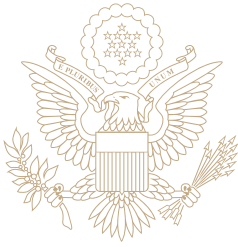




*The*  
Elements *of the*  
China Challenge

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## Executive Summary

Awareness has been growing in the United States — and in nations around the world — that the Chinese Communist Party (CCP) has triggered a new era of great-power competition. Yet few discern the pattern in China’s inroads within every region of the world, much less the specific form of dominance to which the party aspires.

The CCP aims not merely at preeminence within the established world order — an order that is grounded in free and sovereign nation-states, flows from the universal principles on which America was founded, and advances U.S. national interests —but to fundamentally revise world order, placing the People’s Republic of China (PRC) at the center and serving Beijing’s authoritarian goals and hegemonic ambitions.

In the face of the China challenge, the United States must secure freedom.

China is a challenge because of its conduct. Modeled on 20<sup>th</sup>-century Marxist-Leninist dictatorship, the CCP eventually spurred rapid modernization and produced prodigious economic growth — thanks in no small measure to the party’s decision in the late 1970s to embrace free-market elements and to the decision by the United States and nations around the world to engage, and welcome commerce with, China. The party today wields its economic power to co-opt and coerce countries around the world; make the societies and politics of foreign nations more accommodating to CCP specifications; and reshape international organizations in line with China’s brand of socialism. At the same time, the CCP is developing a world-class military to rival and eventually surpass the U.S. military. These actions enable the CCP to credibly pursue the quest — proceeding outward through the Indo-Pacific region and encompassing the globe — to achieve “national rejuvenation” culminating in the transformation of the international order.

To understand China’s peculiar form of authoritarianism and the hegemonic goals to which it gives rise, it is necessary to grasp the intellectual sources from which China’s conduct springs: the CCP’s Marxist-Leninist beliefs and the party’s extreme interpretation of Chinese nationalism.

Notwithstanding its authoritarian rule over PRC citizens and the threat it presents to freedom around the world, China under the CCP is marked by a variety of vulnerabilities. These begin with the disadvantages endemic to autocracy: constraints on innovation, difficulties



forming and maintaining alliances, and costs arising from internal repression. They also include vulnerabilities specific to the PRC: economic instability; demographic imbalance; environmental degradation; persistent corruption; oppression of ethnic and religious minorities; daunting expenses incurred in monitoring, censoring, and indoctrinating 1.4 billion people in China; separation of the military, which is controlled by the party, from the people; and — particularly in the wake of the illness, death, and social and economic devastation wrought worldwide by the COVID-19 pandemic born in Wuhan — mounting international anger at the CCP’s contempt for human life, indifference to other nations’ well-being, and disregard for international norms and obligations.

Meeting the China challenge requires the United States to return to the fundamentals. To secure freedom, America must refashion its foreign policy in light of ten tasks.

First, the United States must secure freedom at home by preserving constitutional government, promoting prosperity, and fostering a robust civil society, all of which nourish the civic concord that has always been essential to meeting the nation’s challenges abroad.

Second, the United States must maintain the world’s most powerful, agile, and technologically sophisticated military while enhancing security cooperation, grounded in common interests and shared responsibility, with allies and partners.

Third, the United States must fortify the free, open, and rules-based international order that it led in creating after World War II, which is composed of sovereign nation-states and based on respect for human rights and fidelity to the rule of law.

Fourth, the United States must reevaluate its alliance system and the panoply of international organizations in which it participates to determine where they fortify the free, open, and rules-based international order and where they fall short.

Fifth, in light of that reevaluation, the United States must strengthen its alliance system by more effectively sharing responsibilities with friends and partners and by forming a variety of groupings and coalitions to address specific threats to freedom while, in cooperation with the world’s democracies and other like-minded partners, reforming international organizations where possible and, where necessary, building new ones rooted in freedom, democracy, national sovereignty, human rights, and the rule of law.



Sixth, the United States must promote American interests by looking for opportunities to cooperate with Beijing subject to norms of fairness and reciprocity, constraining and deterring the PRC when circumstances require, and supporting those in China who seek freedom.

Seventh, the United States must educate American citizens about the scope and implications of the China challenge because only an informed citizenry can be expected to back the complex mix of demanding policies that the United States must adopt to secure freedom.

Eighth, the United States must train a new generation of public servants — in diplomacy, military affairs, finance, economics, science and technology, and other fields — and public-policy thinkers who not only attain fluency in Chinese and acquire extensive knowledge of China’s culture and history, but who also attain fluency in the languages, and acquire extensive knowledge of the cultures and histories, of other strategic competitors, friends, and potential friends.

Ninth, the United States must reform American education, equipping students to shoulder the enduring responsibilities of citizenship in a free and democratic society by understanding America’s legacy of liberty and also preparing them to meet the special demands of a complex, information-age, globalized economy for expertise in science, technology, engineering, and mathematics.

Tenth, the United States must champion the principles of freedom — principles that are at once universal and at the heart of the American national spirit — through example; speeches; educational initiatives; public diplomacy; foreign assistance and investment; sanctions in more difficult circumstances as well as other forms of non-military pressure; and, where the nation’s vital interests are at stake and all else has failed, military force.

Grounded in America’s founding principles and constitutional traditions; invigorated by a bustling economy; undergirded by the world’s best-trained and best-equipped military; served by government officials who understand the American people and the American political system, recognize the diversity and common humanity of the peoples and nations of the world, and appreciates the complex interplay of ideas and interests in foreign affairs; and fortified by an informed and engaged citizenry — this multi-pronged approach will enable the United States to secure freedom.

## I. The China Challenge

*For a fairly long time yet, socialism in its primary stage will exist alongside a more productive and developed capitalist system. In this long period of cooperation and conflict, socialism must learn from the boons that capitalism has brought to civilization. We must face the reality that people will use the strengths of developed, Western countries to denounce our country's socialist development. Here we must have a great strategic determination, resolutely rejecting all false arguments that we should abandon socialism. We must consciously correct the various ideas that do not accord with our current stage. Most importantly, we must concentrate our efforts on bettering our own affairs, continually broadening our comprehensive national power, improving the lives of our people, building a socialism that is superior to capitalism, and laying the foundation for a future where we will win the initiative and have the dominant position.*

— Xi Jinping, “Uphold and Develop Socialism with Chinese Characteristics,”  
speech to the CCP Central Committee, January 5, 2013

Awareness has been growing in the United States — and in nations around the world — that the Chinese Communist Party (CCP) has triggered a new era of great-power competition. Even as the United States seeks cooperation and welcomes rules-based competition, responsible American statecraft depends on grasping the mounting challenge that the People's Republic of China (PRC) poses to free and sovereign nation-states and to the free, open, and rules-based international order that is essential to their security, stability, and prosperity. The CCP's recklessness in allowing the novel coronavirus born in Wuhan to develop into a global pandemic coupled with the concerted disinformation campaign that Beijing undertook to conceal China's culpability should put doubts to rest. Yet many people lack a proper understanding of the character and scope of the China challenge.

Home to an extraordinary culture and to moral and political traditions stretching back thousands of years, China today is a great power governed by an authoritarian regime modeled on 20<sup>th</sup>-century Marxist-Leninist dictatorship. Prodigious economic growth has enriched China. Major military modernization has emboldened it. And nations around the world have enabled the CCP by engaging, and welcoming commerce with, Beijing.

Few, however, discern the pattern in the PRC's inroads in every region of the world, much less the specific form of preeminence to which the CCP aspires. The failure to understand China's interests and objectives derives in no small measure from neglect of the CCP's governing ideas.<sup>1</sup> Just as America's commitment to a free, open, and rules-based international order composed of sovereign nation states arises from our dedication to "unalienable rights" — the language that America's Declaration of Independence uses to describe the rights inherent in all persons<sup>2</sup> — so too does the PRC's determination to achieve "national rejuvenation" and transform the international order so that it places China at the center and serves Beijing's ruling ambitions stem from the CCP's Marxist-Leninist ideology and hyper-nationalist convictions.<sup>3</sup>

The conventional wisdom long supposed that China is best understood in accordance with ideas of reasonable state behavior. For decades, influential observers in and out of government viewed China's rise as an opportunity to enlarge the world market and thereby benefit all nations through increased global commerce. They lauded Chinese leader Deng Xiaoping's decision in the late 1970s to introduce capitalist elements into the PRC's state-controlled economy, which — over time and with assistance from the United States and other advanced industrial nations — spurred rapid modernization and generated double-digit economic growth. They hoped that incorporating a rising China into the established international order would induce Beijing to fully open and privatize its state-directed economy; to liberalize its authoritarian regime; and eventually to become a "responsible stakeholder" upholding the international order. Even after the CCP's bloody June 1989 crackdown on hundreds of thousands of pro-democracy protesters in Tiananmen Square and throughout the country, many in the United States and around the world clung to high hopes for China.<sup>4</sup>

But the much-anticipated political liberalization did not occur. China might have chosen the democratic path of former dictatorships in East Asia like South Korea and Taiwan. Speculations about "the end of history" — that liberal democracy, owing to its reasonableness and universal appeal, was spreading around the globe — nourished the faith.<sup>5</sup> But the CCP has stuck to its authoritarian convictions. The party consistently affirmed its fidelity to Marxism-Leninism as a paradigm for China's governance, and socialism — the state control of economy and society — as a model not only for the PRC but also for other nations and as the basis of an alternative world order.<sup>6</sup> Still, some persist in believing that China's conduct will stay within recognizable boundaries and that Beijing merely acts as would any great power in its geopolitical circumstances.<sup>7</sup>

Meanwhile, the CCP has patiently developed the PRC's capabilities over the last 40 years with the long-term goal of achieving global preeminence and placing a socialist stamp on world order. Captive to the conventional wisdom, the United States and other countries proceeded largely unaware of or indifferent to the long-term strategic competition launched by the CCP and affirmed with increasing boldness by CCP General Secretary Xi Jinping. As a veteran U.S. policymaker recently wrote, "This prolonged failure in China policy could turn out to be the biggest U.S. policy deficiency in the past seven decades, given the accumulating dangerous strategic consequences of the rise of Chinese power for world order as well as for the United States and its allies and friends."<sup>8</sup>

Even as proponents of the conventional wisdom dug in their heels, keen observers of China effected a salutary shift in perspective. Their books and articles bring into focus the CCP's one-party, repressive rule as well as its defiance of, and determination to remake, international norms, standards, and institutions.<sup>9</sup>

The Trump Administration achieved a fundamental break with the conventional wisdom. It concluded that the CCP's resolute conduct and self-professed goals require the United States and other countries to revise assumptions and develop a new strategic doctrine to address the primacy and magnitude of the China challenge. The administration presented its thinking to the public in the 2017 National Security Strategy, 2018 National Defense Strategy, 2020 United States Strategic Approach to the People's Republic of China, 2020 annual report to Congress on China's military power, and in many high-profile speeches by senior administration figures.<sup>10</sup>

The administration's outlook recognizes that it is unreasonable to suppose that today's leaders of the Chinese Communist Party — who view themselves as heirs to a great civilization, who espouse a 20<sup>th</sup>-century ideology and political system the cruelty and repression of which have left tens of millions dead, and who pursue hyper-nationalist goals — comprehend domestic politics and world affairs as do the United States and other liberal democracies.<sup>11</sup> In recent years, the CCP has consolidated authority and — by nefarious means ranging from digital surveillance to strict indoctrination to concentration camps for religious and ethnic minorities — intensified the subordination of PRC citizens to party-defined collective interests. The CCP has developed — and acquired illegally in many instances — advanced technologies not



only to control its own population but also to collect data on persons across the globe and to build a world-class military. The CCP has pursued extravagant claims in, and militarization of, the South China Sea in brazen defiance of international law while crushing freedom in Hong Kong and threatening to do the same in Taiwan. The CCP has undertaken major infrastructure and investment projects, debt-trap diplomacy, and other predatory economic practices in every region of the world, the better to induce or compel sovereign nation-states, particularly their governing and business elites, to aid and abet China in the reshaping of world order. And the CCP has leveraged its integration into international organizations to infuse them with norms and standards rooted in the party's authoritarianism.

