as is clear from our reading of Chinese sources that anticipate disastrous effects of sanctions, like those imposed on Russia in 2022, if they were targeted at China. But deterrence is only effective alongside assurances, meaning that states need to believe that they will not be targeted (for example, with sanctions) arbitrarily and can rely on the global economic system for security.¹⁶⁴ U.S. policymakers should want China to be deterred from aggressive actions by the fear of sanctions, but not to convince it that the United States will oppose it across all forms of global economic power. This means that the preservation of dollar's centrality in the international monetary system requires offering the renminbi a more prominent role within it. Further, recent research suggests that rising powers experiencing economic decline can be most aggressive when they are convinced that their trade prospects are poor, driving them to seek resources aggressively rather than peacefully.¹⁶⁵

Second, the renminbi's internationalization provides a chance to spur responsible global economic engagement by China. Currency internationalization can safely facilitate transactional economic relations, meaning that the United States can welcome China's participation under certain circumstances and sanction its wrongdoing in others (under the monetary coexistence scenario). The opposite of a transactional approach is existential conflict; that is, opposing Chinese gains in any arena regardless of potential costs or benefits for international stability in general and the United States in particular (under the monetary suppression or bifurcation scenarios). In other forms of transactional relations, such as export controls, entity listings, and investment screenings, U.S. actors and institutions would have to provide discipline, which would invite Chinese criticism, create political frictions that could spill over into other areas, and could invite escalation or tit-for-tat actions. In currency markets, by contrast, markets provide discipline. If China adopts political or monetary policies that frighten market participants, private and sovereign actors would not want to rely on the renminbi, and this would be even truer in the presence of multiple reserve currencies as investors could shift from one to another, avoiding a rush toward a single currency even when it is the source of instability, as was the case with the dollar in 2008.

China's domestic economic problems are significant and yet its leaders have found it convenient to blame the external environment—that is, U.S. “containment” and “suppression”—rather than domestic policies and stalled structural reforms. Welcoming the renminbi's internationalization would help to dismantle the narrative that the United States refuses to allow China a global economic role, further incentivize reforms in the country, and empower more reformist elements within the party-state who might advocate for liberalization, as opposed to securitization, as a solution to these problems. Moreover, welcoming the internationalization of the renminbi would cost the United States little, either in terms of domestic politics or of global alliances, as long as the dollar's centrality is preserved. By contrast, opposing mechanisms for internationalization such as currency swaps or invoicing in renminbi could be costly to it.

What can the United States do to encourage the renminbi's internationalization and to protect U.S. financial interests, and thus achieve the coexistence scenario? It should offer rhetorical assurances to China that its participation in the global monetary system is welcome and that U.S. opposition to bilateral currency swaps, renminbi invoicing, and the digital renminbi would be limited only to specific cases, in particular where national security concerns are evident. Washington should also bolster China's power within the International Monetary Fund, which could be the venue for multilateral cooperation on specific monetary mechanisms that can diversify reserve holdings and enhance cooperation on financial stability.¹⁶⁶ Advocating invoicing in renminbi the trade in rare earths and certain minerals would deter China from weaponizing these supply chains it dominates, as such actions would only sow mistrust and hurt the value of the renminbi. Lastly, the shared professed interests of the United States and China in global financial security, countering money laundering, and promoting multilateral rule-building push toward transparency and collaboration. Given the narrowing space for dialogue between the two countries and the systemic importance of the global currency system, openness to the renminbi's internationalization offers Washington a low-cost and potentially very high-benefit arena in which to offer assurances and incentivize responsible behavior by Beijing, while active opposition to China's global monetary participation could lead to scenarios that have proven catastrophic on a global scale in the past.

Envisioning a Stable Military Balance in 2034

M. Taylor Fravel and Eric Heginbotham

How will the military balance of power in East Asia evolve over the next decade amid growing and intensifying competition between the United States and China? What would a stable balance of power that minimizes crisis and arms race instability look like and how might it emerge? To answer these questions, this chapter proceeds in three steps. First, it reviews the factors that will shape the balance of power in East Asia. These include the distribution of material resources among the main actors, the nature and impact of military technology, and the United States' relations with its allies in the region as well as with other important partners. Second, it reviews current trends in U.S. military force posture in the region. Third, it describes a denial strategy that would bolster stability. Such a strategy would require forward-deployed U.S. forces that are resilient with capabilities primarily oriented toward defeating attacks rather than launching offensives.

Three assumptions should be noted at the start. First, the United States will remain committed to the defense of its treaty allies in East Asia. Second, the status of Taiwan will remain unresolved, and Washington will retain its “one China” policy, including strategic ambiguity, while Beijing will not renounce the use of force over Taiwan. Taiwan will therefore remain an important consideration for U.S. military planning, as will the defense of allies. Third, given the size and general disposition of U.S. and Chinese military forces, a basic security dilemma will remain in effect, which will make arms control unlikely within the time frame considered. The effects of anarchy will remain powerful as each side takes into account the other's military power. Hence, the discussion of U.S. force structure and posture examines only those changes that could enhance crisis and arms race stability without requiring parallel moves by China.

Factors Shaping the Military Balance

The military balance of power always depends on the specific objects being contested, the number and identity of the actors involved, the domain of conflict, distance and geography, and other factors.¹⁶⁷ Before considering how a stable balance might develop, we review the key factors that will shape the military balance in East Asia over the next decade.

Distribution of Economic Resources

National wealth is a critical factor in the military balance as it generates the resources for states to deploy and upgrade their military forces, including investments in new and emerging technologies with military applications. Over the next decade, the balance of national wealth will likely continue to shift in China's favor, but it will likely do so at a significantly slower rate than in previous decades. One consequence of China's slowing growth rate is that increases in China's spending on defense will also likely slow.

Today, China has the largest economy in Asia. Its GDP is roughly four times that of Japan, Asia's second-largest economy, and it is 42 percent larger than the next five Asian GDPs combined (Japan, India, South Korea, Australia, and Indonesia).¹⁶⁸ At the same time, there is a rough balance in the distribution of economic strength across the Pacific. The United States' economy remains 24 percent larger than China's and its GDP per capita is more than five times larger. As a high-income state, the United States is able to harness more of its GDP for state purposes, including defense.¹⁶⁹

Table 1. GDP and Other Figures, Using Constant 2015 \$

	GDP 2024 (million)	Ratio to China 2024	GDP Per Capita (2024)	Military Expenditure as % of GDP
China	\$17,766		\$12,464	1.6%
United States	\$22,010	1.24:1	\$65,485	3.5%
Asia, Top Five After China				
Japan	\$4,616	0.26:1	\$37,050	1.1%
India	\$3,345	0.19:1	\$2,316	2.4%
ROK	\$1,786	0.10:1	\$34,515	2.7%
Australia	\$1,501	0.08:1	\$56,274	1.9%
Indonesia	\$1,231	0.07:1	\$4,392	0.7%
Collectively	\$12,479	0.70:1		

Source: Oxford Economics, Global Economic Model; SIPRI Military Expenditures Database

Change over the next decade will be far more modest than was the case in the last one. At a real average of 6.6 percent China's growth rate since 2010 is already down from 10.1 percent during the preceding thirty years. Most estimates place its future growth lower. Oxford Economics, for example, projects average real growth to be 3.7 percent through 2034 and then 2.5 percent in following decade.¹⁷⁰ Even this growth will depend on China's uncertain willingness to undertake painful structural reforms to the economy.¹⁷¹ Relative to the United States, China is likely to make modest gains but to remain far poorer in per capita terms. Relative to other major economies in the wider region, the picture is likely to be more mixed (see Table 2), with gains against some and losses against others.

Table 2. GDP Projections and Other Economic Metrics, Constant 2015 \$

	GDP 2024	GDP 2034	Compound Annual Growth Rate	Ratio to China 2024	Ratio to China 2034	GDP Per Capita 2034
China	\$17,766	\$25,444	3.7%			\$18,138
United States	\$22,010	\$25,986	1.7%	1.24:1	1.02:1	\$73,672
Asia, Top Five After China						
Japan	\$4,616	\$4,813	0.4%	0.26:1	0.19:1	\$40,749
India	\$3,345	\$6,120	6.2%	0.19:1	0.24:1	\$3,925
ROK	\$1,786	\$2,104	1.7%	0.10:1	0.08:1	\$41,502
Australia	\$1,501	\$1,998	2.9%	0.08:1	0.08:1	\$64,671
Indonesia	\$1,231	\$1,919	4.6%	0.07:1	0.08:1	\$6,408
Collectively	\$12,479	\$16,954	3.1%	0.70:1	0.67:1	

Source: Oxford Economics, Global Economic Model; SIPRI Military Expenditures Database

Inventories of military equipment are developed over decades, and changes in relative military capabilities therefore lag those in the economic domain. China's inventories of modern military systems are likely to grow faster than those of the United States and other states for at least the next five years, but they will begin to plateau as the cost upgrading and maintaining aging equipment account for more of its defense budget. Other Asian states either plan to or have already increased their defense spending, mitigating the change in relative capabilities, and the United States is adjusting what it buys to improve its prospects against China.

Technology Favors the Defense, and the Offense-Defense Balance is Unlikely to Change Soon

The offense-defense balance is never absolute: it needs to be considered in relative terms and in the context of the material resources and the tasks to be accomplished by both sides. Technology helps to shape the relative ease with which different types of military tasks can be executed. Recent developments—not least the proliferation of sophisticated long-range strike systems combined with more diverse and capable intelligence, surveillance, reconnaissance capabilities—have generally given a greater edge to defending forces, especially against invasion threats and most particularly against amphibious invasion. Technology may have a more mixed impact on the security of sea lines of communication and, therefore, on defense against blockade.

In an amphibious landing scenario, as would be the case in an invasion of Taiwan by China, anti-ship missiles threaten the attacker's center of gravity—its amphibious fleet. Maritime invasions require the attacker to transport the bulk of supplies and equipment necessary to support its force via sea. In invading a large landmass, such as Taiwan or one of Japan's major islands, initial landings generally must be made on beaches and, therefore, must be supported by amphibious ships. This requires the attacking fleet to position itself off the coast of the target state for prolonged periods of time. Such invasion operations normally require weeks or months to complete. During this period, the attacking fleet remains highly vulnerable to large salvos of anti-ship missiles. China and the United States have deployed thousands of these missiles, which they can launch from an increasingly diverse number of platforms, including surface ships, submarines, strike aircraft, bombers, and mobile ground launchers.¹⁷²

Because anti-ship missiles can be employed against civilian shipping, current technology may make some aspects of blockade operations easier. However, there have been only rare cases of blockade alone causing the capitulation of a target state, and blockades tend to be even more protracted than amphibious invasions. Students of deterrence suggest that potential aggressors are reluctant to launch attacks that they estimate will take a long time to succeed, as protracted campaigns will increase political and military uncertainty and risk. Blockades also often require the attacker to maintain a presence along the target's sea lines of communication, imposing high demands on its forces and logistics. Moreover, were China to launch a blockade against Taiwan or another state in the region and the United States to intervene, Beijing might find itself the target of a counter-blockade that might be difficult for it to defeat.

