

Center for Security Studies

STRATEGIC TRENDS 2020

Key Developments in Global Affairs

Editors: Michael Haas, Oliver Thränert

Series Editor: Andreas Wenger

Authors: Michael Haas, Henrik Larsen, Linda Maduz,
Niklas Masuhr, Jack Thompson, Benno Zogg

STRATEGIC TRENDS 2020 is also electronically available at:
www.css.ethz.ch/publications/strategic-trends

Editors STRATEGIC TRENDS 2020: Michael Haas, Oliver Thränert
Series Editor STRATEGIC TRENDS: Andreas Wenger

Contact:
Center for Security Studies
ETH Zurich
Haldeneggsteig 4, IFW
CH-8092 Zurich
Switzerland

This publication covers events up to 1 March 2020.

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ISSN 1664-0667
ISBN 978-3-905696-71-4

CHAPTER 1

China, the US, and World Order

Jack Thompson

US-Chinese rivalry is becoming the prime mover of global affairs. Though the long-term trajectory of this critical relationship is uncertain, several salient factors are already apparent: pernicious variations of nationalism on both sides; foreign policies that are increasingly shaped by domestic problems; and a growing tendency to allow expectations of future competition to drive the development of grand strategy. If current trends continue, the dynamics of the US-China relationship will further imperil the rules-based international order, with far-reaching consequences well beyond East Asia.



Presidents Donald Trump and Xi Jinping pose for a photo during the G20 summit in Osaka, Japan, June 29, 2019. *Kevin Lamarque / Reuters*



The United States has now most probably entered an era of gradual decline. Though the concept is contested, most definitions of decline encompass capabilities in the economic, military, and political-diplomatic sphere relative to other countries. In each of these areas, the United States faces significant challenges. It commands a slowly shrinking percentage of the world economy, even as competitors such as China have continued to grow. Its military instrument has been blunted by years of war in the Middle East and South Asia and its diplomatic corps has been decimated by mismanagement and lack of funding. At home, its political culture is plagued by polarization, radicalization among key constituencies, and income inequality. In addition, as it seeks to counter China's rise, the United States has struggled to coordinate with its allies. Partners in Europe and East Asia, though wary about China's long-term intentions, are loath to forgo the benefits of expanded economic ties to Beijing. They have also been dismayed by the nationalist trade and security policies pursued by Donald Trump's administration since 2016.

In spite of this formidable set of challenges, the United States continues to enjoy many advantages relative to China. Most notably, the United States still remains the world's foremost

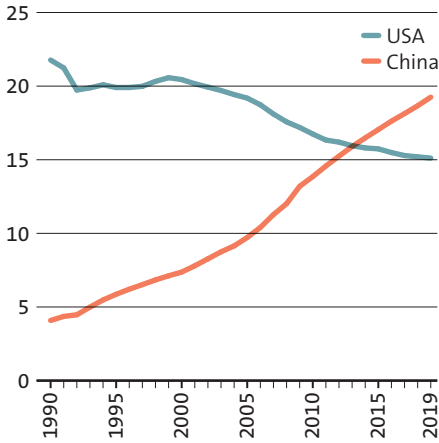
military power. Even allowing for the fact that China's actual level of military expenditure may be higher than the reported figures and that it benefits from a regional focus, whereas US spending must account for global commitments, its defense budget still dwarfs that of China and other major powers. Despite Chinese advances in recent years, the United States will also retain its leadership in most aspects of military technology for years to come.¹

Arguably, the United States remains the only nation in the world with a truly global agenda, able to project power and influence in every corner of the world, even though its political influence and soft power have been damaged by a nationalistic turn in its approach to foreign policy since 2016. China's reach has grown considerably, but it still trails the United States in this regard. Even in the economic sphere, the advantage lies with the United States. Though China has become the world's largest economy in terms of gross domestic product (GDP) based on purchasing power parity, the United States remains far ahead in GDP per capita. Many Western analysts also believe that, as a free-market democracy, the US enjoys long-term advantages over any authoritarian rivals – though this perspective has been challenged in recent years.