China's conduct reflects the CCP's short-term priorities and long-term ambitions, the party's assessment of China's current stage of development, and its understanding of the geopolitical environment in which China operates. "In this long period of cooperation and conflict, socialism must learn from the boons that capitalism has brought to civilization," Xi proclaimed in 2013. "Most importantly, we must concentrate our efforts on bettering our own affairs, continually broadening our comprehensive national power, improving the lives of our people, *building a socialism that is superior to capitalism, and laying the foundation for a future where we will win the initiative and have the dominant position.*"<sup>12</sup> Examination of the CCP's conduct in light of its communist and hyper-nationalist ideas demonstrates that by achieving "the initiative" and attaining "the dominant position," Xi means displacing the United States as the world's foremost power and restructuring world order to conform to the CCP's distinctive way of empire.

The purpose of this unclassified Policy Planning Staff paper is to step back and take a long-term view, elaborate the elements of the China challenge, and sketch a framework for the fashioning of sturdy policies that stand above bureaucratic squabbles and interagency turf battles and transcend short-term election cycles. The United States' overarching aim should be to secure freedom.



## II. China's Conduct

To understand the character of the contest for supremacy launched by the CCP, it is necessary to grasp the major features of China's conduct. These include the PRC's brand of authoritarian governance, its use of economic might to surpass the United States in influence in every region of the world as well as in international organizations, and its development of a world-class military designed to counter and eventually surpass the U.S. military. These features have been studied in isolation and each is well-known to experts in one field or another. Their comprehensive and interlocking character, however, is not widely appreciated. Considering them together brings into focus the CCP's paramount geopolitical aim: to achieve global preeminence by reorganizing the international order around the party's understanding of socialism.

### Authoritarianism at Home

China's conduct in world affairs stems from the CCP's form of authoritarian government. In line with 20<sup>th</sup>-century communist dogma and the precepts and practices of Marxist-Leninist regimes, the CCP exercises repressive, single-party rule over some 1.4 billion people. Recently, the party amended the PRC constitution to remove term limits on the presidency occupied by CCP General Secretary Xi Jinping.

In the decades after the violent suppression of pro-democracy protesters in Tiananmen Square in 1989, the CCP intensified internal repression and fortified its control over the country by expanding the systematic use of indoctrination, censorship, disinformation, high-tech surveillance, forced disappearances, and other brutal means.<sup>13</sup> To erase the ethnic and religious identities of Xinjiang's nearly 11 million Turkic Muslims, the party has damaged and destroyed mosques; imprisoned more than one million Uyghurs in so-called "re-education" camps that subject prisoners to indoctrination, compulsory labor, forced sterilization, involuntary birth control, and other heinous abuses; and implemented mass surveillance, DNA collection, and other forms of coercive social control.<sup>14</sup> As part of China's national policy to forcibly integrate minorities, which is sometimes referred to as "stability maintenance," the CCP has

heightened repression of some 6 million Tibetans — severely restricting freedom of speech, religion, movement, association, and assembly.<sup>15</sup> It has also curtailed the freedom of more than 4 million ethnic Mongolians living in China’s Inner Mongolian Autonomous Region in an effort to sinicize them.<sup>16</sup> And, as part of its crackdown on Christians in China, a population estimated to number as many as 70 million, the CCP has imprisoned pastors, shut down churches, banned online religious services, and contemplated a plan to rewrite the Bible to purge it of ideas that conflict with party dogma.<sup>17</sup>

The CCP also seeks to extend the reach of China’s sovereignty. In the months following the outbreak of the COVID-19 pandemic, China — in defiance of its promises to keep Hong Kong free and open and to maintain the territory’s high degree of autonomy under the 1984 Sino-British Joint Declaration and Hong Kong’s Basic Law — imposed a national security law that destroys the territory’s autonomy and robs Hong Kong’s residents of their essential freedoms.<sup>18</sup> Beijing also insists that Taiwan — today a free and prosperous democracy — has always been and must remain part of China and threatens reunification by military force.<sup>19</sup> And, asserting maritime claims in the South China Sea far beyond those recognized by international law, China has shifted the balance of power in the sea by building on and militarizing disputed islands.<sup>20</sup>

The communism that the CCP professes is more than a mode of authoritarian domestic governance. It is also a theory of a globe-spanning universal society, the ultimate goal of which is to bring about a socialist international order. At the same time, the CCP proclaims hyper-nationalist aspirations with roots in Chinese cultural and political traditions — however much twisted and deformed by the party — that require the PRC to occupy the commanding position in world affairs. The party’s synthesis of 20<sup>th</sup>-century communist dogma and extreme Chinese nationalism drives the PRC’s conduct within and beyond its borders.

## **Economic Co-optation and Coercion**

Economic power is a leading element of the CCP’s quest for preeminence in world affairs. Before modernization, China often acquired leverage over its neighbors, whom it more or less viewed as comprising the known world, through the creation of dependence in commerce.<sup>21</sup>

Today, thanks in part to globalization and to the CCP's rapid modernization over the last forty years, the known world for China has expanded to encompass the globe. The CCP has adapted the old approach to China's new circumstances. All major economies are vulnerable to the CCP's economic co-optation and coercion because of their extensive commercial ties with the PRC and their desire to maintain access to China's low-cost labor force and enormous consumer markets. America's own economic entwinement with China dwarfs U.S. commercial relations with the former Soviet Union.<sup>22</sup>

As China reaped the benefits of modernization and accelerated economic development, the CCP set its sights on dominating the global economy by leading in the cutting-edge sciences and the high-tech revolution. On its way to building the world's second largest economy after the United States, the party developed various initiatives and programs integral to Beijing's long-term strategy of using a "whole-of-nation" approach to achieve — including by deceptive, corrupt, and illicit means — decisive advantage over the United States and other advanced industrial nations.

First, China engages in massive intellectual-property theft.<sup>23</sup> The PRC has perpetrated the greatest illegitimate transfer of wealth in human history, stealing technological innovation and trade secrets from companies, universities, and the defense sectors of the United States and other nations.<sup>24</sup> According to research cited by the Office of the United States Trade Representative, China's efforts — including forced technology transfer, cyberattacks, and a whole-of-nation approach to economic and industrial espionage — cost the U.S. economy as much as \$600 billion annually.<sup>25</sup> This staggering sum approaches the Pentagon's annual national defense budget and exceeds the total profits of the Fortune 500's top 50 companies. All 56 FBI field offices are conducting China-related economic-espionage investigations across nearly every industrial sector.<sup>26</sup>

Second, China pursues control over key international supply chains and essential materials and goods. Since Beijing's controversial 2001 accession to the World Trade Organization, U.S. multinational companies have relied increasingly on the PRC's low-cost labor force to produce and export cheaper finished goods, especially in high-technology and advanced-manufacturing sectors. This shift resulted in lower prices for U.S. consumers and higher profits for U.S. companies. Among the costs, however, was a "China Shock" that devastated

small- and medium-sized manufacturing in the United States and other nations, wiping out as many as 2.4 million jobs in America alone and leaving crucial international supply chains dependent on China.<sup>27</sup> The global pandemic has thrown this supply-chain vulnerability into sharp relief.

Third, China seeks worldwide industrial dominance, particularly in critical high-tech sectors. While manufacturing superiority proved decisive in U.S. victories in World War II and the Cold War, the United States lost that advantage in many essential industries. For example, China today accounts for 50 percent of global steel and aluminum production, 70 percent of consumer electronics manufacturing capacity, 90 percent of consumer drone production, 45 percent of shipbuilding production, and, by 2022, will likely account for 35 percent of the world's integrated-circuit fabrication capacity.<sup>28</sup> By 2022, China and Taiwan are set to house 70 percent of global capacity for integrated-circuit fabrication, including virtually all cutting-edge production,<sup>29</sup> which is vital to the digital economy, advanced weapons systems, aerospace, artificial intelligence (AI), robotics, and other essential industries. The PRC aggressively implements industrial policy through efforts like its “Made in China 2025” initiative, which develops Chinese “national champion” companies in ten decisive areas: (1) AI, quantum computing, and next-generation information technology; (2) robotics and automation; (3) aerospace and space; (4) high-tech shipping and oceanic engineering; (5) high-speed railway; (6) energy efficiency; (7) new materials; (8) biotechnology, medical devices, and advanced pharmaceuticals; (9) next-generation energy and power generation; and (10) agricultural machinery.<sup>30</sup> By displacing the United States and other advanced industrial nations in these vital domains, China intends not only to acquire control over global commerce, but also to support its “Military-Civil Fusion” (MCF) strategy for leveraging legally and illegally acquired advanced and emerging technologies to strengthen its armed forces. The PRC's progress in AI poses a particular risk because the CCP, unconstrained by respect for individual liberty and human rights, exploits the massive quantities of data that it collects to refine the AI algorithms that will power the next generation of networked technology.<sup>31</sup>

Fourth, China aims to build the world's fifth generation (5G) wireless-telecommunications physical and digital infrastructure as a steppingstone to broader dominance in emerging and next-generation information technologies. Beijing heavily subsidizes state-directed Huawei

and ZTE, enabling these telecommunications behemoths to undercut rivals in the race to construct 5G networks on every continent.<sup>32</sup> Since Huawei and ZTE are subject to China's various national security laws that compel them to "support, assist and cooperate with the state intelligence work," countries that use them as 5G vendors face growing threats to their network integrity, data privacy, economic stability, and national security.<sup>33</sup> Moreover, under the guise of so-called "smart city" development projects, Huawei and ZTE can export to autocratic regimes around the world the same Orwellian tools that they provide the CCP to surveil people in China.<sup>34</sup> Meanwhile, since military operations, espionage, and political warfare depend on information and data, China invests large sums to gain advantage in cyberspace, including physical architecture, operating systems, and hardware.<sup>35</sup>

Fifth, the CCP uses the Belt and Road Initiative (BRI) — originally called One Belt One Road (OBOR) and still so designated by the PRC in Chinese-language sources — and other undertakings to expand foreign markets for Chinese companies and as a means of drawing nations, particularly their political and economic elites, into Beijing's geopolitical orbit. BRI infrastructure projects — ports, railroads, highways, dams, industrial parks, civil nuclear facilities and other energy related initiatives, and more — typically rely on imported Chinese workers rather than local labor, and sometimes involve 50- to 100-year business relationships that entrench China's long-term access to local elites and confer power over key parts of the host country's critical infrastructure. Because of the heavy economic and environmental costs imposed by the CCP, host countries increasingly find these BRI projects unsustainable. As a result of China's predatory development program and debt-trap diplomacy, for example, Sri Lanka lost control of a major port after defaulting on a burdensome loan.<sup>36</sup>

Sixth, China leverages often unfettered access to foreign capital markets.<sup>37</sup> In particular, U.S. stock exchanges today list over 130 Chinese companies — including Alibaba, PetroChina Company Limited, China Life Insurance Company Limited, China Petroleum & Chemical Corporation, Baidu, and Tencent — with a combined valuation of over \$1 trillion.<sup>38</sup> Following massive financial and accounting scandals in the early 2000s, the U.S. Congress enacted laws requiring regulators to inspect the audits of all U.S.-listed companies.<sup>39</sup> China is the only country that invokes its state security laws to block U.S. regulators from conducting these inspections.<sup>40</sup> Moreover, U.S. investors and pension holders unwittingly pour billions into

managed funds that invest in Chinese companies that are listed on exchanges outside the United States. Moreover, some foreign-listed Chinese companies — including Hikvision, Dahua Technology, and the weapons-manufacturing subsidiaries of Aviation Industry Corporation of China — have ties to Beijing’s military modernization, espionage, and human rights abuses, and may be subject to U.S. sanctions and export controls.<sup>41</sup>

Seventh, China exploits the freedom and openness of the world’s liberal democracies to undercut their governance, prosperity, and national security. Beijing regularly threatens to cut off access to its vast markets to force foreign businesses in free countries to conform to the CCP’s political demands and speech regulations. Prominent cases include China’s efforts to compel foreign airlines to list Taiwan as part of the PRC, to silence the National Basketball Association after the Houston Rockets’ then-general manager tweeted — from U.S. soil — his support for Hong Kong protesters seeking to preserve their city’s individual freedoms and political autonomy, and to extract an apology from Mercedes-Benz for using an image of the Dalai Lama in online advertising.<sup>42</sup> In addition, the CCP carries out massive propaganda and disinformation efforts.<sup>43</sup> The party uses the Thousand Talents Program (TTP) and other party-run recruitment efforts to target universities and impel students and professors to obtain — lawfully or otherwise — technology, trade secrets, proprietary data, and research and development.<sup>44</sup> It generously funds Confucius Institutes, which specialize in disseminating CCP propaganda,<sup>45</sup> at universities in the United States and in other countries through confidential funding agreements that oblige the institutions to avoid criticism of China and to otherwise comply with CCP objectives.<sup>46</sup> And the CCP tracks foreign government officials at the national and subnational levels, not least in the United States, to find opportunities for influence.<sup>47</sup>

By means of these and other initiatives and programs — and unconstrained by respect for international law and human rights — the PRC wields its vast economic power globally to bring countries under its sway. Increasingly, the CCP links its clout in commerce and investment to shows of advanced military capabilities, with the aim of expanding its global influence.