The proliferation of more sophisticated missiles and ever-improving reconnaissance and surveillance technology (itself greatly assisted by improvements in computing power and machine learning) have effects beyond the maritime domain. For example, they enable more effective strikes against airbases and command facilities. Given U.S. advantages in tactical airpower, the threat to its airbases is a particular concern, though there are ways to

mitigate the threat. Base hardening, dispersion, mobility, and the deployment of vertical or short-takeoff aircraft (including unmanned aerial vehicles (UAVs)) could all reduce the threat to airbases, while more capable air-launched missiles make each aircraft more lethal against adversary targets.

In considering the offense-defense balance, the weight of military resources, the specific geography and geometry of the conflict, and of other factors come into play. The first of these is particularly important here as no state in Asia has the capacity to fight China on anywhere near equal footing. However, as long as the United States remains committed to Asia's regional security, there is no reason to believe that technology will make an invasion or any other form of offensive operation by China easier than similar operations have been in the past—and it could well make it more difficult.

Regional Allies and Partners

U.S. allies and other important security partners such as Singapore are central to assessments of the regional military balance. They provide U.S. forces with access to bases and other resources, and this access has increased in recent years as concern about China in the United States and the region has grown. Under the AUKUS agreement, for example, the United States will increase its nuclear-powered submarine presence in Australia on a rotational basis, with clear implications for balancing China on its southern flank. After a recent agreement with the Philippines, U.S. rotational access there has also grown, providing U.S. forces with another possible set of locations from which it could confront potential Chinese actions in either Northeast or Southeast Asia.

In addition, the military power of U.S. allies and partners is increasingly coordinated and in some cases integrated with U.S. forces in the region. Australia, Japan, and South Korea all fly the F-35 fighter jet. The latter two also operate ships equipped with the AEGIS missile defense system, while Australia will take delivery of U.S.-made Virginia-class submarines, Tomahawk missiles, and other sophisticated systems.¹⁷³ The U.S. military, for its part, is likely to buy the MQ-28 Ghost Bat, a UAV developed by Boeing Australia, and there is growing discussion in U.S. naval circles about sourcing hulls from allies in Asia.¹⁷⁴

The United States and its allies also exercise and work closely together, and Australia and Japan are deepening their bilateral military ties. These alliances will remain critical in the coming decade. Just looking at economic weight, the ratio of U.S. plus Australian, Japanese, and South Korean GDP to Chinese GDP is 1:7. Although this ratio is forecast to fall to 1:4 a decade from now, it will remain significant and indicates considerable latent power. Several allies are converting a higher percentage of that latent power into actual military power. Japan has recently committed itself to raising defense spending from just over 1 percent to 2 percent of GDP despite strong economic headwinds.

At the same time, U.S. allies and partners would also bear significant costs from any major conflict in the region, which would disrupt their trade with China and the United States. And, although many have moved closer to Washington in recent years, an acute deterioration of U.S.-China ties that raises the risk of armed conflict might cause states in the region to seek more equidistance between the two heavyweights.

To sum up, the United States is indispensable to a balance of power in Asia that is not based on China's hegemony. Without U.S. engagement, the asymmetry in resource distribution would endow Beijing with effective regional hegemony. However, given U.S. economic power, as well as technological factors and political conditions in the region, Washington should be capable of playing its long-standing role in maintaining a balance of power in Asia—if it remains willing—for the coming decade or more.

U.S. Forces and the Prospects for Stability

A balance of power and deterrence threats are not alone sufficient to keep the peace. Fundamental improvements to U.S.-China relations are far likelier to derive from political efforts than from military measures on either side. Moreover, even if political initiatives were to improve U.S.-China relations, a degree of competition and mutual suspicion would nevertheless endure so long as the United States remains forward-deployed in Asia, committed to the defense of its allies there, and likely to intervene in a conflict over Taiwan.

At the same time, however, military posture, doctrine, and equipment may vary, even when serving the same broad strategic objectives, and some of those “military formats” may support or undermine positive trends in the political relationship and, perhaps more importantly, impact crisis stability. Specifically, they may lower or raise incentives for China or the United States, or both, to strike first in a crisis. To the extent that both sides pursue strategies that depend on or favor offensive action, arms race stability may also be undermined. At the same time, other strategies, particularly those that maximize resilience, may enhance crisis stability.

Given these intersecting problems, military posture, doctrine, and equipment can be evaluated on their military effectiveness—in this case their ability to deter aggression—and on their impact on stability. In considering the stability of different military formats, a force that is endowed with a high degree of offensive capability, especially if it might be employed to defeat an adversary's forces on its own territory, but that also lacks the ability to withstand attack, will be destabilizing. Such a force provides incentives for both sides to move first in a crisis, lest the other side do so and inflict crippling losses. A force that is more defensive but that has greater resilience in case of an adversary attack will bolster crisis stability.

Recent Evolution and Current Status of U.S. Forces

The evolution of U.S. operational concepts shows some promise in terms of improving resilience, but such change has often been ambivalent and recent procurement and force-structure decisions may be moving the services toward a less than optimal force.

The United States' military posture in Asia, including its large concentration of forces on bases in Japan and South Korea, are a legacy of the Cold War. Operational concepts and, to a lesser extent, force structures have been adapted to reduce vulnerability and keep these forces relevant to current tasking under evolving technological and strategic circumstances. The current joint doctrine—Joint Concept for Access and Maneuver in the Global Common (JAM-GC)—backed away from commitment under previous concepts to “disrupt, destroy, defeat” China’s anti-access, area denial (A2/AD) capabilities.¹⁷⁵ Instead, the focus is now on “defeating an adversary’s plan and intent.”¹⁷⁶ Toward this end, JAM-GC emphasizes ways to operate in the region without a decisive or comprehensive defeat of A2/AD while still creating effects sufficient to deter. Each of the services has embraced concepts consistent with that unifying doctrine.

For example, the U.S. Navy has adopted a Distributed Maritime Operations (DMO) doctrine that would see its ships operate with greater dispersion, while still allowing them to concentrate fires.¹⁷⁷ The U.S. Air Force has developed an Agile Combat Operations (ACE) doctrine, under which small packages of aircraft would engage in mobile operations and conduct operations for a short time from austere airbases, and then return to main operating bases to reload and resupply.¹⁷⁸ The U.S. Marine Corps has reorganized many of its units into Littoral Combat Regiments capable of supporting Expeditionary Advanced Base Operations that combine marine infantry personnel with assets relative to the air and maritime fight and insert them into forward positions for temporary operations.¹⁷⁹

However, adjustments to strategy and forces have been ambivalent and incremental in many cases, grafted on to existing practice or organization rather than comprehensive. With the exception of the Marine Corps’ Littoral Combat Regiments, the services have avoided any fundamental reorganization of the broader force to reduce vulnerability to missile attack or to accommodate new operational methods. For example, the composition of the Navy’s fleet has been only marginally affected by the move to DMO, and the Air Force’s ACE concept has been accompanied by similarly incremental changes to logistical elements (and virtually none to the combat force). Without taking additional measures, it is unlikely that the Air Force could scale up the ACE concept to protect the large forces that would likely be necessary in the event of a war with China.

Relatively easy and inexpensive measures to improve resilience, such as the hardening of airbases, have not been pursued vigorously when they do not align with bureaucratic priorities. There is, after all, no constituency for concrete. At the same time, the services continue

to rely on large, exquisite, and expensive platforms rather than on cheaper and more “attributable” systems (to use the Pentagon’s term) that might more reasonably be risked in an Asian conflict. The Navy still relies heavily on large, but vulnerable aircraft carriers. And the Air Force is preparing to produce its Next Generation Air Dominance fighter, which will cost “hundreds of millions of dollars” per unit, making it many times more expensive than the F-35 and yet equally vulnerable to attack on its base.¹⁸⁰

Perhaps more worrisome, the current direction of change appears highly uncertain. There is a new ambivalence with regard to priorities and a heavy emphasis on very-long-range strike. The Army has, for example, made long-range fires the centerpiece of its new Multi-Domain Task Forces that have been designed primarily for operations in the Pacific, and, together with the Navy, it has embarked on developing a Long-Range Hypersonic Weapon, a boost-glide missile with an estimated range of 2,775 kilometers.¹⁸¹ The Air Force has embarked on a massive missile-buying spree, but it will procure missiles optimized for land-attack at five or ten times the rate it will acquire anti-ship missiles.

Buying missiles is not in itself destabilizing—in fact, the right mix of weapons procured as part of a balanced and resilient force mix would have the opposite effect. But bureaucratic or other reflexive impulses may be driving the services toward a less than optimal force structure, one that leans toward land attack and very large, long-range systems that will be difficult to deploy, hide, and defend.

A More Stable Military Balance in 2034

A stable military balance between the United States and China would be one in which both would be deterred from attempting to change the overall status quo through force of arms and in which the structure and nature of the military forces deployed would not invite escalation by creating pressure to strike first in a crisis. Such a balance would reduce the chances of a major armed conflict between the United States and China. A stable balance can serve a variety of political objectives and it would be consistent with coexistence—or at least it would not be premised on substantially weakening China through a containment or rollback strategy. Creating such a balance has become even more important than in the past, given China’s buildup of nuclear weapons capability and the increasing salience of nuclear weapons in discussions of U.S. military options.

Below, we first start with the general factors discussed above and then move to a more detailed discussion of what such a force posture would contain. The core argument is that stability can be best achieved by the United States adopting a strategy of denial, in which it would seek to raise China’s costs for achieving its goals through the use of, or the threat to use, military power.

Material endowments. Given current economic trends and growth projections, the material conditions for a stable balance are likely to persist as long as the United States remains actively engaged in regional political and military affairs. This will be particularly true if China's growth slows further than it already has (which is possible given the apparent obstacles to economic reforms in the country). The balance also depends on the United States' ability to sustain current levels of defense spending relative to GDP and to focus defense efforts on capabilities relevant to the region, as well as on its ability to remain an attractive market for many states around the world. A major recession or a more inwardly focused political turn in the United States, or an unexpected return to rapid economic growth (say, in excess of 6 percent) in China could make a stable balance more difficult to achieve.

Technology. Advances in computational power, reductions in space launch costs, artificial intelligence, and quantum physics will have implications for the development of, for example, offensive and defensive missiles, unmanned systems, and intelligence, surveillance, reconnaissance. However, how civilian technology will be applied to or adapted for military purposes will present a menu of options. There is little if any reason to believe that technology alone will reverse the factors that have made invasion (especially amphibious) difficult and risky, but the choices made by military leaders will impact the specific ways in which advances in the civilian world are applied to military systems.