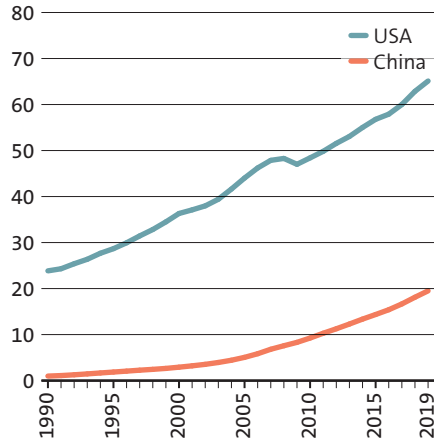
GDP Based on PPP

Share of world, in %



GDP Per Capita Based on PPP

in 1,000 USD



Note: Q4 2019 estimated
Source: IMF 2019

Meanwhile, even as China begins to translate its status as an economic superpower into global political influence and greater military clout, it faces significant internal and external challenges. President Xi Jinping and the Chinese Communist Party (CCP) are attempting a complicated balancing act: running an authoritarian, one-party political system but allowing a market-based economy to operate, albeit with significant state intervention. Conventional wisdom long held that such a straddle was impossible and that, eventually, rising prosperity would force China's rulers to reform the political system. There is an ongoing debate about the extent to which China represents an

example of “resilient authoritarianism”, but Chinese policymakers show no interest whatsoever in relaxing their grip on power. Instead, Xi has orchestrated changes that could allow him to indefinitely remain in control. He is fostering a cult of personality, which now requires many Chinese to study his “Xi Jinping Thought”, and the CCP has greatly expanded its use of advanced technology to extend its sway over Chinese society and to suppress dissent.² It remains to be seen if this increasingly totalitarian approach is sustainable. Other long-term questions facing China include environmental degradation caused by climate change and pollution, debt-driven growth that may not be sustainable,



and a looming demographic crisis caused by the (now discontinued) one-child policy. Although its effects remain unclear at this writing, the coronavirus crisis appears to have further added to the systemic strain the CCP is facing.

In its near abroad, China faces territorial disputes with most of its neighbors. Many of these disagreements are longstanding, but Beijing's recent construction of militarized artificial islands in the South China Sea has exacerbated these existing tensions. Further afield, even as many countries welcome Chinese direct investment and Chinese technology via the Belt and Road Initiative (BRI) and the construction of 5G infrastructure, they express concern about greater vulnerability to Chinese economic and political influence and the possibility that adopting Chinese technology could leave them vulnerable to cyberattacks.³

Ironically, given the divergent historical and geographical contexts in which they operate, many of the same factors shape thinking in both Beijing and Washington. Intense nationalism, often of a pernicious variety, is a key determinant of Chinese and US statecraft. Both have formulated foreign policy agendas that attempt, to one degree or another, to solve significant domestic problems. China and the

United States are also struggling to assuage neighbors and allies concerned about their assertive foreign policies.

To an extent, we can anticipate the probable consequences of US-Chinese competition. One is a heightened threat to the rules-based international order. Both nations have been willing to undercut the normative standards prescribed by this approach to international order when it suits their interests and will likely continue to do so. Ongoing competition will also likely result in increased fragmentation and instability. China and the United States are now competing across all sectors – political, economic, military, and cultural – and are paying special attention to pivot states and regions. China and the United States may or may not engage in direct military conflict, but they are preparing for it and, in doing so, are engaging in multiple forms of destabilizing behavior.

Related to the problem of fragmentation and stability, but more difficult to quantify, is the degree of additional uncertainty that the US-Chinese rivalry is injecting into the interactions that are going to shape the future international system. The current relationship between the US and China looks very different from previous bipolar superpower rivalries, most notably between



the United States and the Soviet Union. China and the United States are much more closely interlinked, economically and even culturally, than the United States and the Soviet Union ever were. This complicates threat perceptions on both sides and makes the prospect of partially de-coupling their economies – something both states are considering – much more difficult. Furthermore, the international status of both countries is more fluid, adding additional uncertainty over how this rivalry might play out in the coming years. The United States is gradually declining but could remain the most powerful nation for decades; China is rising but faces substantial obstacles that could significantly slow or even halt its ascent. Moving forward, there is also the question of how other countries will respond to US-China competition. Thus far, it appears that most countries prefer to avoid alignment with one power or the other and instead seek to maintain good relations with both. This may be a positive dynamic in terms of international stability, but it also makes predicting reactions among third party states difficult.