## A World-Class Military

China's economic might and technological prowess advance its development of a world-class military that is intended to rival and in the long-term surpass the U.S. military and those of its allies.<sup>48</sup> The People's Liberation Army (PLA), which owes allegiance to the CCP, is central to the party's goal of empowering China to play the decisive role on the world stage. Following his selection in 2012 as CCP General Secretary, Xi Jinping intensified the PLA's decades-long military modernization. Also named chairman of the Central Military Commission, Xi used the 2012 Defense White Paper to direct the PLA to achieve a status "commensurate with" China's "international standing."<sup>49</sup> On January 1, 2016, the PLA announced a comprehensive reorganization of its force structure, setting the military on a path of expansion that paralleled China's economic advances, and which would enable it "to combat and win battles."<sup>50</sup>

The CCP's extensive military transformation exhibits China's strategic intentions. The 2016 reorganization created five theater-based joint commands — akin to the United States' geographic commands — and two functional commands. The responsibilities of the newly formed Strategic Support Force (SSF) include cyber and space operations and electronic warfare as well as psychological-warfare operations. The SSF, along with Joint Logistics Support Force, will enable the PLA to project military power over great distances and to contest "new military strategic commanding heights."<sup>51</sup> The 2016 reform elevated China's nuclear forces, which Xi emphasizes are essential to China's major-power status, from a subordinate command to a separate stand-alone military service. Accordingly, he called upon the PLA Rocket Force "to enhance its nuclear deterrents and nuclear counterstrike capabilities."<sup>52</sup>

Having undertaken these structural reforms, Xi used the 19<sup>th</sup> Party Congress in October 2017 to announce goals for the transformation of the PLA's operations and capabilities. He directed the military to achieve mechanization, make strides in applying information technology, and improve its strategic capabilities. His goal is to complete the transformation of the PLA and the People's Armed Police into "world-class forces by 2049, the 100<sup>th</sup> anniversary of the PRC's founding."<sup>53</sup>

China learned well from U.S. military success in the 1991 Gulf War and the military offset



strategy the United States adopted in the 1970s to address the Soviet challenge.<sup>54</sup> To counter the U.S. military's technological advantage, PLA leadership developed an offset strategy of its own. Top officials in the U.S. Department of Defense have warned that the United States can no longer take for granted military superiority in East Asia.<sup>55</sup>

China embarked on five distinct but mutually supporting lines of effort:

- “Military-Civil Fusion” (MCF) to achieve the world’s most technologically sophisticated military by acquiring, including through illegal means, advanced and emerging technologies from the United States and from countries around the globe;
- “Systems-destruction warfare” strategy — emphasizing attacks on command and control centers — to shut down enemy operational systems;
- Vast arsenals of ground-based precision missiles to penetrate U.S. defenses;
- “Assassin’s Mace” capabilities to surprise the adversary from unexpected vectors;
- Industrial dominance to attain world leadership in artificial intelligence.<sup>56</sup>

China’s offset strategy has resulted in a form of asymmetric arms racing. Beijing has invested in large numbers of ground-based theater missiles, third- and fourth-generation aircraft carrying advanced standoff missiles, diesel submarines capable of dominating regional waters, counter-space and cyber capabilities, and an increasingly advanced nuclear arsenal. The PLA’s rapid progress in producing and deploying hypersonic missiles — designed to defeat U.S. and allied missile defenses — underscores Beijing’s determination to achieve asymmetric advantages.<sup>57</sup> It does not appear that China is mirroring Soviet behavior by sprinting to quantitative nuclear parity, but evidence mounts that Beijing seeks to at least double the size of its nuclear forces and achieve a form of qualitative equivalence with the United States.<sup>58</sup>

Meanwhile, China has placed more satellites in space than any country other than the United States.<sup>59</sup> Beijing is also working on a range of counter-space and anti-satellite capabilities designed to threaten U.S. nuclear and critical military command and control assets.<sup>60</sup> The PLA demonstrated its progress in 2007 when it conducted a successful anti-satellite test, destroying a Chinese satellite operating in the same low-earth orbit as U.S. military-imaging satellites.

The PRC has also adopted non-military stratagems to complicate U.S. military operations.

Previous administrations cited nonproliferation as a bright spot in U.S.-China cooperation, but the evidence belies the rosy assessments. Despite Chinese commitments, Iran, North Korea and Syria continue to obtain WMD material and technology from Chinese entities while using Chinese territory as a transshipment point.<sup>61</sup> According to the State Department’s annual report on international compliance with arms control, nonproliferation, and disarmament agreements, China “has failed to adhere to its November 2000 commitment to the United States not to assist ‘in any way, any country in the development of ballistic missiles that can be used to deliver nuclear weapons (i.e., missiles capable of delivering a payload of at least 500 kilograms to a distance of at least 300 kilometers).”<sup>62</sup> The report went on to note, “This failure to adhere to its November 2000 commitment is reflected in Chinese entities’ continued supply of items to missile programs of proliferation concern.”<sup>63</sup> Beijing’s direct assistance to WMD proliferators declined after it signed the Nuclear Nonproliferation Treaty in 1992. Yet China continues to support, or at least condone, the proliferation of WMD and missile capabilities in order to undermine the security of those whom the PRC considers regional or global adversaries.<sup>64</sup>

While the PRC uses an offset strategy to advance its objectives in the first island chain — stretching from Japan to Taiwan to the northern Philippines to northern Borneo to the Malay Peninsula — CCP leadership and military strategists believe that AI and other emerging technologies will drive a revolution in military affairs that culminates in what they call “intelligent warfare.”<sup>65</sup> By implementing a whole-of-system strategy and driving this revolution, the CCP hopes the PLA will achieve military dominance within the next 25 years.

In the near-to-medium term, China will use its military capabilities, operational concepts, and overall doctrine to turn the U.S. military’s technological strengths in the Indo-Pacific into weaknesses by credibly threatening to deliver massive punishment against American power-projection forces while thwarting the United States’ ability to provide reinforcement. This would signal to regional powers a *fait accompli* too costly to overturn. The PRC’s strategy is not only to prevail but also to demoralize America’s friends and partners by demonstrating that the United States cannot meet its security commitments in the region — at least not quickly or at an acceptable cost. This strategy is especially pertinent to Taiwan.

## **China's Long March to Global Preeminence: Increasing Region-by-Region Influence and Reshaping International Organizations**

China's quest for preeminence — powered by economic might, cutting-edge technology, and an increasingly powerful military — proceeds outward through the Indo-Pacific to encompass the globe. It includes the reshaping of international organizations, a domain critical to the CCP's efforts to remake the norms and standards of global governance.

### ***The Indo-Pacific***

After World War II, the United States helped to develop the Indo-Pacific's free and open order. The PRC seeks to diminish U.S. influence by fostering a sense in the region's nations that China's dominance is inevitable. Prime targets include U.S. treaty-based allies — Japan, South Korea, Australia, Thailand, and the Philippines — as well as emerging strategic partners such as India, Vietnam, Indonesia, and Taiwan. The PRC is also undermining the security, autonomy, and economic interests of many others in the region — such as member states of the Association of Southeast Asian Nations (ASEAN), including those in the vital Mekong Region, as well as the nations of the Pacific Islands. Moreover, China perceives rising India as a rival and seeks to impel it to accommodate Beijing's ambitions by engaging economically while constraining New Delhi's strategic partnership with the United States, Japan, Australia, and its relations with other democracies.

Beijing provides digital technology and physical infrastructure to advance the CCP's authoritarian objectives throughout the region, including Northeast Asia, the South China Sea, Southeast Asia, and the Pacific Islands. In addition to efforts to become the region's 5G vendor of choice, China pursues deals on airports and seaports and other infrastructure for strategic purposes — for example, a 99-year lease on Australia's Port Darwin, a \$10-billion deal to build the Philippines's Sangley Point International Airport outside Manila, and a \$1.3-billion project to construct Burma's Kyaukphyu deep-sea port.<sup>66</sup>

China has employed campaigns of disinformation, and even interference and malign influence, against in democracies across the Indo-Pacific, including Australia, New Zealand, and Taiwan.

These and other undertakings erode democratic institutions and norms, not least through intimidation designed to compel the adoption of policies that advance China's interests.<sup>67</sup>

In South and Central Asia, the PRC invests heavily in transportation infrastructure to expand trade routes to Eurasia and Europe and to secure the flow of energy, raw materials, and other resources. The China-Pakistan Economic Corridor (CPEC) serves as the Belt and Road Initiative's Central Asia flagship. CPEC also connects to the BRI's "21st Century Maritime Silk Road," greatly enhancing China's access to the Middle East through Pakistan's Gwadar port and linking to PRC projects at Sri Lanka's Hambantota port, Bangladesh's Chittagong port, and the Maldives's Feydhoo Finolhu Port.<sup>68</sup> Through Chinese companies that are often untrustworthy vendors, the CCP offers public-security solutions — featuring "command centers, CCTV cameras, intelligent video surveillance, facial and license plate recognition technology, crowd monitoring, situational awareness detection, noise monitoring or detection, abandoned object detection, and social media monitoring"<sup>69</sup> — to countries across the region.

China supplements economic power in the Indo-Pacific with demonstrations of military capability. The PLA Air Force regularly conducts long-range bomber patrols out to the second island chain<sup>70</sup> (stretching from Japan through the Mariana Islands and Micronesia) while the PLA Navy operates surface and sub-surface naval forces from Southeast Asia to the Indian Ocean, and challenges naval and law enforcement vessels in the South China Sea and East China Sea. The PLA recently provoked skirmishes along its disputed border with India, which killed dozens on both sides, and remains in a tense standoff with India's military. Beijing menaces democratic Taiwan, which it considers a renegade province, intending to reunify Taiwan with the Mainland — by force if necessary.<sup>71</sup> And the PLA Navy and Chinese Coast Guard increasingly challenge Japan's administrative control of the Senkaku Islands.<sup>72</sup>

China flexes its muscles in the Indo-Pacific in open defiance of international law. For example, since seizing administrative control of the Scarborough Shoal following a 2012 standoff with the Philippines, China has used PLA naval and civilian patrols to assert sovereignty over the shoal. Beijing dismissed the Permanent Court of Arbitration's 2016 ruling, which rejects the PRC's so-called "nine-dash line" historical claims to the South China Sea and upholds the Philippines's claim to the shoal.<sup>73</sup> The PRC also ignored the Permanent Court of Arbitration's 2016 ruling that the Mischief Reef in the South China Sea belongs to the

Philippines's continental shelf and falls under its Exclusive Economic Zone. In defiance of the legal judgment, China maintains a military base, harbor, and runway on the atoll.<sup>74</sup> By deploying anti-ship cruise missiles, long-range surface-to-air missiles, and other military systems in the Spratly Islands, moreover, the PRC blatantly violates Xi's 2015 public pledge that "China does not intend to pursue militarization" in the disputed areas.<sup>75</sup> China intensified its maritime militarization by provoking a dispute in December 2019, over the sovereignty of Indonesia's Natuna Islands. In June 2020, China sank a Vietnamese fishing trawler, and, also this year, engaged in a six-month standoff with Malaysia over hydrocarbon resources in the latter's Exclusive Economic Zone.<sup>76</sup> Finally, while China has voted for all ten rounds of United Nations sanctions against North Korea, Beijing has watered down each resolution and continues to aid the dictatorial regime in Pyongyang through the provision of food, oil, and investment.<sup>77</sup> By reducing pressure on North Korea, China's uneven enforcement of the sanctions regime has enabled Pyongyang to develop its nuclear weapons program.<sup>78</sup>