Allies and partners. Allies and partners will continue to “hug” the United States amid their own concerns about China's power. Perennial issues associated with local politics and status-of-forces agreements will continue to complicate basing arrangements. Surveys of public opinion in different countries show strong support for their respective alliance with the United States, though few local communities would welcome an expanded or revamped U.S. presence. Despite any local opposition, however, the concerns of these countries' governments about the security environment in Asia will likely result in greater U.S. access to strategically relevant territory for deploying or basing forces to sustain a denial force posture.

A U.S. Denial Force for Asia

A U.S. denial force posture designed to deter aggression while buttressing (or at least not undermining) crisis stability could help the United States and China avoid conflict and give political and diplomatic efforts the space necessary to improve the relationship in more fundamental ways. Denial has become an increasingly popular term in discussions of U.S. military strategy towards China. Some analysts, however, appear to treat the term as largely synonymous with any strategy of adversary defeat.¹⁸² Our own definition is grounded in the historical use of the term to denote a strategy that seeks to prevent an adversary from achieving offensive objectives, rather than one that seeks to comprehensively dominate or control all parts of the battlespace from the outset of conflict.¹⁸³

A denial strategy for Asia would be built around three elements: clearly defined and limited military objectives, resilient force posture and forces, and phased operations.

Clearly defined and limited military objectives. Ensuring that the United States has clearly defined and limited military objectives will help to bolster stability and ensure a stable military balance in the region. Limited operational objectives described by doctrine would be more operationally and politically realistic than more expansive ones. Rather than seeking to paralyze China’s entire command system in a conflict, operational effects should emphasize disorganizing or destroying its forces and elements directly engaged in offensive combat operations in Asia.

For the most part, this will involve maintaining the capability to target Chinese forces that have moved beyond the mainland and not those deep inside China, such as command-and-control centers in Beijing or mobile missiles in the interior (which could be escalatory and encourage China to undertake deep strikes). There will likely be “edge cases,” such as naval and air bases along the Chinese coast. Striking these be less escalatory than destroying targets deep inside China, and at least some Chinese assets there would likely be directly engaged in offensive operations during a contingency. Maintaining the capability to strike them would, therefore, prevent China from enjoying the advantages of “sanctuary.” Moreover, the weapons employed for this task would likely be the same or similar ones that would be maintained for other purposes. Systems capable of destroying deeper targets would not be, since they would require longer ranges or features designed to allow deep penetration into defended territory.

Acquiring the latter would be financially costly, and their use might never be authorized. Strikes on mainland targets will inevitably require authorization by the U.S. president, who may refuse to give it. Alternatively, attacks beyond a certain scale or on certain targets might not be allowed. The more escalatory the strike, because of the target or the prior actions of the adversary, the less likely presidential authorization will be. Significant investment in capabilities optimized to strike deep targets could prove suboptimal since they would be more expensive than systems designed to service targets more likely to be approved by a president.

Resilient forces and force posture. Measures to improve the resilience of forward deployed forces would be the core of a denial strategy, rather than simply an afterthought. Forces, especially ones in permanent bases in Asia, would be organized, equipped, and deployed to ensure that they can remain operational even under fire. The immediate goal would be to ensure that China could not achieve a knockout blow at the outset of a conflict and that most forces would survive, operate, and cause effects that would complicate and slow Chinese operations until reinforcements could arrive to defeat its offensive.

Bases would be hardened and, if possible, expanded so that aircraft, munitions, and critical facilities could be dispersed over wider areas. Gaining access to civilian airfields—to include large airports in addition to smaller austere fields—would become a political-military

priority, as this also would allow the United States to disperse forces across more locations and further complicate China's efforts to execute a first strike. Permanently forward-deployed U.S. units would be reduced, while exercises would be designed to ensure that forces could be flowed smoothly into the theater and quickly dispersed. Service organization, particularly logistical elements and force packages (the number of and way in which individual systems and personnel are grouped into deployment elements), would be overhauled to ensure that distributed operations could be undertaken at scale.

Forward deployed forces would be armed with weapons and equipment optimized for the operational objectives described above. Missiles acquisition, including that of the Air Force, would be changed to include a more balanced inventory of anti-ship and land-attack systems.¹⁸⁴ Ranges would be appropriate to operational targets around or just inside the periphery of China (with allowance for required standoff distances) rather than for striking targets deep inside China.

UAVs would become a more important part of the force mix, and procurement would focus largely on mid-size systems, such as the Ghost Bat system, which would provide sufficient range to be employed in East Asia yet be small enough to be launched and recovered without the use of runways or traditional airbases.¹⁸⁵ Naval procurement would move toward a higher proportion of smaller ships, including frigates, and a mix of small and large aircraft carriers. The former could be built around modified America-class amphibious assault ships and would carry about half the number of aircraft as the larger nuclear-powered carriers.¹⁸⁶

Phased operations. Resilient forward-deployed forces will only provide deterrent leverage if backed by other elements that can flow forward should conflict occur. The ability to defeat aggression will depend on significant offensive capabilities designed to operate effectively at operationally relevant ranges. Hence, a concept of phased operations, with troops drilled and trained during peacetime and incorporating a resilient forward posture and more traditionally organized forces based in the United States will provide flexibility.

From the standpoint of stability, a denial force posture would offer several advantages relative to simply “muddling on” or adopting a more forward-leaning posture. During a crisis, it would provide fewer incentives for either side to attack by reducing the potential damage to U.S. forces should China strike first. Meanwhile, more modest objectives assigned to U.S. forces (made credible by a force structure designed to achieve them) would, in contrast to a posture that might seek to paralyze China's armed forces through comprehensive and deep strikes, diminish the costs to China of not striking first during a crisis.

The denial posture would also reduce escalatory pressures during a conflict. U.S. forces would be less likely to strike targets relevant to China's nuclear forces and its retaliatory capability, thus reducing the incentive for China to “use or lose” its nuclear weapons. And, relative to a more offensively-oriented force, a denial strategy would be less expensive and more likely to defeat aggression. Without the requirement to strike numerous deep targets,

weapons could be launched from farther offshore, enabling the employment of legacy or new “bomb trucks” (non-stealthy launch platforms) alongside a much smaller contingent of exquisite penetrating platforms than that required by a more forward-leaning strategy.

Conclusion

After decades during which the balance of power shifted at remarkable speed as the gap between the United States and China narrowed (while it widened between China and its regional neighbors), differential growth rates are becoming less acute and will likely continue to do so. Potentially, this could mitigate fears in the United States about an “inexorable” loss of relative power and dampen expectations in China about its emerging regional dominance. This moderation in perspectives could, in turn, open space for improvements in the relationship between Beijing and Washington, or at least more stable relations. Such an outcome would, however, also depend on political will and capability on both sides.

Ideally, an improved political relationship would bring military agreements that build confidence and reduce mutual suspicion and vulnerability. However, even under the best of circumstances, significant agreements will not come quickly or easily—or necessarily at all. This makes it even more important to consider how both sides—or the United States on its own—could engineer a military posture that will buttress, rather than undermine, stability and open the possibility of additional measures in the longer term, including mutually agreed ones.

A denial strategy by the United States makes sense. It would strengthen deterrence and stability, and likely would prove more affordable than offensive-oriented alternatives. Achieving such a strategy, though, would require U.S. political and military officials to undertake changes that may run counter to bureaucratic proclivities. It would require more spending on support capabilities, such as logistics, hardening, and maintenance capabilities, at the expense of combat forces. While these tradeoffs may not come naturally to military leaders charged with growing their services and maximizing end-strength, especially in the combat arms, they would serve the interests of deterrence and peace.

U.S.-China Strategic/Nuclear Policy Moving Toward 2035

George Perkovich

The strategic relationship between China and the United States has grown more dangerous and challenging as their overall relationship has deteriorated in recent years, with both pursuing new weapons systems that are potentially destabilizing and increase the risk of nuclear conflict. The U.S. Defense Department estimates that China now possesses 500 nuclear warheads, up from 200 in 2019.¹⁸⁷ The United States has around 5,040 (and Russia around 5,880).¹⁸⁸ The growth in Beijing's nuclear arsenal comes alongside its increasingly assertive force projection in the waters and skies around Taiwan and disputed land formations/outcroppings in the South and East China Seas.

Given China's growing military power, some influential U.S. analysts see increased risk of the use of nuclear weapons by either side in a conflict over Taiwan. Once a conventional military conflict started—which may be more likely as China's capabilities have grown—the side that was losing would be tempted to use low-yield nuclear weapons to make the other back away. In the words of Gregory Weaver, a former deputy director for strategic stability at the U.S. Joint Staff, “the overwhelmingly preferred option is for the United States, its allies, and Taiwan to field sufficient conventional forces to defeat a Chinese invasion with high confidence.”¹⁸⁹ He added that China's landing force in such a scenario would have “an inescapable problem: it must concentrate to land sufficient force to overcome the Taiwanese defenders. If it does not, it will be defeated on the beach. But . . . concentrating a large-scale amphibious landing force offshore for many hours presents perhaps the best possible conventional force target for nuclear attack.” No one knows what would happen then; no nuclear-armed state has ever used nuclear weapons against another nuclear-armed state. There are no data on how leaders then take an off-ramp from escalation.

A nuclear exchange between China and the United States would be tragic, and it is not clear what it would mean for either side to prevail in such a situation. The two countries therefore have a mutual interest in moving their strategic/nuclear relationship toward safer waters.

But Beijing has long resisted dialogue on nuclear arms control, let alone negotiations, and Washington has never offered prospects on any kind of deal that would close the large gap between the two countries' offensive and defensive arsenals. To the contrary, for example, the Trump administration's top arms-control official, Marshall Billingslea, stated in 2022 that "If China wants to be a great power . . . it must demonstrate the will and the ability to reverse its destabilizing nuclear buildup."¹⁹⁰ Former president Donald Trump's national security advisor Robert O'Brien wrote earlier this year that:

The United States has to maintain technical and numerical superiority to the combined Chinese and Russian nuclear stockpiles. To do so, Washington must test new nuclear weapons for reliability and safety in the real world for the first time since 1992—not just by using computer models. If China and Russia continue to refuse to engage in good-faith arms control talks, the United States should also resume production of uranium-235 and plutonium-239, the primary fissile isotopes of nuclear weapons.¹⁹¹

China's nuclear weapons laboratories and production enterprises might welcome such U.S. moves insofar as they would unleash their own government's response in kind. However, the diplomat Fu Cong offered a more sober take in 2020 when he said, "Arms control that aims at increasing one's own security at the expense of the security of others is neither acceptable nor sustainable."¹⁹²

This chapter describes steps that China and the United States would need to take together and individually to create a more stable strategic/nuclear relationship by 2035. This would fit within two scenarios set out in the chapter by Evan Medeiros: *détente* or muddling through with strategic competition.

The Basis for a More Stable Relationship

In a situation in which China and the United States would be building a stable strategic/nuclear relationship by the mid-2030s, they would be engaged in sustained bilateral talks, with subgroups on nuclear and missile risk-reduction measures, giving substance to these topics. The agenda of the strategic talks would be to clarify each side's understanding of the strategic/nuclear situation and identify steps that each could take to build the other's confidence that conflict can be avoided.