US Grand Strategy and the China Challenge

Between the end of the Cold War and 2016, US grand strategy – the attempt to coordinate its long-term diplomatic, economic, and military policies – was

centered on three main goals: military predominance; trade liberalization; and spreading democracy, if often imperfectly. Each of these strategies was designed to buttress its vision of a liberal world order – an expansive network of institutions, alliances, and shared values the United States led the way in forging after World War II. US policymakers viewed this approach as the best way to maintain a position of primacy in world affairs.⁴

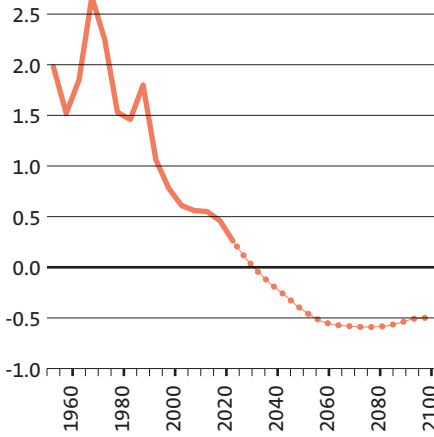
Though there have always been sharp differences in opinion about the most effective approach, in mainstream US political culture there has long been broad agreement about the desirability of predominance. This dovetails with a sense of exceptionalism, present throughout US history, based on a belief in the superiority of US political institutions and of being separate from, and better than, other nations. Even President Barack Obama, seen by many as too sophisticated for crass appeals to nationalist sentiment, frequently spoke of the United States as a special country. In 2014, he told an audience, “I believe in American exceptionalism with every fiber of my being.” In 2016, he argued that “American leadership, in part, comes out of our can-do spirit. We’re the largest, most powerful country on Earth. As I said previously in speeches: when problems happen, they don’t



Internal Challenges

China's Shrinking Population

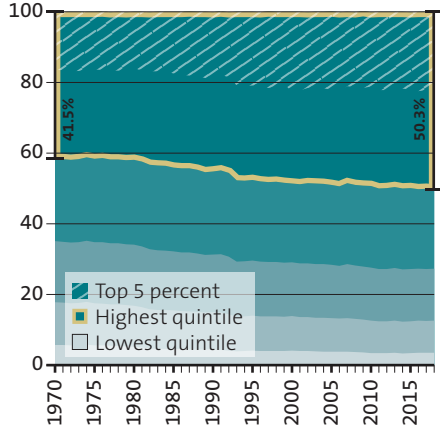
Average annual rate of population change, in %



Note: Medium-variant projection
Source: UN World Population Prospects 2019

Growing US Income Inequality

Share of US aggregate income*, by income quintile



* Equivalence-adjusted household income
Source: US Census Bureau

call Beijing. They don't call Moscow. They call us. And we embrace that responsibility.”⁵

In recent years, support for the strategy of primacy has wavered and Americans have begun assessing alternative approaches, even as the United States' predominant role is being challenged from abroad. At home, the political system is dysfunctional, raising concerns about the ability of the United States to focus on external problems. It is riven by intense polarization and the increasing radicalization of many culturally conservative Americans, who are uneasy about the nation's

growing diversity and many of whom have suffered from the downsides of a globalized economy. Historically high levels of economic inequality further exacerbate the situation. Though most Americans continue to favor US leadership abroad, for the first time since the early Cold War era a large minority advocates at least partial retreat from international engagement. Many culturally conservative or economically deprived whites favor a strong military but are skeptical of multilateralism and lengthy military operations. These voters – sometimes referred to as Jacksonians – prioritize focusing on domestic problems and



tend to agree with Trump's contention that allies have been free riding on US security guarantees. Other observers, many of them academics and career foreign policy analysts, advocate a shift towards offshore balancing – essentially avoiding direct US involvement in regional affairs, eschewing permanent military involvement wherever possible, and relying more on local partners.⁶

Some elements of the post-1990 strategy linger, but in altered form. The official US policy continues to be the maintenance of military supremacy. The 2017 National Security Strategy spoke of “rebuilding our military so that it remains preeminent” and the 2018 National Defense Strategy endorsed the goal of remaining “the preeminent military power in the world.” However, there is growing support among some members of the foreign policy elite for shifting toward some version of offshore balancing, at least in Europe and the Middle East. This is a shift that would, in the long run, necessitate reducing large scale US troop deployments in key regions. Both Obama and Trump's foreign policies appear to incorporate elements of offshore balancing.⁷

Most Americans continue to support the promotion of free trade, but activists on both sides of the political

spectrum have successfully pushed policymakers to embrace a more skeptical perspective. In particular, the Trump administration is hostile to the prevailing multilateral trade architecture and is instead seeking to renegotiate all of its major trade deals on a bilateral or regional basis. One overarching goal in these negotiations is to limit China's access to foreign markets.⁸

The importance of promoting democracy has also been deprioritized in the United States' approach to international affairs. Partly, this is a consequence of the disastrous attempts to impose democratic political systems on Afghanistan and Iraq. These failures coincide with a growing pessimism among the world's democracies and a sense that authoritarianism is on the rise. Even among those that prioritize upholding liberal norms and values, there has been a shift toward consolidating existing democracies rather than creating new ones.