### *Russia*

China finds a strategic partner in Russia, a fellow authoritarian power. In recent months, U.S. government officials and other international observers have noted Beijing's growing efforts to coordinate with Moscow to spread disinformation around the world on COVID-19.<sup>79</sup> The current version of China's and Russia's strategic partnership, however, long predates the global pandemic.<sup>80</sup> While neither a formal military alliance nor devoid of tension, this partnership is grounded in shared interests — most notably weakening U.S. power and influence — and in recent years Beijing and Moscow have substantially expanded it.<sup>81</sup>

China has intensified economic, energy, and technological ties with Russia — especially after the United States and European nations imposed sanctions in response to Moscow's illegal occupation and annexation of Crimea in 2014 and its continuing aggression in the eastern Ukraine. The PRC worked with Russia to increase use of the Chinese yuan and Russian ruble over the U.S. dollar in bilateral trade, in part to insulate both nations from U.S.-led financial sanctions.<sup>82</sup> China remains Russia's biggest trading partner,<sup>83</sup> and Russia has emerged as one of Beijing's top oil suppliers: Moscow dropped to number two in 2019 after Saudi Arabia's record 83.3 million tonnes of annual oil exports to the PRC slightly eclipsed Russia's previous

record of 77.6 million tonnes.<sup>84</sup> Beijing and Moscow also initiated a “Power of Siberia” natural gas pipeline to the PRC, a \$55 billion project over the next three decades that forms part of a larger \$400 billion development deal for Russian natural gas.<sup>85</sup> In addition, Russia and China cooperate in pursuit of energy in the Arctic, though Moscow and other Arctic nations eye with varying degrees of wariness the PRC’s efforts to establish itself as a “near-Arctic state.”<sup>86</sup>

Beijing and Moscow share a strong interest in the race for advanced technologies, with Russian President Vladimir Putin describing the U.S.-led international campaign against China’s telecommunications giant Huawei as “the first technological war of the coming digital era.”<sup>87</sup> Authoritarian powers deeply distrustful of their own peoples, the PRC and Russia cooperate on surveillance and artificial intelligence for security and strategic applications.<sup>88</sup>

The convergence in their extensive use of propaganda and disinformation reflects the growing strategic alignment between Russia and China. Like Russia, the PRC finds fertile opportunities for expanding influence in European countries that are struggling to fight endemic corruption as they build sturdy, transparent, and accountable political institutions. Both China and Russia use strategic corruption — that is, the weaponization for strategic ends of corrupt individuals, organizations, and government bodies — to weaken freedom and democracy.<sup>89</sup> Chinese influence operations in Europe, which have accelerated amid the COVID-19 pandemic, increasingly resemble those of Russia in their aggressive use of disinformation, manipulation of social divisions, and propagation of conspiracies.

The renewed Sino-Russian partnership involves a consequential military component. Having long served as China’s principal arms supplier and exercise partner, Russia recently enhanced the types of weapons — including the S-400 air-defense system and Sovremenny-class destroyers and advanced cruise missiles for anti-ship warfare — that it sells to China.<sup>90</sup> The partnership also has resulted in more sophisticated joint military exercises aimed at preparing for encounters with the United States and its allies and partners.<sup>91</sup> Cooperation between Beijing and Moscow extends beyond the operational military level to include nuclear and strategic issues. In June 2019, Xi and Putin released a joint statement pledging to work together on nuclear arms-control issues and committing to maintain global strategic stability.<sup>92</sup> A short time later, the two nations marked a new stage of strategic cooperation by conducting a joint long-range bomber patrol with nuclear-capable aircraft that violated South Korean and Japanese airspace.<sup>93</sup>

While the PRC and Russia operate as strategic partners, growing power disparities — along with the inevitable distrust that marks relations among authoritarian powers — make the establishment of a formal alliance unlikely.<sup>94</sup> As the U.S. Economic and Security Review Commission has observed, “There are a number of areas where Beijing’s and Moscow’s national interests do not align, such as territorial claims and partnerships with countries that Russia or China consider regional rivals.”<sup>95</sup> Moreover, Russia’s economic decline and China’s global rise — the PRC’s GDP is about eight times that of Russia’s economy, which suffers from stagnant growth and onerous sanctions<sup>96</sup> — render Moscow the “junior partner,” raising Russian concerns that the PLA will become a military threat.<sup>97</sup>

### *Europe and the UK*

With their advanced economies and considerable diplomatic influence, Europe and the UK have emerged as an important front in the strategic competition between the United States and China. Knowing that a united transatlantic alliance would provide great advantages to the United States and allies and partners in the struggle over the shape of world order, the PRC wields its economic power to divide Europe and the UK from the United States and pull European nations and the British toward Beijing. Beijing does not necessarily seek allies in Europe and the UK; rather, it seeks to dissuade nations in the region from aligning with the United States and to limit the ability of Europe and the UK to unify against China. The PRC wants to convince Europe and the UK that their political future lies not in the free, open, and rules-based international order, but in a new multipolar arrangement that respects geopolitical spheres of influence and regards allegations of internal repression as infringements on national sovereignty.

As early as 2013, China identified Europe as a core component of the Belt and Road Initiative. That year, Xi introduced the Silk Road Economic Belt to “forge closer ties, deepen cooperation, and expand the development space in the Eurasian region.”<sup>98</sup> The PRC later announced a New Eurasian Land Bridge traversing Kazakhstan, Russia, and Belarus and ending in Rotterdam. Beijing also proposed a China-Arctic Ocean-Europe Blue Economic passage, one of three maritime passages.<sup>99</sup> Beyond the economic, political, and technological benefits, the PRC sees a BRI-forged direct line from Beijing to Europe as a counter to what it describe as U.S.



encirclement efforts and as a way to balance against U.S. or Western encroachment in the Indo-Pacific.<sup>100</sup>

Striving to persuade Europeans to pursue economic opportunities in the East, China is conducting negotiations with Brussels over an EU-China Comprehensive Investment Agreement. Between 2014 and 2019, China leveraged its initial investment in Europe's eastern and southern periphery through a series of Memorandums of Understanding. Beijing develops these investments through what was originally called its "16+1 cooperation framework," the nominal purpose of which was greater regional economic integration. In 2019, in the face of growing EU skepticism toward BRI, China turned the 16+1 into the 17+1 by incorporating Greece into the framework. The CCP viewed Athens' inclusion as a victory, especially given China's substantial investment in the port of Piraeus and the potential for greater access stemming from other investments in European ports and railroads. With a symbolic nod to the ancient Silk Road connecting the empires of Han and Rome, Italy recently became the first G7 country to sign a BRI MOU.

Despite skepticism in the European core, the UK, France, and Germany remain open to Chinese foreign direct investment, both to achieve greater independence from the United States and as a path out of the Eurozone's economic struggles. The PRC has greatly increased investment in Europe — from less than \$1 billion in 2008 to a high of approximately \$42 billion in 2017.<sup>101</sup> These large sums promote PRC military and technology interests and include investments in robotics, biotechnology, real estate, financial services, and infrastructure. Beijing uses its enhanced leverage to stifle meaningful criticism of its policies.

Huawei is keen to build Europe's 5G networks. To the extent that this Chinese "national champion" succeeds, Beijing would obtain access to European states' information flows, achieve a fuller understanding of their telecommunications vulnerabilities, acquire the ability to disrupt critical infrastructure and intercept sensitive transmissions, and accumulate enormous amounts of data crucial to refining AI algorithms.

Likewise, China pursues opportunities in the civil nuclear markets across Europe, hoping to benefit from long-term partnerships, not least by obtaining control of important elements of European energy infrastructure.<sup>102</sup> Backed by state financing, Chinese nuclear companies distort

the market and undercut European and U.S. companies. The CCP has openly threatened governments in Europe that have merely paused to consider the economic and national-security costs of cooperating with China on key critical infrastructure projects.<sup>103</sup>

### *The Middle East and Africa*

In the near term, China aims to enhance its energy security in the Middle East and obtain market access to extend the Belt and Road Initiative and other PRC interests. Beijing also actively engages with the Iranian regime and Syria's Assad regime, both of which face significant U.S. and international sanctions and also are U.S.-designated State Sponsors of Terrorism, proliferators of weapons of mass destruction, and egregious abusers of human rights. At the same time, the PRC's brutal repression of millions of Uyghurs and other Turkic Muslims in Xinjiang raises profound questions of conscience in particular for Muslim-majority countries in the Middle East and around the world. In the long term, China seeks to increase its economic and security influence in the region at the expense of the United States.<sup>104</sup>

Beijing's reliance on oil imports from the Middle East has grown tremendously in the last two decades, rising from 0.33 million barrels per day in 1998 to just over 4 million barrels per day in 2018.<sup>105</sup> Meanwhile, the PLA Navy visits the region with an eye to developing deep-water ports like that of Salalah in Oman. China also wants to expand military sales — for example, Chinese defense companies sell unmanned aerial vehicles at cut-rate prices with little-to-no regard for nonproliferation<sup>106</sup> — and expand security cooperation with regional states in other ways. This undermines U.S. defense companies. It also endangers regional partners' access to U.S. military networks, eroding U.S. military interoperability and other forms of cooperation with regional partners.

China sees a particularly appealing target for the Belt and Road Initiative in Israel, which possesses an innovative high-tech economy with few barriers to entry.<sup>107</sup> Perhaps the most controversial of several projects underway is the Shanghai International Port Group's partial construction and operation of a new terminal at the Haifa port, which also serves as the strategic port for the U.S. Navy 6<sup>th</sup> Fleet. If Chinese workers obtain “high levels of access to potentially sensitive commercial or military information,” the United States will face surveillance and cyber-espionage risks.<sup>108</sup>

In Africa, the PRC is bent on acquiring vast amounts of the continent's abundant raw materials and mineral wealth to provide Chinese manufacturing with key components while disadvantaging companies in the United States and allied countries. Largely debt-financed, China's projects in Africa often fail to meet reasonable international standards of sustainability and transparency, and burden local economies with heavy debt and other problems.<sup>109</sup> China also expands its influence in African states by aggressively cultivating high-level relationships. General Secretary Xi, China's premier, and the PRC's foreign minister, for example, collectively made 79 visits to Africa between 2007 and 2017.<sup>110</sup> At the same time, nationals from African countries who work in the PRC frequently face racism and discrimination, a problem that drew international outrage amid Beijing's domestic reaction to the novel coronavirus.<sup>111</sup>

In 2017, China established in Djibouti its first foreign military base. The base looks out on the Bab-el-Mandeb Straits in the Gulf of Aden, through which passes nearly 10 percent of the world's total seaborne-traded petroleum. This comprises 6.2 billion barrels per day of crude oil, condensate, and refined petroleum.<sup>112</sup> Together with China's anti-piracy activities in the Gulf of Aden and growing presence in the Gulf of Guinea, the base has extended China's military reach off Africa's coasts and into the Indian Ocean.<sup>113</sup>

### *Western Hemisphere*

China's geopolitical influence stretches deep into America's backyard. Beijing accelerated bilateral trade investment in Latin America after the 2008 financial crisis to acquire extensive stakes in the region's petroleum, mining, and energy sectors. China's Huawei and ZTE are among the region's top providers of telecommunications equipment and networks as well as of surveillance architectures — all of which pose espionage risks.<sup>114</sup> In addition, Beijing pursues nuclear contracts in Brazil and Argentina, not only furnishing preliminary financing but also, in Argentina's case, offering a slush fund of more than \$2 billion for use as the government sees fit.<sup>115</sup> Meanwhile, poorer Latin American countries export commodities and foodstuffs to the PRC while importing increasingly high-value Chinese manufacturing and technology goods. Lending far more than it invests, the PRC often requires Latin American countries to repay in commodities, yielding resource security for China while incentivizing corruption abroad.