Given their absolute centrality in nuclear decision-making, the two presidents would have given impetus to a risk-reduction process by demonstrating to each other that they are highly informed about each other's concerns. China's president would thus understand what it is about its emerging force posture and related military practices that alarm the United States and China's neighbors that are U.S. allies, and why negotiation of restraints could be

mutually beneficial. Similarly, the U.S. president would understand what features of current and projected U.S. military capabilities and operational plans alarm China, and what sorts of proposals for restraint could be mutually beneficial. In such a discussion, the American president would be mindful that the United States has had vast superiority in nuclear weaponry since 1964 and refused to discuss, let alone negotiate, anything approximating parity between the two. China would not expect the United States to embrace parity or join Beijing's pledge not to use nuclear weapons first, but it would reasonably feel that in this domain the United States would need to offer more. Both leaders might also have recognized that Russia's President Vladimir Putin would have benefited from better briefings on the military risks of invading Ukraine before he took this plunge in 2022, and so should seek to fully comprehend the risks of nuclear escalation that could arise from armed conflict over Taiwan.

As an important part of this dialogue process, Beijing and Washington would issue a joint agreement on avoiding incidents at sea, modeled on the one between the Soviet Union and the United States.¹⁹³ Soviet and U.S. diplomats and military officials began exploring such an agreement in 1968 and finalized it at the Nixon-Brezhnev summit in Moscow in 1972. At the time, Soviet and U.S. naval submarines, surface ships, and aircraft frequently shadowed each other to gain intelligence as well as to display strength and national resolve. Such operations risked collisions, which could lead to situations in which each side would be inclined to allege that the other had acted intentionally. In such a case, political pressure in the United States from opposition politicians, anti-communist political organizations, and the media might have compelled U.S. leaders to respond in muscular ways that would in turn provoke Soviet leaders to do the same, risking escalation.

The 1972 Incidents at Sea Agreement sought to prevent such incidents or to contain their consequences. It included steps to avoid ship collisions as well as commitments not to interfere in the naval formations of the other party and to avoid maneuvers in areas of heavy sea traffic. It required surveillance ships to maintain a safe distance from the object of investigation, and for all ships to use accepted international signals when maneuvering near one another. Military vessels were not to simulate attacks on each other and the other party's vessels were to be informed when submarines were exercising near them. Importantly, aircraft commanders were to use the greatest prudence in approaching aircraft and ships of the other party, and simulating attacks against aircraft or ships, performing aerobatics over ships, or dropping hazardous objects near them were not permitted. All these commitments would be pertinent and desirable between Chinese and U.S. forces today. In negotiating such an agreement, the United States would ensure that its allies are prepared to be parties to it and make this clear to China.

At the instigation of the two presidents, military and defense officials would in addition share with the other side their respective perspectives on the argued benefits and risks of targeting each other's nuclear deterrents. Chinese officials would explain which U.S. capabilities make Beijing conclude that Washington seeks the option to weaken China's second-strike

deterrent to the point that it could imagine winning a nuclear war. U.S. officials would explain the inferences the United States draws from China's expanding capabilities and how these shape U.S. force posture and plans.

Australia, India, Japan, and other relevant states would welcome Chinese and U.S. efforts to reduce the risk of a conflict between them escalating to nuclear war. In particular, both sides would take steps to reduce the risk of either perceiving the need to launch silo-based inter-continental ballistic missiles in case of a warning of attack and would reassure each other that they would not conduct such launches. Launch-on-warning of imminent attack is risky insofar as the warning may be due to a technical or human error, and leaders would not have sufficient minutes to tailor the nuclear counterstrike to be proportionate and thereby create some hope for ending escalation.

Steps to Reach a More Stable Relationship

In order to arrive at the situation outlined above, China and the United States would each need to take the following steps.

They should negotiate and issue a joint statement that reflects the positions reportedly stated by the U.S. and Chinese presidents when they met at the G20 summit in Bali in 2022, upon which their bilateral strategic talks would build. President Joe Biden reportedly said the United States “does not seek a new Cold War, does not seek to change China's system, does not support Taiwanese independence, does not seek conflict with China and does not direct the revitalization of its alliances at China's expense.” President Xi Jinping's statement was that China “does not seek to change the existing international order or interfere in the United States' internal affairs and has no intention of challenging or displacing the United States.”¹⁹⁴

Xi (or his successor) would need to ask for and receive briefings by military officers and nonmilitary experts to give him multiple perspectives on the threats by the United States to China's nuclear deterrent, the feasibility of keeping nuclear use limited in case of a conflict over Taiwan, the likely reactions by Washington and its allies to new Chinese capabilities and operational plans, and the political and economic benefits and risks of pursuing unrestrained nuclear competition or negotiating mutual restraints. China would also have to clarify that it does not have a deadline for the goal of reunification with Taiwan so long as the latter affirms that it will not seek independence, and the United States (and others) would have to re-state that they would not support Taiwan if it did seek independence.

China would also need to continue to re-affirm that its policy is not to be the first to use nuclear weapons in a conflict. Xi should affirm that China has always rejected nuclear war-fighting and that the characteristics of the country's arsenal will be consistent with its approach since 1964 of “no-first-use, no tactical nuclear weapons, and not striving for parity with the United States in terms of the size of its arsenal”¹⁹⁵—so long as no adversary acts as if it can ignore or hope to defeat this deterrent and blackmail Beijing in any conflict.

For its part, to address China's concerns that drive its increased preparation for potential nuclear conflict, the United States would have to reaffirm the long-standing policy of Democratic and Republican administrations alike that it opposes any unilateral changes to the status quo, does not support independence for Taiwan, and expects cross-Strait differences to be resolved by peaceful means.¹⁹⁶ Washington would also need to "avoid giving the impression that it is moving toward restoring formal diplomatic relations or a defense alliance with the island" while they collaborate to strengthen its security.¹⁹⁷ At the same time, officials at the highest levels of the U.S. government would need to make clear to their Chinese counterparts that the wider Washington establishment would look carefully to see whether China reciprocated.

The United States also would need to directly address perceptions in Beijing that it pursues dialogue on strategic/nuclear issues primarily to maintain its military advantages over China. Of special concern to Beijing are the United States' quantitative and qualitative advantages in precision-strike offensive weapons—conventionally armed or nuclear—that could preemptively destroy a significant fraction of China's nuclear deterrent, as well as the U.S. and Japanese defensive systems that could intercept or disable Chinese retaliatory strikes. The United States would also have to address the concerns of China and other countries that the Senate will not ratify legally binding agreements, including arms-control treaties. There are painful ironies and paradoxes here: the United States historically has wanted counterparts to accept agreements that are precise, verifiable, and legally-binding (preferably with terms that advantage the United States). Often, once such agreements have been negotiated, the United States Senate then refused, for decades or forever, to consent to ratify them. The Genocide Convention, the Law of the Sea Treaty, the Comprehensive Test Ban Treaty, the SALT II Treaty come most readily to mind. Or, the United States withdraws from agreements, as with the ABM Treaty (in 2002) and the Iran nuclear deal (in 2018). So, in demanding China to engage in dialogue and, ambitiously, negotiations on nuclear arms restraint, Washington has offered little to no sense of what restraints it might accept on its own capabilities and no basis for China or anyone else to believe that an agreement would be legally binding or sustainable beyond the term of the administration negotiating it. This problem has grown even worse with the evolution of the Republican Party in recent years.¹⁹⁸

To help induce negotiation of mutual restraints short of treaties, the United States would need to declare that it will not attempt preemptive attacks on China's nuclear deterrent, including command and control systems. This would echo the conclusion of a U.S. study group in 2023, that "Counterforce, either as first use or retaliation, can in fact muddle the message sent through limited use, potentially communicating that the attacking side is attempting a disarming attack."¹⁹⁹ The defense establishment, perhaps with direct presidential encouragement, would need to clarify that it understands that it will be impossible to preemptively destroy much of China's nuclear deterrent, and that attempting to do so would likely prompt Beijing to make a "use it or lose it" decision about its arsenal. Thus, U.S. documents and statements should convey the study group's conclusion that "the U.S. policy of flexible response is entirely compatible with limited strikes on targets other than enemy nuclear forces, so long as these attacks comply with the law of armed conflict."²⁰⁰

Relatedly, as part of strategic-stability arrangements with China as well as Russia, the United States would need to agree to limit the number of its interceptors deployed against ballistic missiles of ranges greater than 5,000 kilometers. It should also develop with the other two countries (and others) a shared understanding about prohibiting the deployment of space-based anti-missile systems.

Conclusion

If nuclear deterrence works the way it is supposed to, China and the United States should understand that neither can realistically threaten to attack each other without putting its own existence in jeopardy. Conversely, having built sophisticated nuclear arsenals and command and control systems to contest each other, they are unlikely to become partners. These twin features of nuclear competition suggest that their strategic relationship will resemble Evan Medeiros' scenarios of *détente* or of muddling through with strategic competition.

The much less risky scenario of a China-U.S. condominium is hard to imagine while the United States continues to deploy forces and to make plans with a view to attack China's nuclear missiles before they can be launched or to intercept them in flight, and also while China continues to build up its capacity to counter such U.S. capabilities and to invade Taiwan and to coercively expand its control over disputed land formations and resources in the South and East China Seas. Conversely, growing attention to the risk of nuclear war escalating from a conflict over Taiwan should deter Washington, Beijing, and Taipei from deeds and words that would lead to the scenario of a new (occasionally hot) cold war.

But there is nothing automatic in all this. Great attention and care will be needed from the top leaders of China and the United States (and of China's neighbors in Asia) to reduce the growing risk of a nuclear exchange. The nuclear postures of both countries continue to evolve in ways that suggest preparation for using nuclear weapons in case of a Taiwan conflict while somehow keeping this confined to the region until one side backs down. There are no data on which human beings or artificial intelligence tools can draw to confidently predict whether and how such a nuclear war would end.

China's Economic and Informational Influence Activities

Audrye Wong

Influence is most simply defined as producing a desired change in a target's behavior, although the degree of the change may vary, with implications for outcomes. While accounts of China's growing global power have placed great emphasis on its military modernization, this chapter focuses on two key nonmilitary domains where there will continue to be considerable contestation and where Beijing seeks influence: economics and information (including propaganda, disinformation, and foreign influence).

China has marshaled its economic and informational tools toward achieving the core goals of its grand strategy and foreign policy: preserving the rule of the Chinese Communist Party (CCP), protecting national sovereignty and territorial integrity, and promoting economic development as a pillar of elite and public support for the CCP.²⁰¹ Especially in recent years, Beijing has also increasingly emphasized regaining China's standing as a major power on the international stage, reforming the international system to better reflect its preferences, and pushing back against challenges to the CCP's stated core interests.²⁰²

China's Economic Statecraft

In the economic realm, China has rolled out ambitious global schemes, including the widely discussed Belt and Road Initiative (BRI) in 2013 and the Global Development Initiative (GDI) in 2022, the latter framed as a call to achieve the United Nations' Sustainable Development Goals and 2030 Agenda. The GDI was first announced by China's leader Xi Jinping at the 2021 UN General Assembly and has since been actively touted by Beijing in bilateral and multilateral venues.