A tentative consensus has emerged among US experts that a return to the main tenets of the liberal world order in its previous incarnation is not in the cards. However, there is little agreement as to what should come next. Influenced by the ascendancy of Trumpism, many conservatives increasingly view the world through a



nationalist lens. They generally value alliances more than President Trump, but like Trump, tend to view allies as extensions of US power rather than as partners in a multilateral order that is mutually beneficial. Meanwhile, many internationalists in the center and on the center-left would concede that the post-1945 order is in need of a partial overhaul. While they generally acknowledge the salience of major power competition, many argue rivalries with authoritarian states make the existence of a multilateral order, including cooperation with countries that can share some of the burden, all the more indispensable.⁹

Uncertainty about the future of US grand strategy is increasingly intertwined with discussions about effective responses to the rise of China. Since the George W. Bush administration began what would later come to be known as the ‘Pivot to Asia’, US strategy has oscillated between two competing impulses. One is a carrot and stick approach designed to encourage China to curb its most troubling behavior and more closely align with liberal values and practices. The proposed Trans-Pacific Partnership – from which the Trump administration withdrew in 2017 – was a trade deal that linked the Americas and East Asia. It was partly intended to bolster US alliances in the region, but it also

sought to encourage Chinese reform and offered the possibility of future membership. President Obama was not naïve about China, but he was optimistic about the resiliency of the rules-based international order. He believed that Chinese reform was still possible and viewed competition between the United States and China from a more fine-grained and conflicted perspective, one that took into account US alliances in Europe and especially Asia.¹⁰

This cautiously optimistic view of relations with China has faded. The Trump administration entertains little hope that the right mix of policies can facilitate the emergence of a more benign China. Instead, a focus on long-term competition with Beijing, the other pole of US thinking, is now clearly predominant. Though it pays lip service to upholding alliances in the region and has urged its European partners to avoid forming closer political and economic ties with Beijing, the administration’s unilateralist and nationalist approach has made the maintenance of any sort of multilateral coalition untenable. In any case, it is more interested in bilateral competition with China.

For the most part, the Trump administration has focused on trade. The architect of its trade strategy vis-à-vis



China, Robert Lighthizer, is a fierce critic of the multilateral trade order and views China's model of state capitalism as a profound threat. He has overseen the imposition of punitive tariffs, which in theory are designed to force Beijing to reform its trade policies. The January 2020 phase one trade deal makes little progress in this respect. The deal ultimately commits China to purchasing 200 billion USD in American goods and services and includes more access for key industries, such as farming. The chief problems with Chinese trade policies are structural, including state subsidies to Chinese businesses, and the accord does nothing to curb those. The agreement includes vows to refrain from forcing technology transfer from US companies, but China has a long history of breaking such promises. The timing and nature of the deal, with its benefits directed toward key US constituencies such as farmers, indicate that it is mainly political in nature, designed to boost the president's electoral prospects, and has limited ambitions in terms of facilitating genuine reform.¹¹

An additional problem with the Trump administration's singular focus on trade is that it has done little to develop a comprehensive strategy for competing with China. The political and military dimensions of the relationship, and how they relate to

broader US foreign policy goals, have not received the attention that they deserve. It will fall to Trump's second term, or more likely to his successor (in 2021 or 2025), to begin thinking strategically about how to leverage US resources to develop a constructive relationship with Beijing. Ideally, this would include elements of competition but also pragmatic cooperation, not only in regard to issues of bilateral importance, but also when it comes to global problems such as climate change or health security.