As the world's biggest oil importer, China regards Venezuela — possessor of the world's largest oil reserves — as an important partner. The PRC began lending to Venezuela to obtain oil, signing “loans-for-oil” agreements with former President Hugo Chavez.<sup>116</sup> The largest recipient in South America of Chinese official finance, Venezuela has accepted more than \$60 billion in loans from the China Development Bank (CDB) since 2007 in exchange for future oil shipments.<sup>117</sup>

In addition, Beijing takes advantage of the Western Hemisphere to further its ambitions in outer space. China has conducted nearly a dozen satellite launches from Latin American states and operates space observatories in Chile and a deep-space radar in Argentina.<sup>118</sup>

The United States and Canada are by no means exempt from China's influence operations.<sup>119</sup> The PRC targets key U.S. technological and economic sectors — at the national, state, and local levels — using cyberattacks, theft, and other methods to transfer to China valuable information, data, and technology. In Canada, where the government has yet to make a final decision on 5G vendors, Huawei partners with companies to bring high-speed internet access to remote communities. The United States and Canada also rely on China as a supplier for a number of critical minerals. At the same time, China's state-owned and state-directed companies — including those sanctioned by the United States and linked to China's military modernization, espionage, and human rights abuses — enjoy active and passive investment from a number of the public pension funds in various U.S. states.<sup>120</sup> As the price of doing business in China, the CCP demands that American and Canadian businesses — from finance and industry to media and professional sports — toe the party line, which companies often do. And the PRC exploits consulates in the United States as platforms to steal American intellectual property.<sup>121</sup>

The PRC commits serious abuses in American higher education. Although in many cases China obtains technological knowledge from the United States through legitimate and productive academic exchanges, it also acquires such expertise illegally through the Thousand Talents Program and other state-run or party-run recruitment efforts. Recent cases at the University of Kansas and Harvard illustrate the dangers.<sup>122</sup> Furthermore, while the United States welcomes Chinese students to introduce them to the blessings of political freedom, the CCP has an interest in conscripting Chinese nationals studying abroad to advance the interests of communist dictatorship. Indeed, the PRC punishes Chinese students studying in

the United States for dissenting from official CCP views and for otherwise speaking freely.<sup>123</sup> Universities' financial dependence on tuition dollars from China complicates matters: in recent years, American universities have intentionally admitted more Chinese nationals because they, unlike many American students, pay ballooning tuition costs in full.<sup>124</sup> At the graduate and undergraduate level, China sends more students to the United States than any other country.<sup>125</sup> And Beijing uses Confucius Institutes not only to promulgate CCP-approved views about China and the world but also to press U.S. universities to censor discussion, curtail inquiry, and generally conform to CCP dogma and political objectives.<sup>126</sup>

### *Transforming International Organizations from Within*

Beijing continues to throw its weight around at the United Nations and in other international organizations to align these institutions with China's transformative ambitions. China generally delivers higher levels of development assistance to countries voting with it in the UN General Assembly.<sup>127</sup> As a veto-wielding member of the UN Security Council, the PRC — in cooperation with Russia — has frustrated significant measures proposed by the United States and European nations to address challenges in Syria, Ukraine, North Korea, Venezuela, Iran, and elsewhere. To advance its revisionist agenda and counter U.S. efforts to promote transparency and accountability, the PRC vigorously pursues leadership positions, using its voting advantages as a member of the Group of 77 at the United Nations and in the Non-Aligned Movement.<sup>128</sup> A growing number of PRC citizens now serve as heads of international organizations — including the International Telecommunications Union (ITU), International Civil Aviation Organization (ICAO), United Nations Industrial Development Organization (UNIDO), and Food and Agriculture Organization (FAO) — and in other top-level leadership and management positions at such organizations.<sup>129</sup> China tries to insert into multilateral documents communist language derived from so-called Xi Jinping Thought and references to the Belt and Road Initiative and other signature efforts to give China's communist propaganda a UN imprimatur.<sup>130</sup> Amid the COVID-19 pandemic, China provided a dramatic illustration of abuse of the international system, compelling the World Health Organization to comply with Beijing's self-serving preferences — including the exclusion of Taiwan.

Over the long run, the CCP views international organizations as an opportunity — to shield its abusive development practices and egregious human rights record from criticism, and to gradually adjust global norms, standards, and institutions to socialism’s tenets.

## **Conclusion**

Viewed as a whole, the major components of China’s conduct — preservation of a Marxist-Leninist dictatorship; leveraging of the country’s wealth to produce economic dependence and political subordination abroad and to reorient international organizations from within around CCP criteria and goals; and development of a world-class military — reveal a great power that sees the transformation of international order as critical to its plans to dominate world affairs. The PRC’s interests and ambitions have not developed accidentally, nor do they simply reflect China’s geopolitical circumstances. They give expression to ideas rooted in 20<sup>th</sup>-century communist ideology and the party’s extreme interpretation of Chinese nationalism. These ideas are the intellectual sources of China’s conduct.

### III. The Intellectual Sources of China's Conduct

Many misunderstand the shape and significance of China's conduct because they disregard the Chinese Communist Party's ideas about communism, about China, and about the world. In the United States, this neglect of ideas is sometimes rooted in the supposition that all governments want the freedom for their people in which the United States was conceived and to which it remains dedicated. At other times, the neglect stems from an unrealistic internationalism that downplays power in politics or an unrealistic geopolitical realism that discounts the political significance of opinion, culture, and tradition. The China challenge demands a more reasonable approach, one that honors principle in the execution of prudent judgment by taking seriously both interests and ideas.<sup>131</sup> Instead of imposing America's self-image on China or foisting America's preconceived notions about international politics on world affairs, it is crucial to examine the CCP's understanding of its short-term priorities, long-term objectives, and rightful place among nations in order to grasp how, and the purposes for which, the PRC exercises power.

It is reasonable to wonder to what extent CCP statements, speeches, and authoritative writings are designed for domestic consumption — to preach to the faithful, to demonize dissenters, and to define the full range of the regime's supposed enemies — and to what extent they reflect the party's core convictions and essential thinking. But without examining them, one cannot determine whether CCP statements, speeches, and authoritative writings are only rhetorical weapons of great-power competition or also expressions of deep-seated beliefs and abiding aims and aspirations. Such examination discloses a tight connection between the CCP's words and deeds. As John Garnaut argues. "There is no ambiguity in Xi's project. We see in everything he does and — even in a system designed to be opaque and deceptive — we can see it in his words."<sup>132</sup>



China's pursuit of global preeminence and drive to remake world order flow from the CCP's overarching sensibility. That sensibility is authoritarian, collectivist, and imperial. Two streams of ideas nourish it. Seminal CCP writings and speeches proclaim cardinal tenets of Marxism-Leninism as interpreted by successive Chinese communist leaders beginning with Mao Zedong, CCP chairman from 1943 to 1976 and the PRC's founding ruler. CCP writings and speeches also espouse an extreme interpretation of Chinese nationalism. The result is an ideological stance that is neither strictly communist nor purely nationalist, but resolutely authoritarian, collectivist, and imperialist.

Although both communism and nationalism are compatible with authoritarianism, collectivism, and imperialism, communism and nationalism are generally seen as opposing ideologies. Communism, as Marx taught, culminates in a single, worldwide, classless society. In pursuit of that goal, communist parties have tended to be authoritarian, collectivist, and imperialist. Nationalism emphasizes a particular people and its distinctive traditions and sense of political destiny; it varies as customs, practices, and political experiences vary. Accordingly, national traditions can be drawn on to justify repression and conquest but also to vindicate the claims of freedom and democracy — as, for example, in the United States, whose founding principles and constitutional system revolve around individual liberty, human equality, and government grounded in the consent of the governed. The CCP reconciles the conflicting imperatives of Marxism-Leninism and its extreme interpretation of Chinese nationalism by assigning to China the dominant role in interpreting the ultimate configuration of, achieving, and administering international socialism.

Neither the communist authoritarianism the CCP has imposed on the people in China nor its hyper-nationalism are inevitable. Indeed, prominent alternatives to CCP authoritarianism have prospered in the region. No less steeped in Confucian traditions than the population of the People's Republic of China, the people of Hong Kong, Taiwan, and South Korea embraced freedom and democracy.

Nevertheless, because the Chinese Communist Party calls the shots in China, the party's ideas about communism must be well understood. So too must the traditional political ideas that the party draws on be taken into account.<sup>133</sup> Grasping both brings into focus the authoritarian, collectivist, and imperial synthesis that drives the CCP's conduct.

## The CCP's Communism

In 1954, Mao stated, “The force at the core that leads our cause is the Chinese Communist Party; the theoretical foundation that guides our thinking is Marxism-Leninism.”<sup>134</sup> Daniel Tobin has underscored the continuity of the party’s ideological convictions: “In his first speech to a Politburo group study session as general secretary in November 2012, Xi [Jinping] echoed each of his post-Mao predecessors in insisting: ‘Only socialism can save China, and only Chinese socialism can lead our country to development.’”<sup>135</sup> And only socialism, from the party’s point of view, can confer upon China its deserved role in world affairs. The CCP aims to make China “a global leader in terms of power and global influence,” as Xi stated in 2017, by strengthening socialism as its “path, theory, system, culture.” Following former Chinese leader Deng Xiaoping, Xi calls this approach “socialism with Chinese characteristics.”<sup>136</sup>

In governing China, the CCP adheres to familiar features of 20<sup>th</sup>-century Marxism-Leninism. The party is supreme. It acts on the assumption that the communist end sanctifies all means. It absorbs the state, subordinating the individual to the collectivity. It directs the economy (even as it permits a degree of private ownership and creates limited space for market forces). It controls education, media, culture, and religion. It regularly purges counterrevolutionary forces. It preaches the priority of socialism’s struggle to defeat international capitalism and political freedom. It proclaims the inevitability of socialism’s victory, which, it maintains, the scientific laws of social and economic development guarantee. And it promulgates among the people a rigid ideology from which it tolerates no dissent

Ideological indoctrination is among the party’s paramount concerns. The CCP imposes conformity of thought and action, for example, through the Great Firewall of China, which censors the internet, and a national “social credit” system that rewards good behavior and punishes bad behavior. To control information and surveil the population, “Chinese authorities are knitting together old and state-of-the-art technologies — phone scanners, facial-recognition cameras, face and fingerprint databases and many others.”<sup>137</sup> Meanwhile, Xi is determined to put the power of the state behind the one and only legitimate understanding of economics, politics, and international relations. “We will work harder to study and develop Marxist theory,” he vowed in 2017. “We will foster a Marxist-style of learning, and make it regular practice and an institutionalized requirement for all Party members....”<sup>138</sup>

In a landmark 1979 speech, Deng announced the Four Cardinal Principles, which distill the CCP's communist convictions: "1) We must keep to the socialist road; 2) We must uphold the dictatorship of the proletariat; 3) We must uphold the leadership of the Communist Party; 4) We must uphold Marxism-Leninism and Mao Zedong Thought."<sup>139</sup> In 1982, the CCP wrote the Four Cardinal Principles into the PRC Constitution; the principles also form an essential part of the party's constitution. Since then, party leaders have emphasized that the CCP's loosening of state control of the economy in some areas beginning in the late 1970s — a decisive factor in unleashing China's economic potential and propelling China to great-power status — did not diminish China's dedication to communism. In 2019, Xi lavishly celebrated the 40<sup>th</sup> anniversary of the declaration of the Four Cardinal Principles.<sup>140</sup>

Central to the CCP's understanding of world affairs is the Marxist teaching that throughout history human societies have been divided into an oppressed class and an oppressor class. In the modern era, the emergence of two opposed economic and political systems dividing the world heightens the contradiction. On one side, according to the Marxist view, stands capitalism, with its fraudulent commitment to a political and economic freedom that inherently exploits the individual. On the other side, Marxism teaches, stands communism, based on central planning and the conscription of the people in service to the party, and devoted to what communism believes to be true human emancipation.<sup>141</sup>

Xi embraces this Manichean view of world affairs. In 2013, shortly after he came to power, the CCP issued "Document No. 9," which enumerated seven perils to Chinese society emanating from the West.<sup>142</sup> These include constitutional democracy, human rights, free speech, robust civic participation, and a vigorous free market. Daniel Tobin stresses that for the CCP, "individual human rights, including freedom of speech, assembly, and religion are to be subjugated in the name of the collective ends of security, development, and the Chinese nation's status in the world."<sup>143</sup> At the 19<sup>th</sup> Party Congress in 2017, the CCP reaffirmed that China offered a new model of socialism that would prevail in the great struggle with capitalism and, by so doing, overcome the division between oppressor and oppressed and bring harmony to world affairs. As some Central Party School scholars have noted, the party intends to replace the post-World War II order which, in its view, is grounded in unjust Western political and economic principles, with a new one rooted in the CCP's socialism.<sup>144</sup> Despite Xi's promises

of “win-win” deals with the outside world, a recurring phrase from internal CCP directives proclaims the encounter between capitalism and socialism to be a matter of “you die, I live.”