Compared to how it handled the BRI's launch, China has taken pains to emphasize its role through the GDI as a positive-sum global player providing debt relief, grants, public goods, and capacity-building to address development inequities, as well as cooperating rather than competing with existing regional and multilateral development frameworks. The parallel naming and promotion of the GDI alongside a Global Security Initiative and subsequently a Global Civilization Initiative points to Beijing's efforts to articulate a global vision across the economic, security, and cultural domains, as well as its continued emphasis on the close linkages between peace and stability on the one hand and development on the other. Additionally, it has portrayed these initiatives as contrasting with the United States' supposed preoccupation with great power competition, including its economic and political containment of China. Over the next ten years, China is likely to continue pushing such rhetoric, particularly in the Global South, to position itself as an alternative to the purportedly interventionist and destabilizing United States whose stance fails to prioritize economic and human development.

The size of China's market and/or its promises of development through investment and financing have created in many countries constituencies (especially of political and business actors) with a vested interest in deepening economic ties and avoiding political tensions with Beijing. This is the case in developed economies as much as in developing ones. For example, in Greece, the important role of Chinese investments after the eurozone crisis—including the acquisition and modernization of the port of Piraeus by Cosco, China's leading shipping conglomerate—led the government to block EU statements criticizing Beijing's policies on human rights and territorial disputes.

At the same time, China has often turned to a strategy of “subversive carrots”—such as bribes to key political players—to buy support.²⁰³ This is largely a reflection of its domestic political economy, where crony capitalism is entrenched and institutions are relatively weak. As put by one official at China's planning ministry, the National Development Reform Commission, the lack of “long-arm regulations” in China has meant that Chinese firms tend to pay less attention to institutions and regulations in other countries.²⁰⁴ The government also tends to focus on building closer ties with top leaders overseas, seeing them as the pivotal decisionmakers. Moreover, the “subversive carrots” strategy lends itself to short-term transactional goals of image protection, rewarding supporters, and attacking critics (goals that the paranoid and self-preserving CCP regime is often concerned with).

Coercion Complements Carrots

Even as China touts deepening trade and investment ties as part of a win-win narrative, it also uses coercive economic tactics to punish or pressure governments and companies perceived to be attacking its policies or undermining national sovereignty. In imposing sanctions on countries, Beijing has largely targeted symbolic products with ready substitutes—such as salmon from Norway, bananas from the Philippines, or cosmetics from South Korea—so as to minimize damage to its economy. Rather than announcing formal

sanctions, it often denies political motivations and uses informal measures such as internal government guidelines or selective food-safety inspections. This ‘just do it’ approach helps to evade institutional constraints such as WTO rules and also sends a forceful deterrent signal to targets and observers.²⁰⁵

More recently, China has mobilized patriotic consumer boycotts to pressure foreign governments and companies seen as undermining its interests.²⁰⁶ It is likely to use this informal tool of economic coercion more frequently over the next years, because it capitalizes on its market power (a large population of consumers) and government propaganda apparatus that strategically whips up the public’s nationalism, while having relatively limited economic and political costs. Using citizens offers strategic advantages of manipulability (rallying people is easier and less costly than directing the decisions of vested business interests), uncertainty (the specter of nationalistic protests with no formally defined scope increases coercive pressure and brinkmanship), and plausible deniability (the lack of formal sanctions makes it harder for targets to respond while allowing Beijing to change its policies without appearing to concede).

Patriotic consumer mobilization may also become more useful as a valve for the Chinese public to express nationalistic sentiments and to send signals to foreign actors, even if it does not produce immediate policy shifts. Thus far, China has largely used this tactic to target third parties and companies over sensitive issues such as Taiwan and Hong Kong, and in cases where it wants leeway to back off quietly if necessary.²⁰⁷ Governments of the countries affected—such as South Korea, which was targeted for deploying a U.S.-led missile defense system—have not reversed course, however. The most imminent concern for the United States is the potential psychological deterrent effect on companies and governments that perceive greater Chinese coercive clout than actually exists, leading to preemptive self-censorship and policy adjustments.

The utility of patriotic boycotts also rests on the continued centrality of China’s consumer market for the bottom line of foreign companies. Many are still eager to enter or expand their operations in the country or have found it unviable to significantly diversify supply chains elsewhere. But persistently sluggish growth and government measures against foreign companies, including a reported ban on iPhones for government workers as well as raids on consultancies and due-diligence firms, will likely decrease China’s attractiveness as an investment and export destination, while the worsening political attitudes toward Beijing in many major economies could also shape business decisions away from China. At the same time, in recent months the Chinese government has attempted to signal that foreign investors remain welcome, although major policy shifts are likely necessary to rebuild long-term business confidence. Economic coercion, through nationalistic boycotts or otherwise, is unlikely to help China’s case in that regard.

In recent years, and in a major shift for the CCP, Xi has pushed for a greater emphasis on national security over economic development, and the elevation of security concerns is now consistent in official pronouncements. This is likely to push China down a more

aggressive foreign policy path, with some willingness to accept near-term economic tradeoffs. Additionally, we see growing legalization of China's coercive toolkit, especially as retaliatory countermeasures against Western sanctions and export controls.²⁰⁸ This has allowed the Chinese government to demonstrate to its domestic audience tough responses to foreign coercion, while sending stronger deterrent signals to the United States and other countries. Economic coercion is likely to continue with some frequency, although in relatively selected domains and with relatively limited impact.

Informational Statecraft and Foreign Influence

Additionally, China has made increasing efforts to influence the political and informational environment in other countries, including through media ownership, funding of academic institutes and cultural institutions, propaganda and disinformation on social media, and the mobilization of ethnic Chinese diaspora communities. It has simultaneously expanded its propaganda messaging and disinformation tactics.

The fundamental goals of informational statecraft are to promote a positive image of China and of the CCP regime and its policies (in Xi's words, to "tell China's story well" and to reclaim "international discourse power"), and to suppress criticism of the Party through a mix of propaganda counterattacks and transnational repression.²⁰⁹ This feeds directly into the CCP's domestic goal of maintaining regime legitimacy and its foreign policy goals of China being recognized as a great power by major powers and small states while undercutting the United States' global leadership and influence.

China has adopted a Russian-style playbook of disinformation tactics in response to acute internal crises such as the Covid-19 pandemic and the pro-democracy protests in Hong Kong, and more recently Russia's invasion of Ukraine (a rare instance of focus on an external issue). The Chinese government has often procured fake social media accounts to amplify official propaganda narratives and generate disinformation about other governments and societies.²¹⁰ There have been reports of Chinese Facebook information operations surrounding the 2022 U.S. midterm elections, though these appear to have been small and poorly executed.²¹¹ China's activities in Taiwan constitute the canary in the coal mine when it comes to China's broader use of electoral interference tactics, with bots and content farms spreading fake news to discredit politicians seen as unfavorable to Beijing (for example, that current Vice President Bi-khim Hsiao was still secretly a US citizen) as well the United States' reputation, publishing fake polling data, and amplifying contentious domestic issues.²¹²

However, China's informational statecraft differs from Russia in a few respects. Beijing generally prefers to tout a specific pro-China message, while Moscow often seeks political destabilization and disruption. Thus far, Russia's tactics have been more sophisticated; for example, targeting subgroups with tailored messaging, and being more willing to let internet

memes evolve organically on social media. China's efforts tend to focus on "spamming" their narrative, are more reactive and ad hoc, and are less inclined to let narratives evolve on their own.

China's information campaigns blur the lines between official propaganda channels and social media platforms. The state media have developed a considerable communications infrastructure via Facebook and Twitter to reach English-language audiences. While these platforms are banned in China, its diplomats and embassies (to varying degrees) post about the country's successes while slamming critics and defending its side of the story. This "wolf warrior" diplomacy reached its heights during the Covid-19 pandemic—a particularly sensitive political time for the CCP—and has receded somewhat, although domestic institutional and political incentives make such belligerence likely again in future crises.²¹³

One prominent tactic is the co-optation of sometimes unwitting Western voices to increase the credibility of Beijing's narratives. Chinese media have highlighted writings by scholars such as Francis Fukuyama criticizing the rigidity and divisions inherent in U.S. democracy, or quoted Daniel Ziblatt and Steven Levitsky's book *How Democracies Die*. During the COVID-19 pandemic, diplomats posted clips of World Health Organization officials praising the government's coordinated and effective management of the pandemic.

The government also hires foreign YouTubers in China to tout its official narratives, including defending its policies in Xinjiang. It seems that Beijing also reaches out to local social media influencers in target countries, which Chinese state media then amplify and echo as evidence of ostensibly independent pro-China or anti-West voices. China also opportunistically works with foreign business elites favorable toward it, sometimes leading to unusual political alignments in other countries. In 2023, a media investigation showed close ties between Chinese propaganda actors and a socialist-leaning tech mogul who has been financing left-wing groups in the United States and abroad that mix progressive activism with CCP talking points.²¹⁴

China actively capitalizes on its financial resources to structurally alter the information environment of foreign audiences. In an era when media organizations around the world are financially strapped, China offers a well-funded state media apparatus that shares content with them. Pro-China business elites, which tend to hew to CCP propaganda directives have acquired media outlets in Taiwan and in other countries, such as Australia, where there is a Chinese-language media sphere.

As an example, in the Philippines, there have reportedly been Chinese efforts to shape local information environments in more structural and sometimes subversive ways. In addition to identified coordinated fake social-media accounts, it is alleged that Chinese trolls have spread disinformation in favor of certain presidential candidates and that the Chinese embassy reaches out to (and perhaps pays) social-media influencers in China-friendly

candidates' political machines.²¹⁵ Similar to its tactics in other countries in the Global South, China has also invited Filipino journalists on media tours, and launched partnerships with the country's state media agencies to disseminate Chinese programming and news articles (often free of charge). China Radio International jointly produced a Tagalog-English program, called Wow China, with a state-owned radio station, until this was halted following public criticism. Beijing's messaging touts the economic benefits of friendly relations and promotes positive stories about China as well as pro-China candidates, while defending its claims in the South China Sea and attacking critics of its policies.