Chinese Grand Strategy and US Decline

Unlike the United States, where the notion of grand strategy is well established and there is a tradition of public debate about government policy, China is governed by a one-party, authoritarian regime that has long sought to control information and has only recently begun to experiment with greater transparency. As their response to the 2019–2020 coronavirus outbreak demonstrates, when under pressure Chinese officials still tend to revert to a repressive approach to information dissemination. To be sure, Chinese analysts and policymakers are familiar with the concept of a grand strategy and there is an ongoing discussion about its merits among insiders; however, it is considerably less vigorous than in the US.¹²



We do have a good sense of the historical and cultural underpinnings of Chinese thinking about the international system. For most of their history, the Chinese have played a central role in their region, with their neighbors borrowing culturally, linguistically, and politically from China. This has led to a conception of China as the natural hub of East Asia, with responsibility for the entire regional system. This dovetailed with the broader Chinese concept of *tianxia*, sometimes translated as All Under Heaven – a way of theorizing the international system that is in many ways akin to the Western notion of empire – which centered on the Chinese kingdom but also provided a blueprint for thinking about common international interests. However, in the nineteenth century, closer contact with the West led to a series of significant military defeats, beginning with the First Opium War in 1839. Thenceforth, Western imperialism was a recurring challenge to Chinese policymakers, one that often exacerbated domestic divisions. This included Western intervention in the Chinese Civil War. Even though the CCP defeated the Nationalists in 1949, resentment of the humiliation historically inflicted by foreigners – and the fear that hostile outsiders will always seek to exploit internal vulnerabilities – infuses modern Chinese nationalism.¹³

In the mid-1990s, Chinese leaders began to grapple with the implications of the post-Cold War system, including US primacy. They recognized that a rising China would generate suspicion and that the best way to counter this would be to avoid political or military activities that would attract undue attention; in the words of Deng Xiaoping, China would “keep a low profile and bide [its time].” The emphasis instead fell on fostering domestic stability and economic growth, improving relations with neighbors, and exploring opportunities for multilateral action. China joined the World Trade Organization (WTO) in 2001. In 2003, Chinese President Hu Jintao introduced the phrase “China’s peaceful rise,” which he later reformulated as “China’s peaceful development” in order to make it even less threatening. In 2010, Dai Bingguo, a leading foreign policy official, defined China’s “core interests” as: political stability; territorial integrity; unification with the separate, democratically governed Taiwanese state (by force if necessary); and sustainable economic and social development. Aside from their position on Taiwan, Chinese officials mostly avoided rhetoric or actions that might generate tension with other powerful countries.¹⁴

At the same time, Chinese policymakers began to think strategically about



their national security. In no small part, this change in thinking was prompted by the denouement of the so-called 1996 Taiwan Crisis. When China reacted to what it viewed as provocative, pro-independence steps in Taipei by conducting military exercises designed to intimidate its neighbor, including launching missiles in close proximity to the island, two US aircraft carrier groups conducted a major show of force. China was powerless to counter the carriers. In response, it began a long-term program designed to offset US sea power, including a large-scale modernization of its naval forces and the introduction of novel capabilities like the DF-21D anti-ship ballistic missile.¹⁵

The strategy of a “peaceful rise” ended with Xi’s ascension to power. As early as the late 2000s, Chinese policymakers had begun to discuss the need to harness Chinese economic power for political ends. They sought not just to bolster China’s image, or to earn goodwill – though this has been a key goal, especially when it comes to China’s Southeast Asian neighbors – but to compel other countries to reverse unwelcome policies. This is a tactic used by many countries, not least the United States, but it marked a new level of assertiveness in Chinese statecraft.¹⁶

As president, Xi has married China’s growing geo-economic assertiveness

with a much bolder political and military vision. Certainly, there is ample continuity with the emphasis of his predecessors on international stability, economic growth, territorial integrity, and participation in multilateral institutions and initiatives. However, Xi’s China is also increasingly assuming the identity of a major power. Partly, this is a matter of rhetoric. Xi has famously propagated the idea of the so-called ‘Chinese Dream’, perhaps self-consciously echoing the notion of the American Dream, but also framing it within a decidedly Chinese context. The message can vary, but it generally promotes the idea of national restoration and glory as inextricably linked to the CCP. This is part of a broader effort to communicate a message of pride in their past and optimism about the future to the Chinese people. “China’s international standing has risen as never before,” Xi proclaimed at the CCP’s 19th National Congress in 2017, and the “Chinese nation now stands tall and firm in the east.”¹⁷