According to the CCP, the former Soviet Union and Eastern Bloc communist countries betrayed the cause, which compelled China to lead the struggle for socialism. Following the dissolution of the Soviet Union in the early 1990s and the emergence of a post-Cold War international order that welcomed fledgling Eastern European democracies, the CCP — though governing the world’s most populous country — saw China as greatly outnumbered in a perilous geopolitical environment.<sup>145</sup> Since then, the accumulation of economic clout and military power have fortified the CCP’s belief that China is socialism’s savior and herald of an alternative world order.

Notwithstanding the CCP’s unswerving professions of fidelity to the fundamental tenets of Marxism-Leninism, decisive features of the PRC’s conduct resist explanation in strictly communist terms. The CCP’s determination to indoctrinate the nation with an extreme theory of Chinese moral and institutional superiority is not drawn from the Marxism-Leninism playbook.<sup>146</sup> While communism aims to create a universal and classless international order, the CCP seeks to export the Chinese model of authoritarian governance and create economic dependence on Beijing in nation-states around the world. And whereas communism envisages the eventual withering away of the state, the CCP has made a paramount national priority of rectifying the indignities and injustices that it believes China has suffered at the hands of the West — starting with the recovery of what the party asserts as the Chinese nation’s rightful rule over Hong Kong, Taiwan, and the South China Sea.

These defining components of China’s conduct derive support from the CCP’s hyper-nationalist convictions.

## **The CCP’s Chinese Nationalism**

At no point in its long history has China embraced the idea — assumed by liberal democracies and affirmed by the United Nations — of sovereign equality among nations grounded in respect for rights inherent in all persons. Instead, traditional Chinese thinking about government

encompasses a strategic outlook that asserts China's right and responsibility to rule the world "under heaven" through its uniquely refined culture and institutions. This strategic outlook also comprises views about China's proper position in world affairs, the flow of history, military strategy and tactics, economic power, and domestic political order.<sup>147</sup>

First, traditional Chinese thinking sees China as the "Middle Kingdom," the central state surrounded by lesser states.

Second, traditional Chinese thinking understands history cyclically. While the fortunes of particular Chinese dynastic empires wax and wane, China remains at the center and deserving of exalted status.

Third, traditional Chinese thinking is marked by a long view of military strategy and tactics. Military power should be accumulated, stored, and showcased publicly but only to the extent necessary to dissuade adversaries from compelling China to use it. Tactics revolve around the slow, incremental acquisition of positions so that opponents only grasp after it's too late that they are surrounded and face overwhelming power with no reasonable choice but to submit. Sometimes an opponent will suffer a crisis that creates "an auspicious moment" for the landing of a decisive blow.

Fourth, traditional Chinese thinking views economic power as a primary component of imperial power. China should use its advantages in size and excellence to convey to partners in commerce the benefits of acquiescing to a China-dominated system.

Fifth, traditional Chinese thinking features authoritarian proclivities. It is characterized by a statism that directs economics and society. It is home to a legalism that employs a strict penal code to create the domestic stability that allows for the building of wealth and military might. And it sees political power as properly residing in an elite bureaucracy rather than springing from the people.

This is not to deny the depth and crosscutting complexity of Chinese tradition and the richness of the moral, philosophical, and religious ideas within it.<sup>148</sup> Nor is it to suggest that freedom and democracy cannot flourish in China, as they do in Taiwan and South Korea, and did in Hong Kong. It is to observe, rather, that the CCP draws on certain prominent components

of traditional Chinese thinking to bolster the conviction that authoritarian government undergirds China's manifest superiority and inherent centrality. That conviction is as basic to the CCP's self-understanding as is the communist dogma of intractable class conflict until capitalism's demise.

All of the CCP's paramount leaders, from Mao to Xi, have affirmed China's nationalist prerogatives, envisaging China as the "big country" or "major country," which should not be resisted by "little countries." In the early decades of CCP rule, however, China's economy was relatively small and weak. Because of the need to modernize and accumulate wealth and power, Xi's predecessors tended to balance Chinese assertiveness with accommodation and compromise. Deng famously counseled that China should "bide its time, and hide its capabilities." Early in the post-Cold War era, the PRC's growing engagement in regional and international institutions — from the ASEAN Regional Forum to the World Trade Organization — created an image of moderation that encouraged the belief that Beijing would play fair and sometime soon embrace the norms of freedom and democracy.

However, underneath PRC rhetoric lay the CCP's steadfast belief in China's status as the "big country" and the need to protect the nation's sovereignty against foreign influence. In the 1990s, former PLA Navy Chief Liu Huaqing repeatedly told his American counterparts that the problem was not China, the big country, bullying the little countries, but the other way around — that is, the little countries bullying the big country.<sup>149</sup> "China is a big country and other countries are little countries, and that's just a fact," China's then-Foreign Minister Yang Jiechi explained to his Singapore counterpart in 2010.<sup>150</sup> Although insisting that China would act benevolently toward "smaller countries" in the dispute over maritime claims in the South China Sea, PRC Foreign Minister Wang Yi stated in March 2014 that "we will never accept unreasonable demands from little countries."<sup>151</sup> Similarly, China's state-run media — most notably the jingoistic *Global Times* — justifies Beijing's bellicosity toward its many neighbors as "punitive" actions undertaken to teach the little countries to submit to the big country.<sup>152</sup>

Xi can be assertive because of the fruits of his predecessors' patience and determination, and because of the failure of liberal democracies — for fear of damaging commercial relations with the PRC — to put pressure on Beijing for bad behavior. China's size and recently developed strength enable Xi to energetically pursue "Big Country Diplomacy" (or "Major Country

Diplomacy”). Such diplomacy is bolstered by party propaganda and growing international influence,<sup>153</sup> and champions the nationalist privileges and prerogatives to which the CCP remains dedicated.<sup>154</sup>

Even as the CCP proclaims China’s supremacy among nations and indoctrinates the people with a belief in the PRC’s paramount status, the party has for decades fostered in China an acute sense of historical victimhood and national shame. The CCP traces the nation’s grievances to the concessions the British imposed on China in the mid-19<sup>th</sup>-century Opium Wars. While seeing itself as the rightful heir of China’s ancient and storied civilization, the CCP resents the Qing dynasty’s failure to modernize, which it blames for China’s territorial losses and other disgraces at the hands of Western imperial powers during the so-called “century of humiliation” (1839-1949).<sup>155</sup> Notwithstanding its destruction of major parts of China’s magnificent cultural heritage, the CCP stokes popular indignation by promulgating the belief that, for a protracted period, smaller and morally and intellectually inferior countries deprived the Middle Kingdom of its rightful status. The refusal of the United States to recognize China’s exalted position as the CCP understands it provides ammunition for the party’s narrative of China as a victim.

For the CCP, pride in China’s inherent centrality and resentment at its mistreatment by the West reinforce one another. This potent mix of pride and resentment nourishes party members’ conviction that China is endowed with incontrovertible title to rule in a loose system in which other countries enjoy considerable autonomy provided they recognize their place and submit to China’s socialist norms. At the same time, the combination of pride and resentment weakens China’s inclination to compromise and cooperate. Built around defeat at the hands of the West, the CCP’s founding myth disposes China to dwell on settling old scores and righting historic wrongs.<sup>156</sup>

## **Xi’s Synthesis of Communism and Chinese Nationalism**

All five Chinese Communist paramount leaders — Mao Zedong, Deng Xiaoping, Jiang Zemin, Hu Jintao, and Xi Jinping — have affirmed the fundamental tenets of Marxism-Leninism



while adhering to an extreme interpretation of Chinese nationalism. A beneficiary of the massive modernization campaign launched by Deng and stewarded by Jiang and Hu, Xi has spoken most forcefully and openly about the union of communism and Chinese nationalism in service to the CCP's ambitions for global preeminence.

At the 19<sup>th</sup> Party Congress in October 2017, the CCP amended its Party Constitution to enshrine Xi's concept of "the Chinese Dream of national rejuvenation."<sup>157</sup> Xi emphasized the fidelity of his synthesis of Chinese communism and Chinese nationalism to the party's fundamental teachings: "At its founding," he said, "the Communist Party of China made realizing communism its highest ideal and its ultimate goal, and shouldered the historic mission of national rejuvenation."<sup>158</sup>

The flourishing of the individual, according to the party, flows from the flourishing of the nation. "History shows that the future and destiny of each and every one of us are closely linked to those of our country and nation," Xi said in a 2012 speech. "One can do well only when one's country and nation do well. Achieving the rejuvenation of the Chinese nation is both a glorious and an arduous mission that requires the dedicated efforts of the Chinese people one generation after another. Empty talk harms the country, while hard work makes it flourish."<sup>159</sup>

Individual and national flourishing, Xi emphasized in a 2019 speech, are indissolubly bound up with the triumph of communism and socialism: "In today's China, the essence of patriotism is the complete combination of our devotion to the country, to the Chinese Communist Party and to socialism."<sup>160</sup> The patriotic work of national rejuvenation, as Xi explains it, culminates with China's dominance of a globe-spanning socialist order.<sup>161</sup>

The party's Constitution contains a passage known as the "basic line" that summarizes the goal for national rejuvenation:

*The basic line of the Communist Party of China in the primary stage of socialism is to lead all the people of China together in a self-reliant and pioneering effort, making economic development the central task, upholding the Four Cardinal Principles, and remaining committed to reform and opening up, so as to see China become a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful.<sup>162</sup>*

Notwithstanding its brevity and seemingly anodyne language, the "basic line" captures the mingling of communism and Chinese nationalism in the service of the CCP's ambition to prevail in great-power rivalry with the United States. Such terms as "democratic," "harmonious," and "beautiful" appear compatible with government that protects rights, and which is grounded in the consent of the people. However, the words reflect the CCP's autocratic intentions, alluding to Mao's concept of "the people's democratic dictatorship" as well as to the party's comprehensive control of society and the CCP's unyielding conviction that the United States heads an international capitalist conspiracy to prevent socialist China from achieving global dominance.

In short, the "basic line" points to the CCP's quest to make the Chinese nation the world's greatest power.<sup>163</sup> The CCP set a deadline of 2049 — the PRC's 100-year anniversary — for achieving this national rejuvenation,<sup>164</sup> and has identified several steps to accomplish it.

First, China must complete the project of modernization by developing a world-leading economy and world-class military. The economic, social, and political order necessary to achieving this objective, according to the CCP, is socialism.

Second, China must overcome its "century of humiliation" by recovering what the CCP views as lost territory and as its full maritime claims over littoral waters. The CCP's 2017 Constitution states that the party "shall work continuously to strengthen the unity of all the Chinese people, including compatriots in the Hong Kong and Macao special administrative regions and in Taiwan as well as overseas Chinese." It will also achieve "the reunification of the

motherland” — a euphemism for recovery of Taiwan — “in conformity with the principle of ‘one country, two systems.’”<sup>165</sup> In his address to the 19<sup>th</sup> Party Congress, Xi explicitly identifies “achieving China’s reunification” as “essential to realizing national rejuvenation.”<sup>166</sup>

Third, China must lead the struggle to institute socialism globally. “In this long period of cooperation and conflict, socialism must learn from the boons that capitalism has brought to civilization,” Xi instructed the CCP in 2013. “Most importantly, we must concentrate our efforts on bettering our own affairs, continually broadening our comprehensive national power, improving the lives of our people, building a socialism that is superior to capitalism, and laying the foundation for a future where we will win the initiative and have the dominant position.”<sup>167</sup> To win the initiative and have the dominant position, China must displace the United States as the world’s foremost power. Xi plans for China by 2049 to complete its emergence as “a global leader in terms of composite national strength and international influence.”<sup>168</sup>

Fourth, socialism must culminate in the unification of humanity under Chinese leadership. In his address to the 19<sup>th</sup> Party Congress, Xi refers several times to a “community of common destiny for mankind.”<sup>169</sup> This notion figures extensively in China’s far-reaching efforts under Xi to extend its global influence. In August 2018, top diplomat Yang Jiechi, director of the CCP’s Office of Foreign Affairs Commission and a Politburo member, went so far as to assert, “Building a community of common destiny for mankind is the overall goal of China’s foreign affairs work in the new era” and requires a “new type of international relations.”<sup>170</sup> Xi’s community of common destiny for mankind would replace the established international order grounded in free and sovereign nation-states with a unity of nations in shared deference to the CCP’s interpretation of international socialism.<sup>171</sup>

In a 2016 speech to a Politburo collective study session on global governance, Xi stressed the need to “improve our ability to participate in global governance, and in particular, our ability to make rules, set agendas, and carry out publicity and coordination.”<sup>172</sup> Accordingly, Xi exhorts PRC diplomats to “take an active part in leading the reform of the global governance system.”<sup>173</sup> Xi, however, does not envisage improvements in democratic accountability, impartial administration, and fidelity to human rights. To the contrary, those essentials of individual freedom and human equality must be defeated by implanting socialism’s norms, standards, and goals in international organizations.