While abrasive “wolf warrior” tactics have dominated headlines, China's tactics are far more nuanced than that. Beijing tends to follow different strategies toward Western countries than those toward the Global South, where its messaging is much more focused on positive news about Chinese politics, society, and culture as well as praising the CCP's achievements. An analysis of Chinese state media accounts on X (formerly Twitter) suggests that propaganda toward the Global South frames China as a positive-sum player on the international stage, and links its political system to delivering good performance outcomes (for example, greater economic development and social welfare) and having positive procedural elements such as inclusiveness and accountability—which can be labeled as “autocratic advantage” messaging.²¹⁶ Propaganda that attacks Western liberal democracies—“democratic disarray” messaging—did not appear any more prevalent in the state media accounts studied than in other global English news outlets. While such framings certainly exist, particularly in a subset of nationalistic and hawkish outlets such as the *Global Times*, this is not the case in other state media, especially those targeted at developing countries, such as CGTN Africa.

China's political messaging can be somewhat nuanced—it does not explicitly describe itself as an autocracy or tout autocracy as a superior model. In fact, it often co-opts and reinterprets the concept of democracy to fit China's political system, such as addressing human rights through development, using the language of democracy with Chinese characteristics while criticizing Western liberal democracy.

On the other hand, propaganda toward the Chinese diaspora uses wedge narratives to amplify themes of social and political alienation in host countries, with the goal of increasing diaspora support for the homeland.²¹⁷ For example, government-linked WeChat accounts are more likely than private accounts to discuss anti-Asian hate crimes and political dysfunction in the United States. This likely reduces the threat of diaspora activism against the CCP, and facilitates potential diasporic mobilization to promote Beijing's interests overseas.

Canada is one example of a Western country finding itself in the crossfire of China's use of foreign influence operations, political interference efforts, and diaspora politics to shape mass attitudes and voting behavior as well as target anti-regime overseas Chinese. In 2023, Canadian authorities expelled a Chinese diplomat for trying to intimidate a Canadian lawmaker who had sponsored a bill condemning Beijing's treatment of Uyghurs.²¹⁸ During

recent elections, the Chinese consulate and pro-Beijing community organizations reportedly targeted Chinese-Canadian lawmakers critical of Beijing by excluding them from local events, attacking them on WeChat, and undercutting their support from ethnic Chinese voters.

Outcomes and Implications For U.S. Interests

Assessing the implications of China's economic and informational statecraft for U.S. interests, and what would be a tolerable level of Chinese influence, requires an examination of the outcomes of such activities. In short, the scope of Beijing's influence activities in various countries thus far exceeds their influence. In the economic realm, it has encountered considerable pushback and often shot itself in the foot, although the diffuse lure of economic interdependence remains a powerful draw and one that is hard for Washington to tackle without offering alternative or complementary economic opportunities. On the information front, China's disinformation tactics still have relatively limited sophistication and reach, but the evolution and expansion of its positive propaganda campaigns, especially messages focused on performance outcomes of its political system, could have a negative effect on democratic attitudes. Other worrying trends include the confluence of information statecraft and foreign influence activities targeting the diaspora, as well as the growing synergies between economic and informational statecraft.

Economic Influence

China has had some successes but also many failures in its attempts at economic influence. Subversive carrots have allowed it to make inroads in countries where leaders can act with relative impunity, such as Cambodia, but have backfired where leaders face accountability mechanisms.²¹⁹ While seemingly an easy and cheap approach to get immediate results, these tactics can spark public dissatisfaction and elite contestation, with China and Chinese-financed projects often getting entangled in political scandals and electoral rhetoric. Additionally, the Chinese government's lack of precise control over its economic and political actors has often led to informal or unsanctioned economic activities, contributing further to negative influence outcomes.²²⁰ At the level of strategic influence, subversive inducement attempts, such as bribing politicians or bypassing regulations, have damaged China's image as it tries to position itself as a great power that ostensibly promotes "win-win" cooperation and preaches noninterference in internal affairs.

China's economic statecraft has been most effective at achieving short-term transactional goals, like vetoing multilateral statements, as in the case of Cambodia's support for Beijing's positions on the South China Sea in the Association of Southeast Asian Nations (subversive carrots) or of Greece blocking EU statements. In other cases, building up pro-China

constituencies has successfully created contestation over how to manage economic and security issues with Beijing. For example, in Germany, major business groups invested in continued economic ties with China remain politically influential advocates for accommodating Beijing's interests, yet there are also increasing divisions among politicians and key ministries on national strategy toward China.²²¹ While fundamental political realignments in favor of Beijing may be unlikely, economic statecraft has driven wedges within and among countries, thus inhibiting effective China-skeptic coalitions. This is particularly useful for China in seeking to reduce opposition to its emergence as a global power and to discourage alignment with the United States.

In general, China's economic statecraft has operated primarily by empowering groups with overlapping preferences to advocate for more cooperative ties, out of their own self-interest or their vision of national interest. Persuading actors to change their policy preferences has been more difficult. Legitimate inducements, such as law-compliant investments bringing economic benefits to the public and a broader range of stakeholders, are more likely to shift attitudes and preferences. In most cases, this has worked diffusely over a long time, and often as an outgrowth of broader economic interdependence, rather than as the result of a deliberate long game by Beijing.

China appears best able to achieve influence through economic interdependence. As a crucial economic partner, it offers a compelling narrative and is a powerful draw for many countries, and in this way it often conditions the attitudes and decisions of many political leaders. Perhaps its deepest economic influence comes paradoxically when Beijing does not set out to achieve an explicit or immediate political goal, but can subsequently leverage this influence at moments of critical decisionmaking for the country in question. At the same time, the simultaneous use of inducements and coercion (as with Australia, Lithuania,²²² and South Korea in recent years) has also undermined China's efforts at economic influence—it is harder for a target to accept potential rewards, if, based on precedents, it fears punishment. This points to the challenges for Beijing of coordinating multiple influence efforts across different targets and issue areas, where one incident can produce spillover demonstration effects that shape how other actors respond.

Information and Foreign Influence

In the information realm, while Chinese state actors have ramped up their presence on social media and disinformation campaigns are becoming more common and expansive, by and large user engagement and successful outreach remain limited. In part, this is because of Beijing's heavy-handed and inflexible messaging as well as clumsy errors. This was the case with the "Spamouflage" campaign in August 2023 that involved almost 9,000 Facebook and Instagram accounts.²²³ A recent study showed that only a very small proportion of X users in the United States are exposed to Russian disinformation accounts and that such campaigns do not appear to have a meaningful effect on public attitudes or voting behavior in

America.²²⁴ This suggests that U.S. policymakers should be alert to, but not overly concerned about, such authoritarian disinformation efforts, including China's, while maintaining pressure on social media companies to monitor and take down inauthentic accounts.

Given resource constraints, U.S. policy efforts should prioritize combatting pro-China propaganda and the more structural implications of Beijing's information influence activities. In the first dimension, as discussed, China more often employs positive messaging strategies about itself. Much analysis has centered on its aggressive wolf warrior diplomacy attacking the West and Beijing's use of disinformation and misinformation tactics. However, policymakers need to pay more attention to the less provocative, but potentially more insidiously consequential, role of China's informational campaigns—often based on a degree of truth that makes them more persuasive—that are focused on bolstering its global image and reputation.

China's pro-regime propaganda can have worrying implications for public attitudes toward democracy in different countries. A survey experiment conducted in Brazil, India, and South Africa—major democracies with their own internal political challenges—reveals that China's propaganda highlighting the performance and procedural advantages of its political system is more effective at decreasing the public's support for democracy and increasing support for strongman rule, compared to its messaging on dysfunctional features of democracies.²²⁵

China's propaganda emphasis on performance outcomes could therefore have very strong effects on public support for democracy, particularly among those most concerned with redistribution, which is already the subset of populations that express the weakest support for democracy.²²⁶ To the extent that voters are dissatisfied with perceived state capture by elites and powerful interest groups, they may be particularly receptive to autocratic advantage messaging strategies. Such propaganda is also more likely to be persuasive in the Global South, where information about China's positive governance outcomes may become an aspirational reference point for those seeking to improve their standard of living.

The United States should allocate resources to actively counter China's narratives about its uniformly successful political model and to ensure that audiences have easy access to these counternarratives. This can be done through direct messaging via agencies such as Voice of America, but perhaps even more effectively and sustainably by equipping local publications and media providers with training and resources to carry out high-quality reporting. Importantly, counternarratives should not simply tout liberal democracy as a purely Western concept. In fact, highlighting the diversity of democratic values across countries and cultures—including drawing on Japan, South Korea, and Taiwan as examples of successful, vibrant democracies—could delink the notion of democracy from purported Western hypocrisy and imperialism, undermine Beijing's narrative that non-Western countries should have a different set of values and political systems, and be more persuasive to Global South audiences.

U.S. policymakers should also be concerned about China's ability to use its financial heft to shape and constrict local information ecosystems, especially in the Global South. Free or cheap Chinese content to be disseminated by local news media (that often does not indicate the original source) appears more credible than direct Chinese media content to foreign public audiences. Such content-sharing agreements can be found in a large number of countries, from Brazil to South Africa and Thailand, and even in Western outlets such as *The Washington Post* and *The Telegraph*.²²⁷ The narratives that they make readily available tend to dominate public discourse about China, filling an information gap given the local relative lack of expertise and alternative viewpoints. Beijing-sponsored media training for under-resourced journalists along with financial ownership of local outlets further reduce the diversity of China-related coverage. When combined with the relative persuasiveness of the positive messaging outlined above, these tactics will likely have significant long-term effects on public attitudes toward China and its political system.

Beijing's structural dominance in overseas Chinese-language media ecosystems (often through direct ownership of media outlets by pro-China businesspeople), the indirect lure of the Chinese market shaping coverage, and its increasing political presence in diaspora community organizations is also of concern, not least because they facilitate authoritarian transnational repression, restrict individual liberties within diverse diaspora communities in multicultural societies, and undermine the healthy and transparent functioning of democratic political systems. While the Chinese government has legitimate reasons to engage with diaspora communities, influence activities, such as the censorship or coercion of individuals and organizations expressing viewpoints not aligned with CCP positions, are unacceptable. CCP policies explicitly try to blur the line between Chinese nationals and people of ethnic Chinese descent, and this attempted homogenization exacerbates host-country suspicions of the diaspora as agents of Beijing. Should the U.S. government accept such narratives, it would only marginalize these communities and further the CCP's goal of consolidating influence over the diaspora.

U.S. policymakers should also pay attention to the growing overlap and synergy between China's economic and information influence activities. Beijing tries to shape narratives about the country's economic power and promote the legitimacy of political actors seen as favorable to it. Especially in political contexts where there is a relative lack of expertise on or attention to China, the provision of new narratives about China's development model can fill an information gap and promote positive perceptions of Beijing's economic statecraft. Political elites often hold beliefs that Chinese investment and trade is indispensable and more important than any other economic partner, even though that is not the case. Over the longer term, well-executed informational statecraft could enhance China's economic and political influence, by highlighting or exaggerating the rewards of aligning with its interests as well as the costs of not doing so, and by creating narratives that increase the degree of emulation by other countries.