This nationalist rhetoric reflects a new degree of boldness and ambition for Chinese foreign policy, but it is more than simply an expression of expansionism; it coincides with an increasingly sophisticated grasp of how to wield China’s growing influence, especially in regard to its neighbors, and how regional and global governance



should be organized. This intent was clear in Xi's 2017 speech, in which he declared, "China will continue to play its part as a major and responsible country, take an active part in reforming and developing the global governance system, and keep contributing Chinese wisdom and strength to global governance." The militarization of artificially constructed islands in the South China has generated widespread alarm, but China has worked hard (though with limited success) to assuage its neighbors that there is no malign intent behind the project. The Asian Infrastructure and Investment Bank (AIIB) is intended both as a response to the US Pivot to Asia and as one of several initiatives designed to reshape the prevailing international order in ways that are more favorable to Beijing. The BRI initially was devised for domestic purposes, essentially to find foreign markets for Chinese overcapacity. Yet over time, it has also assumed a degree of strategic importance in Chinese thinking. At the same time, Beijing has shown flexibility in how it manages the individual projects and responsiveness to local needs.¹⁸

The foundation for Beijing's foreign policy is nationalism. In spite of its name, the Chinese Communist Party's focus is not the spread of a utopian vision for universal communism; its foremost goal is maintaining its

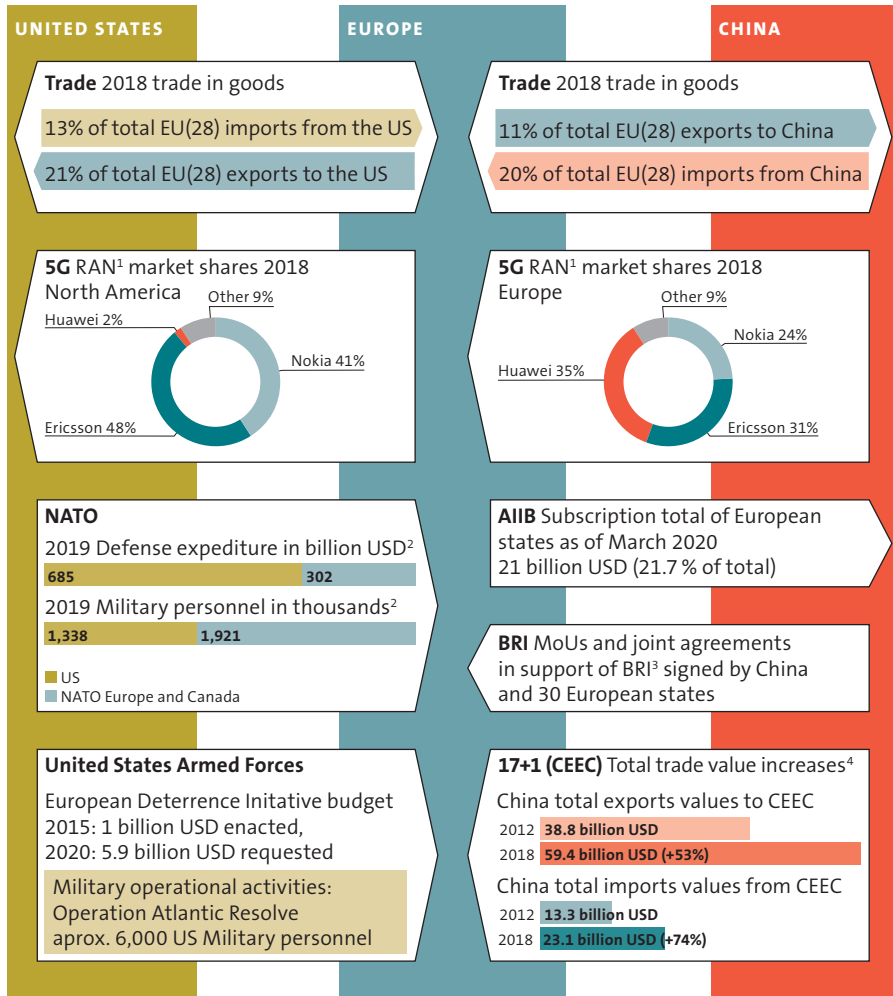
control of an authoritarian, one-party system. Nevertheless, there is a growing internationalist component to Chinese statecraft. China explicitly offers an alternative to the Western model, especially for low- and middle-income countries. In his 2017 speech, Xi argued that the system of "socialism with Chinese characteristics [has] kept developing, blazing a new trail for other developing countries to achieve modernization" and he avowed Chinese support for "the efforts of other developing countries to increase their representation and strengthen their voice in international affairs." According to Xi, China "offers a new option for other countries and nations who want to speed up their development while preserving their independence; and it offers Chinese wisdom and a Chinese approach to solving the problems facing mankind."¹⁹