The difference of opinion about the reform of world order between the United States and China is stark. For the United States — and for fellow liberal democracies — the aim is to preserve the freedom and sovereignty of nation-states by fortifying the established order, which is grounded in respect for human rights and in fidelity to the rule of law, understood as the impartial application of publicly disclosed, settled, and binding rules. For China, the objective is to transform world order. The CCP seeks to reconfigure the community of nations by placing China at the center while subordinating freedom, national sovereignty, human rights, and the rule of law to socialism with Chinese characteristics.

## **Conclusion**

China's conduct flows from a distinctive blend of Marxism-Leninism and of the party's extreme version of Chinese nationalism. Viewing the conduct in the context of the ideas that inspire and shape it dispels the starry-eyed optimism about the PRC that has distorted U.S. policy. It also encourages sobriety in cooperating with, containing, and deterring the CCP. Grasping China's conduct in light of the CCP's governing ideas, moreover, illuminates the vulnerabilities that afflict China's authoritarian regime, and clarifies the tasks the United States must undertake to secure freedom.

## IV. China's Vulnerabilities

After Mao Zedong's disastrous Great Leap Forward (1958-1962) and bloody Cultural Revolution (1966-1976), the Chinese Communist Party presided over great increases in China's industrial and technological capabilities, economic prosperity, and military power. The PRC's global reach and international influence have expanded accordingly. Notwithstanding its progress in pursuit of national rejuvenation and the transformation of the international order, the PRC's vulnerabilities have also grown under the CCP's watch.

Some of China's vulnerabilities derive from the nature of autocracy.<sup>174</sup> For want of freedom, autocracies tend to struggle to maintain economies that over the long term can adapt, innovate, and grow. Because of their imperial ambitions and disdain for international norms and standards, autocracies make poor friends and are prone to estranging allies and partners. And because of the need to repress their own citizens, autocracies typically must divert resources from military affairs abroad to the preservation of order at home.

In addition to the vulnerabilities that inhere in all autocracies, the CCP's blend of communism and hyper-nationalism along with the country's particular circumstances expose China to a variety of specific vulnerabilities.

First, China's economy faces significant difficulties. Although China is a global manufacturing and technological powerhouse, Premier of the State Council Li Keqiang conceded in May 2020, "There are still some 600 million people earning a medium or low income, or even less... Their monthly income is barely 1,000 yuan (about \$142), not even enough to rent a room in a medium-tier Chinese city."<sup>175</sup> The pandemic has compounded the problem by increasing unemployment. Before the COVID-19 crisis, moreover, social unrest in the PRC percolated as the economy experienced its lowest growth rate in 30 years.<sup>176</sup> The new reality compels the CCP to adopt more stringent measures to control the population.<sup>177</sup>

Several forms of dependence could hinder the sustained and substantial economic growth that supports the CCP's popular legitimacy. The CCP plans to overcome its reliance on exports by bringing the 600 million or so Chinese who live on modest wages into the middle class. Nevertheless, in the short term Beijing must export manufactured goods to consumers in the

United States and other advanced industrial nations to keep factories running and people working even as, particularly in the wake of the global pandemic, the United States and others seek to reduce reliance on Chinese manufacturing.<sup>178</sup> Notwithstanding the CCP's lagging efforts to establish the yuan as a global reserve currency, China depends on the American dollar to settle many international transactions. And China's advanced manufacturing uses sophisticated microchips and other high-value technological goods from the United States and other advanced industrial nations.<sup>179</sup> This leaves critical sectors of China's economy vulnerable to temporary disruption by foreign governments' imposition of export controls.<sup>180</sup>

Furthermore, while the extent in China of the economic contraction caused by COVID-19 is uncertain, the pandemic's consequences are bound to exceed what Beijing endured in the aftermath of the 2008 financial crisis. Stimulus measures stretching across more than a decade have taken their toll on China's corporate sector while saddling the government with immense debt.<sup>181</sup> In response, China has imposed strict lending standards on its banks, the efficacy of which is to be determined.<sup>182</sup> While many Chinese companies depend on capital markets in the United States, Britain, and other countries, some use secondary listings in Hong Kong or Shanghai to insulate themselves from limitations on access to foreign capital markets.<sup>183</sup> Meanwhile, China's manufacturing sector is likely to keep contracting due to sharp drops in consumer demand at home and abroad. Declining manufacturing, diminished consumption, and limited stimulus tools would depress GDP and increase unemployment,<sup>184</sup> yielding further dissatisfaction and social unrest.<sup>185</sup>

A booming Chinese economy creates its own vulnerabilities. While the last several decades show that greater economic freedom does not guarantee political liberalization, China's powerful economic engine, combining choice with state command and control, may still encourage a frame of mind within the middle and upper-middle class that is at odds with authoritarian government. The opportunity to choose that a growing economy fosters and the prosperity it unleashes tend to produce a taste for more freedom. Making decisions about work and property can increase citizens' expectations for choice in other realms while producing greater affluence. Choice and affluence, moreover, tend to heighten the demand for the protection of the fruits of one's labor through property rights and laws that are settled, public, and fairly applied. Alternatively, as some have argued, middle- and upper-middle-class urbanites may continue to support the CCP because of the comfort and wealth they have achieved under the party's dominion even while dissatisfaction mounts among the hundreds of millions of rural citizens

whom economic development has left behind.<sup>186</sup> Either way, continued economic growth as much as economic stagnation could spur a destabilizing demand in China for government accountability and for greater protection for basic rights and fundamental freedoms.

Second, China suffers from worsening demographic conditions. The size of the population is on track to peak in the coming decade and then gradually decline. To make matters worse, Beijing is about to experience an explosion of those 65 and above while its working-age population shrinks sharply. The absence in China of a modern social-safety net will impose strains as workers struggle to support a steadily growing retiree population. In addition, as a consequence of China's one-child policy — abolished in 2016 but with consequences that will reverberate for generations — China's working-age population will suffer from a prolonged gender imbalance (the 2010 census reported 120 males for every 100 females).<sup>187</sup>

Third, China's accelerated economic development has severely degraded the environment. The PRC has been for more than a decade and remains the world's largest source of carbon emissions. Pollution produces dystopian conditions in many of China's major cities while reducing the country's arable land and clean water. As a consequence, life expectancy in China has been falling.<sup>188</sup> A recent *Lancet* study found that every year 1.1 million people in China die prematurely due to air pollution.<sup>189</sup>

Fourth, corruption — at the local level as well as in the party's upper echelons — creates risks for the CCP. Many members of the elite have enriched themselves at the expense of the people. Along with uneven economic growth and demographic and environmental problems, repression and land expropriation exacerbate discontent, provoking more than 130,000 protests of varying types annually. Such protests are likely to shake the system for years to come.<sup>190</sup>

Fifth, the CCP devotes considerable resources to the repression of ethnic and religious minorities. In gross violation of the principles set forth in the 1948 Universal Declaration of Human Rights, the CCP maintains a military occupation of Tibet that dates to the 1950s, conducts a brutal program in Xinjiang to “re-educate” Uyghurs and millions of other Turkic Muslims, oppresses ethnic Mongolians in China's Inner Mongolian Autonomous Region, and imposes onerous regulations on China's Christians, who number around 70 million.<sup>191</sup>

Sixth, Beijing allocates extraordinary sums to internal security. The PRC refers to these expenses, which include central-government and regional-level costs, as “national domestic security spending.” One open-source analysis suggests that China directs approximately 18% more to internal security than to external defense.<sup>192</sup> PRC spending on national domestic security grew from 348.6 billion RMB (\$57.2 billion) in 2007 to 1.24 trillion RMB in 2017 (\$197 billion in nominal dollars). These estimates “exclude billions of dollars spent on security-related urban-management and surveillance initiatives” even as China’s lower wages and costs “render Chinese security capabilities much higher per dollar spent” than U.S. security spending.<sup>193</sup>

Seventh, China’s military lacks popular legitimacy. The PLA’s purpose is to fight for the CCP, not the people. Consistent with Mao’s motto, “political power grows out of the barrel of a gun,” the party presides over military decision-making. Nevertheless, as the PLA has modernized, ideological conviction within the ranks has declined while corruption has increased. Xi has sought to restore party allegiance — more specifically, allegiance to him — by reinstating mandatory ideological training and purging the military’s most senior generals.<sup>194</sup> The “re-redding” that the PLA must frequently undergo highlights the tension between the party’s need for a professional military and its demand for unquestioned loyalty.<sup>195</sup>

Eighth, the CCP faces questions about leadership succession. Uncertainty surrounds the person who will follow Xi Jinping as China’s paramount leader. The party’s practices under Xi have diverged from the CCP’s norms for leadership succession established after Deng Xiaoping. Whereas in the past, the party would have given some indication at this point in the paramount leader’s tenure as to his successor, that question remains under Xi shrouded in mystery.<sup>196</sup>

Ninth, China’s conduct of foreign affairs generates distrust abroad. According to an October 2020 Pew Research Center survey, “Views of China have grown more negative in recent years across many advanced economies, and unfavorable opinion has soared over the past year.”<sup>197</sup> Before the global pandemic, Beijing faced a backlash from foreign capitals springing from its authoritarian schemes of economic co-optation and coercion, intellectual-property theft, rejection of reciprocal treatment, lack of transparency, and egregious human rights abuses. The global pandemic has amplified international discontent with the PRC. The new coronavirus that emerged in Wuhan in late 2019 quickly spread to peoples and nations around the globe,



in part because China concealed the outbreak from the world. Beijing further damaged its reputation through its international campaign of disinformation, and its “wolf warrior” diplomacy to deflect responsibility for the pandemic. The CCP’s shameful misconduct — major factors in producing a known worldwide death toll that has surpassed one million with ruinous consequences for societies and economies around the world — has given rise to international demands for accountability over the spread of COVID-19.<sup>198</sup>

## Conclusion

The CCP confronts a classic dilemma of authoritarian government: the more the party employs repressive means to perpetuate its monopoly on state power, the more it risks driving a wedge between itself and the people. At the same time, and even as hundreds of millions in China remain mired in poverty, hundreds of millions have attained middle-class affluence under the CCP. To what extent the delivery of economic growth, the manipulation of nationalist sentiments, and the generation of fear and submission by a totalitarian surveillance state will enable the CCP to retain its hold on power remains to be seen.

It also remains to be seen to what extent the CCP can address effectively the variety of specific vulnerabilities China confronts. The party’s discipline and ruthlessness have enabled it to marshal vast resources and patiently pursue the production of wealth at home and the acquisition of power and influence abroad. At the same time, the CCP’s authoritarianism, which eradicates dissent, constrains the party’s ability to recognize the regime’s weaknesses, correct errors, and adjust to changing circumstances.<sup>199</sup>

Along with knowledge of China’s conduct and its intellectual sources, understanding of the CCP’s vulnerabilities — not least the limitations of its ability to address its vulnerabilities — must inform U.S. efforts to meet the China challenge.

## V. Securing Freedom

Following the Chinese Communist Party's massacre of civilians that ended the six-week Tiananmen Square protests of 1989 and Beijing's subsequent imposition of harsh restrictions on freedom of speech and press, U.S. administrations of both parties doubled down on a China policy focused on engagement. That policy had its justifications and brought its benefits. However, rapid modernization, prodigious economic growth, substantial progress toward building a world-class military, and integration into the world economy have not inclined China to join, let alone play its part in maintaining, the community of nations dedicated to an international order grounded in freedom, democracy, national sovereignty, human rights, and the rule of law.

To the contrary, having survived the 1989 protests, the CCP proceeded to build a hyper-modern police state based on repression and indoctrination at home and committed to predatory schemes of international trade, investment, construction, surveillance, and disinformation. Rather than yielding political liberalization, China's outsized economic development and acquisition of international influence have given new life among the party's faithful to the objective of forging a socialist world order with Chinese characteristics. Xi Jinping's resolute pursuit of "the Chinese dream of national rejuvenation" has intensified the great-power competition launched by the CCP.