Getting to Improved Relations

On the economic front, a reduction in China's coercive tactics would reduce fears over the weaponization of trade and industrial advantages, which has been a major driving force behind the current policy responses of the United States and its partners. A more open Chinese economy, with reciprocal market access and fewer crackdowns on foreign and domestic companies, would also provide reassurance to foreign governments and investors. As China continues to tout the BRI and the GDI, it should ensure that its investments are transparent, adhere to the rule of law, and are economically productive and socially beneficial for the population in recipient countries. If it signals some continued commitment to be a positive-sum player, that could provide a floor to the relationship.

Propaganda and lobbying are activities in which many, if not all, governments seek to engage. However, influence activities cross the line into unacceptable interference when they involve extraterritorial repression, coercion, or covert activities, for example: threatening, harassing, or intimidating ethnic Chinese individuals for criticizing the China's government; attempting to control diaspora community organizations; censoring or controlling media outlets; and pressuring universities to cancel events seen as offensive to Beijing. Additionally, China's government would refrain from adopting an expanded disinformation playbook. These are clear examples of activities that China would need to cease to facilitate a genuine improvement in U.S.-China relations.

Ultimately, however, the key to getting to such a future scenario may lie less in trying to halt or modify China's behavior, and more on countering and minimizing its structural dominance of narratives by ensuring a diversity of alternative information sources and viewpoints, as well as strengthening the collective economic resilience of the United States and its allies and partners.

After Engagement, What? Mapping Future Conceptual Frameworks for U.S. Relations with China

Stephen Wertheim

Moving Beyond Anti-Engagement

Over the past decade, Democratic and Republican leaders alike have rejected the conceptual framework known as “engagement” that had oriented the United States’ relations with China since the mid-1990s. As the National Security Strategy under Donald Trump put it in 2017, “For decades, U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others.”²²⁸ The Biden administration’s National Security Strategy of 2022 tells a similar story, lamenting that China now seeks to “reshape” the very international order that enabled its economic growth and geopolitical influence.²²⁹

In reaching this conclusion, the United States has done more than simply adopt more competitive, conflictual, and sometimes confrontational policies toward China. It has also interpreted Beijing’s actions through Washington’s own matrix of requirements, expectations, and aspirations that previously guided U.S. strategy, concluded that the old approach has failed, and set out to chart a different course. Whether policymakers have developed a new, positive China strategy—an approach that coheres on its own, rather than negating what came before—is debatable. The Trump and Biden administrations have taken different tacks on tariffs, alliances, and more. What is clear, however, is that Washington has resolved not to repeat the perceived failure of engagement. There is now a bipartisan anti-engagement consensus, which opens space for a robust alternative to emerge but does not itself constitute one.

Because narratives of national security play a conspicuous role in shaping the formulation of U.S. policy toward China, this dimension of bilateral relations deserves forthright and forward-looking analysis.²³⁰ Although some scholars have debated whether engagement succeeded or failed, this paper takes the anti-engagement consensus as its point of departure and asks what sort of conceptual framework for U.S. policy toward China could develop over the next decade or so.²³¹

Why Conceptual Frameworks Matter

Conceptual frameworks for bilateral relations, such as the now-discredited engagement approach, consist of two elements besides specific policies themselves. First, they contain an overall strategic logic, or a set of unifying aims, to guide decisions within the U.S. government's policymaking apparatus. Second, they provide a rhetorical account of the same, transmitted to a variety of audiences including the general public. Conceptual frameworks, then, have both substantive and presentational facets. They are consciously conceived and explicitly articulated. U.S.-China engagement is a case in point: in official policy documents, Congressional testimony, and political statements alike, the Clinton administration put forward what it variously called "comprehensive engagement," "constructive engagement," or simply "engagement" to characterize what it sought to achieve vis-à-vis Beijing.²³²

This paper considers several post-engagement frameworks that U.S. policymakers could choose to adopt. Such an exercise offers three main benefits for policymakers: it can help them sharpen their understanding of the strategic alternatives for bilateral relations, grasp and shape how America's domestic political arena influences policy toward China, and influence Beijing's perception and reception of U.S. policy.

First, when a conceptual framework is taken to have failed, policy actors will sometimes "do the opposite" without clearly weighing the ends and end states they seek to achieve. In the case of relations with China, some may seek to get tougher on Beijing through policies that seem directionally appropriate, moving the United States further away from the discredited engagement approach. But such reasoning could produce unintentionally extreme outcomes, such as a de facto containment policy that not all policymakers would reflectively endorse.

Directionally driven policymaking could also yield strategic incoherence. Even if engagement is to be rejected as a paradigm, U.S. policymakers have many options for replacing it and benefit from considering these holistically and conceptually rather than only in terms of discrete policies. The engagement approach consisted of multiple and sometimes competing objectives, meaning that there is no single way to negate it. For example, while the United States facilitated China's rise by trading extensively with it and championing its membership in the World Trade Organization, it also maintained and enhanced security alliances in the Indo-Pacific, partly as a hedge against Chinese assertiveness. Did Washington err by empowering a country that was likely to become an adversary? Or did it do too much to breed

suspicion in a country that was likely to become powerful? Either or both could be true. How one answers the question produces different implications for what form a post-engagement policy should take.

Second, since the collapse of the engagement consensus, the U.S.-China relationship has gained in prominence in domestic American politics, and a wider range of actors, especially in Congress, participate in the determination of policy and the framing of debate.²³³ Due to the politicization of the relationship, policymakers are increasingly constrained by the narrative and conceptual framework prevalent in the political arena. By better understanding that framework, they can better appreciate the political constraints it imposes and shape and steer it to foster desirable policy outcomes. As Evan Medeiros writes, finding a domestic consensus that will allow for a U.S.-China *modus vivendi* is “now not just a useful condition—but also a critical one—for avoiding conflict between these two geopolitical rivals.”²³⁴

Third, the conceptual and narrative framework put forward by the United States for its relations with China matters to Beijing and affects its reception of U.S. positions (in addition to influencing U.S. allies and partners and third countries). Chinese diplomats and commentators frequently remark upon the overarching construct with which U.S. leaders characterize the relationship. For example, Foreign Minister Wang Yi has complained that the Biden administration’s “false narrative of ‘democracy versus authoritarianism’” belies its claim that it does not seek to change China’s political system.²³⁵ All other things being equal, U.S. framings perceived to threaten the legitimacy of China’s leadership or internal affairs, or to demean China’s standing as a major world power, may generate friction in the relationship, whereas U.S. framings perceived to show respect and approbation for China, and to welcome its international influence, may produce heightened expectations and goodwill (or at least expressions of goodwill).

Four Post-Engagement Frameworks

This paper outlines four frameworks that the United States could employ to define its post-engagement policy toward China. The typology offered here, ranging along a continuum from cooperative to hostile bilateral relations, corresponds to the scenarios posited by Medeiros in this collection. For each scenario in U.S.-China relations, the paper explains the conceptual framework that could accompany and enable it, examines how the framework would differ from that of engagement, outlines what would have to happen for the United States to adopt the framework, and briefly suggests how China might receive it. Medeiros’s third and fourth scenarios are collapsed into a single category because the United States would probably use the same conceptual framework, that of competition, in both.

Whereas the scenarios characterize the attributes of U.S.-China relations, the corresponding conceptual frameworks are intended to provide policymakers with options for guiding the formulation of policies and for presenting U.S. objectives to audiences beyond the executive

branch. Because the scenarios are ideal types, the actual state of bilateral relations at any one time will incorporate aspects of multiple scenarios, giving policymakers some latitude to adopt the conceptual framework that seems likely to produce desired effects.

The discussion that follows assumes a close alignment between genuine policy objectives and public rhetoric, but it is worth noting that policymakers could choose to put some degree of distance between them. To mute domestic political criticism, officials could opt to take a harder public line toward an adversary than actual policy reflects. Alternatively, to lower the chances of retaliation from another state, they could profess an accommodating stance that is belied by harsh U.S. policies.

Scenario 1

Bilateral relationship: Condominium

Conceptual framework: Solving global problems together

Although cooperation was a watchword of the engagement strategy, it would not be impossible for the United States to adopt a post-engagement approach toward China centered on cooperation. This time, however, cooperation would not be based on the pursuit or expectation of convergence in economic and political systems or even of convergence around common international norms and rules (such as a synthesis of the political and civic rights favored by the United States and the economic and social rights favored by China, as proposed by Rosemary Foot in this collection). To the contrary, the two countries would accept non-convergence in normative areas and focus instead on their mutual interest in addressing “shared fate” challenges, especially climate change, pandemics, economic growth and stability, and nuclear weapons nonproliferation and nonuse. To some degree, this approach would build upon the arguments for “Chimerica” put forward prior to the Great Recession, although it would go beyond the largely economic basis of the Sino-American symbiosis envisioned then.²³⁶ Taking China as it is, the United States would seek to work pragmatically with Beijing to solve global problems together.

It seems exceedingly unlikely, for the foreseeable future, that the United States would orient its China policy around cooperation on world-order issues. Washington would need to reach a modus vivendi with Beijing on all prominent security disputes, including Taiwan and technology, or to decide to prioritize matters of “shared fate” above long-standing security concerns. The salience of the bilateral relationship in U.S. politics would probably have to diminish and be partially subsumed into a focus on transnational and global threats: not only would China be perceived as less threatening, but the China threat would be displaced by other threats, perhaps due to climate-related turmoil, the use of nuclear weapons by a third country, or a global economic recession.

A framework of solving global problems together would require American policymakers to alter the general concepts with which they position their country in the world, especially when speaking to domestic political audiences. The United States would have to discard or deemphasize its traditional concern with maintaining global primacy (unless China suffered a debilitating economic downturn) and imagining an exceptional role for itself in international politics. Washington would also have to accept a somewhat pared-down version of international order in place of its preference for a thicker, “liberal” order.²³⁷

U.S. leaders would not have much modern precedent to draw upon if they positioned China, an authoritarian and non-Western great power, primarily as a global co-leader. The United States never established such a robustly cooperative disposition toward the Soviet Union. Under such presidents as Theodore Roosevelt and George W. Bush, it sometimes valued Great Britain as a partner in global policing, but such cooperation was underpinned by a sense of shared liberal values or racial/cultural heritage, neither of which can be invoked in relation to China.

China is likely to welcome a framework of solving global problems together, which treats China as a great power on a par with the United States. Moreover, such a framework would resonate with Beijing’s slogans of seeking “win-win cooperation” and building a “global community of shared future.”²³⁸ China could claim to have pulled the United States toward its vision for global affairs.

Scenario 2

Bilateral relationship: Détente

Conceptual framework: Competitive coexistence

The second scenario posits a framework of competitive coexistence, positioning China primarily as a competitor and a real but manageable challenge to the United States. This framework would accompany and reinforce a bilateral relationship that had achieved or was at least moving toward détente, marked by stable, predictable patterns of interaction and mutual respect for vital interests.