The extent to which these factors constitute a grand strategy is open to debate, even among Chinese analysts. At the same time, three components of Chinese strategic thinking are evident: reshaping, not revolutionizing, the international order; cognizance of the effect of growing Chinese power on the system, especially when it comes to its neighbors; and the need to strike a delicate balance in the relationship with the United States. As



Security – Political – Economic Competition

US and China: Focus on Europe



1 Radio Access Networks (RAN) provide radio access and assists network resource coordination across wireless devices. RAN is the fundamental architecture for any cellular device to connect to any network. Newest RAN developments are at 5G. Due to rounding, percentages may not add up to 100%.

2 2019 NATO estimates

3 Including MoUs and joint agreements with China for a general framework of cooperation under the BRI as of December 2019 and MoUs with China on transport related issues, infrastructure development, or custom cooperation as of December 2017.

4 Trade calculated for 16+1. Greece joined 16+1 August 2019 (17+1). Trade values are imports (cost, insurance and freight) and exports (free on board). Reporting country is China.

Sources: Eurostat, Dell’Oro in Oxford Economics, NATO, AIIB, Steer Davies Gleave, European Parliament Policy Department for Structural and Cohesion Policies, US Department of Defense, Congressional Research Service, IMF DOTS, CSS research



Michael Haas and Niklas Masuhr discuss in their chapter, China's military strategy has long been dominated by concerns about US capabilities and how best to counter them. Policymakers in Beijing fully understand the importance of US-Chinese competition to the international order and many hope to foster a version of the relationship that is pragmatic and constructive rather than ideological and destabilizing. Yet the likelihood of greater cooperation between the two nations is unclear, undermined further by the Chinese perception that the United States is a declining – if still formidable – power.²⁰

China's increasing willingness to assume a global leadership role is partly a response to counterproductive US policies since 2016. In a 2017 speech at the World Economic Forum, Xi made a thinly veiled effort to position China as an alternative pole of stability. "When encountering difficulties, we should not complain about ourselves, blame others, lose confidence or run away from responsibilities. We should join hands and rise to the challenge," he argued. One of the cornerstones of Chinese nationalism is the fear, routinely stoked by policymakers in Beijing, that Western – especially US – policy is designed to contain China and to encourage internal divisions. Consequently, Chinese officials are engaged

in a constant process of assessing how best to respond to US power. The recent trade deal with Washington, in which Beijing made some short-term concessions, demonstrates the balancing act China is wont to pursue. In the long run, Beijing seeks to create supply chains and economic relationships independent from US control. In part, that reflects a calculation that, as dangerous a foe as the United States is, time is not on its side. For many Chinese officials, the Trump administration's policies are only accelerating the process of decline.²¹

Implications for the Global Order

In many ways, US-Chinese competition has been a key catalyst for the rapid evolution of the international order. We live in an era of resurgent nationalism. The concerns of millions worldwide about the downsides of globalization have fueled a process of political radicalization and, in some instances, given rise to extremist movements. Moreover, this trend of pernicious nationalism is affecting domestic and global affairs decisions in both China and the United States.

Though they have very different origins, these nationalisms manifest similarly in both countries. The Chinese variant is alarming because it draws on a strong sense of grievance, primarily vis-à-vis the West and Japan, and



because there is a tendency to believe that regional and international orders should naturally revolve around China. Meanwhile, in recent years many Americans have also come to believe that they have been treated unjustly, not just by members of the political and economic elite, but also by the rest of the world. There exists the perception that allies have been free-riding on US military might, even as they adopt unfair trade practices, and that it is time to begin demanding that others pay up if they wish to retain US goodwill. Encouraged by its political base, the Trump administration has fashioned this insular and damaging perspective into a cardinal feature of US strategy. Meanwhile, the United States paradoxically continues to pursue a foreign policy based on the assumption that its values and institutions have universal appeal and relevance.