Competitive coexistence would be in every way less ambitious than the engagement approach, at once more accepting of China as it is and more pessimistic about the upper limits of the relationship. The United States would not expect, much less promote, the liberalization of China’s political system, and it would work to establish the terms by which the two countries could coexist as great powers with growing economies embedded in global trade and finance. At the same time, Washington would accept an essentially competitive bilateral dynamic, and seek to manage but not transcend divisions on a host of issues. In this way, competitive coexistence differs not only from the old engagement framework but also from the first scenario of solving global problems together.

Coexistence is already present in the Biden administration's statements, albeit in a subordinate position to strategic competition, and several scholars have proposed competitive coexistence as a guiding framework.²³⁹ In order to elevate competitive coexistence to centrality in U.S. discourse and policymaking, however, the United States would probably have to become more concerned about the risk of military conflict with China than about the loss of its competitive position to its rival. It would also need to be reasonably confident that, through a mixture of deterrence and accommodation, it would get Beijing to exercise mutual restraint and utilize crisis communication channels. Unlike in the first scenario, China could remain highly salient in American politics, as the Soviet Union remained during *détente*, but U.S. political actors would need to decenter the Taiwan issue or to develop a stronger consensus that avoiding war requires the United States to maintain the One China policy and deter provocative actions from both Beijing and Taipei.

In particular, U.S. political actors would have to change their current discourse about China in two major ways. First, politicians and commentators would need to raise awareness of the political, military, and economic costs that Americans would bear in a war against China, making clear that such a conflict would look nothing like the previous decades of U.S. wars against weaker adversaries.²⁴⁰ The business community could be one driver of such an effort if it becomes alarmed by the risk of war or fears that economic decoupling will spiral out of control or negatively impact entire sectors of the economy. Policy experts could draw upon the United States' history with the Soviet Union to "get to *détente*," whether in reaction to a startling event akin to the Cuban Missile Crisis or in the anticipation of one.

Second, the United States would have to alter the political narrative, conveyed in the Trump and Biden national security strategies, that blames China for not fulfilling Washington's expectations during the era of engagement, namely that Beijing would liberalize economically and politically, act as a junior partner to the United States in global affairs, and choose not to develop military power that challenges U.S. positions in Asia. Instead of solely blaming China, the United States would have to accept that it harbored unrealistic expectations that exceeded the requirements of U.S. national security. Doing so would create the political space to accept coexistence with Beijing on terms that support U.S. interests but are less favorable than in prior decades.

Although competitive coexistence would primarily be a negative framework—centered on avoiding catastrophe—it could also connote a positive agenda for enabling humanity to coexist on a safe and habitable planet. Under this rubric, the United States could seek to work constructively with China to avert or mitigate existential risks caused by climate change, pandemics, nuclear weapons, and advanced technology such as artificial intelligence. Embracing this positive dimension of competitive coexistence would encounter many of the same challenges as adopting the first scenario's frame of solving global problems together. But these challenges would be mitigated by nesting cooperation within a primarily competitive framing. Moreover, if the United States were satisfied with its position in relation to China and globally, then competitive coexistence could be consistent with U.S. preeminence in the international system, albeit not with unipolarity.

Competitive coexistence would meet China halfway. Although Beijing objects to defining the bilateral relationship in competitive terms, it routinely holds up the Five Principles of Peaceful Coexistence, articulated by Zhou Enlai in 1953, as a basis for its orientation toward international affairs, and it employs “peaceful coexistence” as one of its main frames for relations with the United States.²⁴¹ An editorial in the Chinese Communist Party’s *Global Times* in November 2023, however, expressed concern that competition and coexistence were contradictory.²⁴²

Scenarios 3 and 4

Bilateral relationship: Strategic competition, from muddling through to outright rivalry
Conceptual framework: Competition

In the third and fourth scenarios, the U.S.-China relationship would continue to deteriorate but stop short of an acknowledged cold war in which the United States seeks to contain, if not roll back, Chinese power. Although Washington would likely frame the relationship in terms of competition, “*constraint*” might be the more precise concept. The United States would work to constrain China’s options in the Indo-Pacific and beyond without outwardly aiming to suppress China’s rise or prevent the expansion of China’s international influence. As Secretary of State Antony Blinken put it in 2022, “We cannot rely on Beijing to change its trajectory. So we will shape the strategic environment around Beijing to advance our vision for an open, inclusive international system.”²⁴³

Whether in the guise of great-power competition or strategic competition, competition has been the watchword for the United States’ approach toward China across the last two administrations. Yet competition has a nebulous character that is somewhat unstable and might not prove durable. Conceptually, U.S.-China competition is largely defined by what it is not. As the Biden administration repeats, competition is not containment or a new cold war. Washington hopes to cooperate with Beijing on discrete issues and seeks to keep competition from veering into conflict. Competition also begs questions: Over what are the United States and China competing? Do the competitors accept a common set of rules, are they competing over who gets to define the rules, or is the competition a zero-sum contest for power? To what end is the United States competing with China? Is it possible to “win” or transcend the competition or is competition effectively endless?²⁴⁴ Because competition has an indeterminate quality, it may give way over time to the more definitive concepts of coexistence or containment, which, unlike competition, are familiar to Americans from the Cold War.

While Chinese observers have reacted to the emergence of the competition frame in a variety of ways, Chinese officials have often objected to “so-called strategic competition,” in Wang Yi’s phrase, for downplaying the need for cooperation and for pushing for “vicious competition that aims at each other’s demise.”²⁴⁵

Scenario 5

Bilateral relationship: Cold war (with hot elements)

Conceptual framework: Containment (with elements of rollback and regime change)

The final scenario posits a U.S.-China cold war, defined as a full-spectrum global rivalry marked by the pervasive risk of outright superpower conflict and the bifurcation of the international economic and technological order. The United States would seek the containment of Chinese power and might well openly declare that it is waging a new cold war, as some U.S. politicians and analysts already do.²⁴⁶ In this scenario, unlike under conditions of mere competition, Washington would regard a gain by Beijing as a loss for itself. It would eschew diplomatic accommodations with China, judging them impossible to achieve unless they advantaged the other side.

The United States could officially adopt a frame of cold war-style containment if the bilateral relationship continues to deteriorate and reaches a new level of enmity. That threshold could be crossed due to a military crisis in the Western Pacific, another pandemic, or an escalation of the trade war, derisking measures, or sanctions. Internal factors could also incline the United States to adopt such a framework. If Democratic and Republican leaders outbid each other on getting tough with China—whether because they regard it as a threat, fear being labeled as weak, or believe that rallying the country against an external foe counteracts domestic divisions—they could generate higher threat perceptions of China, more confrontational policies, and spirals of recrimination and retaliation. To some extent, this dynamic is underway today, but it could go much further. As of April 2024, while eight in ten Americans expressed unfavorable views of China, half labeled it a competitor (50 percent) as opposed to an enemy (42 percent) of the United States.²⁴⁷ Forty-nine percent deemed “limiting the power and influence of China” to be a top long-range priority in U.S. foreign policy. Dealing with China ranked seventh on the list, behind addressing such threats as terrorism, illegal drugs, and weapons of mass destruction, and just below “limiting the power and influence of Russia.”²⁴⁸ In addition to indicating that most of the U.S. public has yet to view China in highly adversarial, cold war-like terms, the polling data suggests that the rhetorical frame adopted by U.S. leaders matters in shaping public perceptions.

A containment frame has conceptual roots in the modern history of U.S. foreign policy. In the U.S. imagination, China could slot into the role of the Soviet Union during the Cold War. Like Moscow then, Beijing today can be interpreted as an illiberal, expansionist great power hostile to the United States and threatening to its way of life. A similar transposition occurred at the outset of the Cold War: the United States applied to the Soviet Union its previous objective of containing the Axis powers from the late 1930s and early 1940s.²⁴⁹ Moreover, the prescription of containment arguably flows from the original logic of engagement. Under engagement, containment was arguably meant to be available as a contingency plan: if China grew powerful but declined to liberalize, to become a responsible stakeholder, or to acquiesce in U.S. military dominance of the Indo-Pacific, then the United States could use its regional security alliances and force posture to switch to a policy of

containment. Not for nothing have several analysts used the portmanteau “conengagement” to characterize U.S. strategy prior to the Trump administration.²⁵⁰ Both the Cold War narrative and the “failure of engagement” narrative enhance the appeal of adopting a containment framework toward China.

Although a familiar concept, containment may be less stable than some assume, opening the door to the more radical aims of rollback and regime change. During the Cold War, advocates of containment faced the persistent criticism that the strategy put the United States on the defensive, ceding the initiative to the adversary to define where and when Washington would take action and condemning much of humanity to indefinite captivity.²⁵¹ The more aggressive alternative of rollback influenced several administrations, appearing in President Dwight Eisenhower’s use of covert operations to overthrow governments suspected of communist sympathies and President Ronald Reagan’s provision of aid to anti-communist guerillas.²⁵² Because China today is the world’s leading trading country and has an economy closer in size to that of the United States than the Soviet Union ever possessed, a strategy of containment may seem more dissatisfying and futile than the containment of Soviet-backed communism did.

Containment does not rule out the objective of regime change either. In devising the original doctrine of containment, diplomat George Kennan held out hope that the Soviet system would bear “within it the seeds of its own decay,” implying that containment could produce the eventual collapse or transformation of the regime.²⁵³ Likewise, the United States adopted a policy of containment with an objective of regime change toward Saddam Hussein’s Iraq in the 1990s. When containment did not seem to be making sufficient progress, whether by weakening Saddam’s grip on power or by eliminating Iraq’s threats to the region, policymakers debated a strategy of rollback and ultimately, after 9/11, opted for direct invasion.²⁵⁴

China would therefore likely interpret an avowed U.S. containment framework as a sign of deep hostility. Some Chinese leaders would find confirmation of their long-standing suspicion that the United States seeks to “contain, encircle, and suppress” their country, to quote President Xi Jinping.²⁵⁵ In this scenario, China should be expected to redouble its efforts to influence third countries by complaining that the United States is seeking to contain China, overthrow its government, and divide the world into blocs.

Conclusion

The frameworks of competitive coexistence, strategic competition, and cold war-style containment are the most probable successors to engagement. The United States could potentially arrive at each framework in a decade’s time, and for each, one could construct a plausible narrative to explain why and how Washington would get there. Given the mutual interests and economic and ecological interdependence that bind the two powers, it might seem logical that Washington would alight upon competitive coexistence after a period of adjustment to a stronger and more assertive China. Or because strategic competition is

already in place and avoids the policy and political downsides of the alternatives, its continuation may be most likely. Or the deterioration in bilateral relations may be expected to continue until a cold war-style framework, not unappealing to Americans who recall defeating the Soviet Union, locks into place.

These are all credible trajectories that would produce very different U.S. orientations toward China. That each appears plausible should caution against fatalism in U.S.-China relations, empowering policymakers and stakeholders to make choices about which kind of post-engagement future they seek. For those who place a premium on reducing the chances of a hot or cold war and preserving space for cooperation—without going back to engagement—a framework of competitive coexistence offers a way forward.



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Notes

Preface

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Chapter 3

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