If the world's two most powerful countries continue to nurse nationalistic grudges and to expect that the international system should automatically bend to their needs, this may further exacerbate the nationalist tendencies of other countries. As we have seen, even though extremist nationalists trade on fear of the foreign, they are quick to form international networks and to exchange ideas and tactics. This danger is particularly evident in the West, where Trumpism has both

drawn upon and further encouraged European far-right movements.²²

Chinese and US nationalism are also partly responsible for the growing tendency to link economic and political-security policy. The Trump administration has unabashedly tied concessions from trading partners to security cooperation. Until recently, China had mostly been subtler, because among Chinese strategists there was a belief that forming trading relationships, especially with neighbors but increasingly further afield, would naturally yield political and even security benefits in the long run. However, as China grows more comfortable with its enormous economic power, it is increasingly inclined to use it more bluntly. One striking example is the battle to convince European countries to allow China's national champion, Huawei, to help build their 5G networks. Despite the potential technological advancement, 5G networks remain controversial because of concerns that Chinese intelligence could gain access to communication infrastructure. "If Germany were to make a decision that led to Huawei's exclusion from the German market, there will be consequences," the Chinese ambassador in Berlin warned in December 2019, alluding to private Chinese threats to retaliate against the German car industry.²³



The propensity to weaponize trade relationships is part of a broader threat US-Chinese competition represents to the rules-based international economic order. Both countries have a complicated relationship with the WTO. China has benefited immensely from its accession to the organization. It has enjoyed spectacular growth, partly because it is now deeply integrated into international supply chains and trading networks. In addition, its classification in the WTO as a developing country gives it modest advantages in relation to WTO-classified developed economies, for instance when it comes to subsidies and protection of domestic industries. Yet China has a mixed record when it comes to compliance with WTO rulings.²⁴

The United States did more than any other nation to found the current international economic order and, in aggregate, has benefited enormously from the increased levels of trade that it has made possible. Yet the Trump administration views the WTO, and multilateral trade in general, as liabilities. In particular, it contends that China's accession to the WTO has been disastrous. Though there are some grounds for this belief – the so-called China shock and its harmful effects on some US regions has been amply documented – on the whole the United States continues to enjoy

significant WTO-related benefits. For instance, in the 23 cases the United States has filed against China with the WTO, it has won 19; the other four are pending. Nevertheless, the Trump administration is in the process of dismantling the multilateral trading system in favor of a series of bilateral and regional agreements.²⁵

Beyond international trade, China and the United States are ambivalent about multiple aspects of the rules-based order. Both tend to operate according to established norms when it suits their interests, but are quick to ignore core tenets of the system when convenient. Over the last few years, the United States has withdrawn from a number of international agreements and organizations. By doing this, the United States sought more freedom to maneuver in the international sphere, even if the move damaged both US soft power and its alliances. This strategy is shortsighted, given the growing need for allied support to counter China. For instance, the United States welcomed a 2016 Permanent Court of Arbitration ruling in favor of the Philippines. The decision, which rejected Chinese claims of sovereignty over disputed islands in the South China Sea, should have been a move to bolster the rules-based international order. However, Beijing refused to participate in the



arbitration process and rejected the ruling, which was based in part on the United Nations Convention on the Law of the Sea (UNCLOS). The United States has never ratified UNCLOS, a fact that undercuts US endorsement of the ruling.²⁶

The United States has made it clear to allies that it expects to receive their support in its rivalry with China, but the response has been unenthusiastic. In spite of sustained lobbying during the December 2019 NATO Leaders Meeting in London, the toughest language US officials could convince their European counterparts to include in the joint declaration was a recognition “that China’s growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance.” The US was unable to persuade most of its allies to reject membership in the AIIB. It has had little success in convincing other countries to avoid participation in the BRI. Its warnings about the potential threat posed by Huawei’s 5G infrastructure have gained only modest traction. Yet US struggles to isolate China – always an unrealistic aspiration – do not indicate that Beijing is winning the international battle for hearts and minds. In most soft power indices, China still lags behind the United States. Many countries, especially in East Asia and

in Europe, are wary of Chinese intentions and would like US support in balancing Chinese power.

One of the key features of US-Chinese rivalry is its increasingly global nature, with key arenas of competition in Europe and East Asia. There is considerable fear that in any conflict between the two major powers, smaller states will inevitably be caught in the crossfire. Instead of choosing one side or the other, many countries seem to be inclined to remain, at least to some degree, unaligned. They want to trade with both countries and they want to avert conflict with both countries. Above all, they desire that China and the United States maintain a constructive relationship and avoid a military confrontation.



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