In one crucial respect, the China challenge resembles the one presented by the Soviet Union to the free world. Soviet authoritarianism combined communism and traditional Russian nationalism.<sup>200</sup> The Soviet synthesis governed the USSR's quest to construct a worldwide socialist order with Moscow at the center. Similarly, Chinese authoritarianism combines communism and a hyper-nationalist interpretation of China's status and destiny. The CCP synthesis governs China's quest to construct a worldwide socialist order with Beijing at the center.

In another crucial respect, however, the China challenge differs from the Soviet challenge. The Soviet Union primarily enlarged its dominions and sought to impose its will through military coercion. For almost fifty years, the USSR ruled over half of Europe through force

of arms and extended its global influence by means of weapons sales, security expertise, troop deployments, proxy fighting forces, and the installation and propping up of Marxist regimes. In contrast, the China challenge is not in the first place a military struggle. China's saber rattling in the South China Sea and gradual acquisition of positions, its crushing of freedom in Hong Kong, and its menacing statements about and behavior toward Taiwan are of major concern. The CCP's conventional military is a force to be reckoned with. And Beijing's nuclear, cyber, and space capabilities pose substantial threats. Nevertheless, China primarily pursues the reconfiguration of world affairs through a kind and quantity of economic power of which the Soviets could only have dreamed.

The harsh reality is that to advance vital U.S. interests and defend cherished American principles, the United States must maintain cooperative relations with a great power whose economy represents a hefty component of world commerce but whose systematic conduct deprives its own people of freedom and threatens the freedom of nations around the world. The China challenge, so understood, is likely to dominate American foreign policy across many administrations.

Meeting a challenge of such urgency, scope, and complexity requires the United States to return to the fundamentals. To secure freedom, America must refashion foreign policy in light of ten tasks.

First, the United States must secure freedom at home. The nation must preserve the constitutional order, which is grounded in respect for individual rights, democratic self-government, and national sovereignty. The nation must also foster a growing economy based on a free market that rewards hard work and entrepreneurship and ensures equal opportunity while both making accommodations for those hit hardest by globalization's disruptions and devising incentives to equip individuals to prosper in industries crucial to U.S. security. And the country must cultivate a vibrant civil society that enables people to care for their families, safeguard their communities, and form associations of all sorts. Fidelity to America's traditions of individual freedom and democratic self-government will produce the prosperity and restore the civic concord that have always been essential to meeting the nation's challenges abroad.

Second, the United States must maintain the world's most powerful, agile, and technologically sophisticated military while enhancing security cooperation, grounded in common interests and shared responsibility, with allies and partners. A strong military depends on a strong economy — to provide the resources to train and maintain troops, to purchase the best equipment, and to conduct the research and development to produce the next generation of state-of-the-art weapons. At the same time, a strong economy depends on a strong military — to ensure the open seas, safe skies, and secure communications networks that enable international commerce to thrive. For the sake of security and prosperity, moreover, the United States must rededicate itself to preserving its status as the world's leader in technological innovation. Since neither security nor prosperity can be achieved by one country alone, the United States must regard the cultivation of allies and partners with whom it can share responsibilities as a strategic imperative.

Third, the United States must fortify the free, open, and rules-based international order — which it led in creating after World War II — composed of sovereign nation-states and based on respect for human rights and the rule of law. Such an order reflects American principles and serves American interests.

Fourth, the United States must reevaluate its alliance system and the panoply of international organizations in which it participates to determine where they fortify the free, open, and rules-based international order and where they fall short. A thorough assessment is long overdue.

Fifth, in light of that assessment, the United States must strengthen its alliance system by more effectively sharing responsibilities with friends and partners and by forming a variety of groupings and coalitions to address specific threats to freedom. At the same time, in cooperation with the world's democracies and other like-minded partners, the United States must reform international organizations where possible and, where necessary, build new ones rooted in the underlying principles of the established international order. To those ends, the United States must not only share responsibility for peace and security but also must work with friends and partners to reconfigure supply chains to eliminate dependence on China for critical materials and goods; to devise common standards for trade, technology, communications, travel, and health; and, building on such initiatives as the International Development Finance Corporation and the emerging Blue Dot Network, to invest in friendly

nations' physical and digital infrastructure and commercial ventures, especially in the Indo-Pacific region, the countries of which China most immediately threatens.

Sixth, the United States must promote American interests by looking for opportunities to cooperate with Beijing subject to norms of fairness and reciprocity, constraining and deterring the PRC when circumstances require, and supporting those in China who seek freedom.

Strategic competition with China requires delicate balancing: The United States must engage with Beijing cautiously and creatively while countering its economic imperialism and military adventurism and firmly opposing the brazen violations of the rule of law and the gross human rights abuses that seem to be inseparable from CCP rule.

Seventh, the United States must educate American citizens about the scope and implications of the China challenge. Only an informed citizenry can be expected to back the complex mix of demanding policies that will enable the United States to secure freedom. Executive-branch officials and members of Congress must address the public regularly and forthrightly about China's conduct and intentions, and about the policies the U.S. government must implement to secure freedom at home and preserve the established international order. In addition, the State Department, Congress, think tanks, and private sector organizations must work together to ensure that government officials as well as the public have access to English-language translations of CCP officials' major speeches and writings along with important publications and broadcasts from China's state-run media, scholarly community, and worldwide propaganda machine.

Eighth, the United States must train the rising generation of government officials and public-policy thinkers to navigate the new era of threats and opportunities. Not only diplomats but also military strategists, economists, technologists, political theorists and more who deal with China must be well-versed in the country's language, culture (including moral, philosophical, and religious traditions), and history (including politics, economics, and war). The same goes for the training of the next generation in the languages, cultures, and histories of other strategic competitors, as well as of friends and potential friends across the globe. It is not enough to acquire a passing familiarity with critical languages or even a working knowledge. The pressing and intricate problems of world politics require the U.S. government to recruit and cultivate

officials who have mastered critical languages — that it, who are capable of reading documents, giving talks, and conducting the affairs of state in the languages spoken by strategic rivals as well as by friends and partners. The State Department has recently expanded programs that promote the serious study of Mandarin. It must also make a priority of accelerating training in Russian, Hindi, Persian, Arabic, and other languages. At the same time, Congress must create new programs to encourage students of all ages to achieve fluency in critical languages and to use their skills in public service.

Ninth, the United States must reform American education to enable students to shoulder the enduring responsibilities of citizenship in a free and democratic society and to meet the special demands of a complex, globalized, information-age economy. Sinister efforts from abroad seek to sow discord in the United States. And America's grade schools, middle schools, high schools, and colleges and universities have to a dismaying degree abandoned well-rounded presentations of America's founding ideas and constitutional traditions in favor of propaganda aimed at vilifying the nation. In the face of these polarizing forces, the United States must reclaim its own legacy of liberty. That begins with renewing appreciation of the enduring principles enshrined in the Declaration of Independence — that all are endowed with unalienable rights, that the principal purpose of government is to secure those rights, and that all legitimate political power springs from the consent of the governed. It also depends on serious study of the history of America's efforts down to the present day to live up to those principles, not least through the establishment and preservation of a constitution of limited powers. This will enable American citizens to grasp the nation's interest in maintaining an international order that favors free and sovereign nation-states. At the same time, the United States must rededicate itself to the promotion of excellence in science, technology, engineering, and mathematics. Rather than directing the economy in the manner of authoritarian regimes, the United States government must supercharge the economy in the spirit of freedom and opportunity by funding a variety of educational programs that promote mastery of STEM subjects so that 21<sup>st</sup>-century America leads the world in innovation, entrepreneurship, and production.

Tenth, the United States must champion the principles of freedom — principles that are at once universal and at the heart of the American national spirit — through example; speeches; educational initiatives; public diplomacy; foreign assistance and investment; sanctions in more difficult circumstances as well as other forms of non-military pressure; and, where the nation’s vital interests are at stake and all else has failed, military force.

Grounded in the nation’s founding principles and constitutional traditions; invigorated by a bustling economy; undergirded by the world’s best-trained and best-equipped military; served by government officials who understand the American people and the American political system, recognize the diversity and common humanity of the peoples and nations of the world, and appreciate the complex interplay of ideas and interests in foreign affairs; and fortified by an informed and engaged citizenry — this multi-pronged approach will enable the United States to secure freedom.

## Endnotes

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<sup>31</sup> Gregory C. Allen, “Understanding China’s AI Strategy: Clues to Chinese Strategic Thinking on Artificial Intelligence and National Security,” Center for a New American Security (CNAS), February 2019, p. 6, <https://www.cnas.org/publications/reports/understanding-chinas-ai-strategy>. Allen notes: “China is currently making extensive use of AI in domestic surveillance applications.”

<sup>32</sup> Arjun Kharpal, “Huawei Says It Would Never Hand Data to China’s Government. Experts Say it Wouldn’t Have a Choice,” *CNBC*, March 4, 2019, <https://www.cnn.com/2019/03/05/huawei-would-have-to-give-data-to-china-government-if-asked-experts.html>.

<sup>33</sup> FBI Director Christopher Wray, testimony in open hearing on “Worldwide Threats,” U.S. Senate Select Committee on Intelligence, 115<sup>th</sup> Congress, 2<sup>nd</sup> Session, February 13, 2018, <https://www.intelligence.senate.gov/hearings/open-hearing-worldwide-threats-0#>.

<sup>34</sup> Ewelina U. Ochab, “When a Tech Company Engages in Severe Human Rights Violations,” *Forbes*, January 6, 2020, <https://www.forbes.com/sites/ewelinaochab/2020/01/06/when-a-tech-company-engages-in-severe-human-rights-violations/#788549d16943>; David Alton “Huawei’s Human Rights Record Has Been Shamefully Ignored,” *The Diplomat*, February 7, 2020, <https://thediplomat.com/2020/02/huaweis-human-rights-record-has-been-shamefully-ignored/>; “U.S. to Slap Huawei Employees with Travel Bans for China’s Human Rights Abuses,” *Associated Press*, July 15, 2020, <https://www.marketwatch.com/story/us-to-slap-huawei-employees-with-travel-bans-for-chinas-human-rights-abuses-2020-07-15>; Secretary of State Michael R. Pompeo, “U.S. Imposes Visa Restrictions on Certain Employees of Chinese Technology Companies that Abuse Human Rights,” press statement, U.S. Department, of State, July 15, 2020, <https://www.state.gov/u-s-imposes-visa-restrictions-on-certain-employees-of-chinese-technology-companies-that-abuse-human-rights/>; and Dr. Samantha Hoffman, “China’s Tech-Enhanced Authoritarianism,” prepared testimony for hearing on “China’s Digital Authoritarianism: Surveillance, Influence, and Political Control,” House Permanent Select Committee on Intelligence, 116<sup>th</sup> Congress, 1<sup>st</sup> Session, May 16, 2019, <https://docs.house.gov/meetings/IG/IG00/20190516/109462/HHRG-116-IG00-Wstate-HoffmanS-20190516.pdf>.

<sup>35</sup> “China’s Cyber Power in a New Era,” in Tim Huxley and William Choong, eds. *Asia-Pacific Regional Security Assessment 2019*, (London, UK: Routledge, International Institute for Strategic Studies, 2019), <https://www.iiss.org/publications/strategic-dossiers/asiapacific-regional-security-assessment-2019/rsa19-07-chapter-5>.

<sup>36</sup> Nadège Rolland, “A Concise Guide to the Belt and Road Initiative,” National Bureau of Asian Research, April 11, 2019, <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>; and Elaine K. Dezenski, “Below the Belt and Road,” Foundation for Defense of Democracies (FDD), May 6, 2020, p. 11, <https://www.fdd.org/analysis/2020/05/04/below-the-belt-and-road/>. See also Xi Jinping, *The Belt and Road Initiative* (Beijing, China: Foreign Languages Press, 2019).

<sup>37</sup> The so-called “China Hustle” is an egregious example. As the number of China-based companies listed in U.S. markets grew after the 2007-2008 financial crisis, U.S. regulators became aware of hundreds of Chinese companies systematically using irregular investment structures — including reverse mergers with failed U.S.-listed companies — to list backdoor on U.S. markets while avoiding the due diligence and other scrutiny that initial public offerings (IPOs) receive. Many U.S.-listed Chinese companies turned out to be fraudulent, exposing U.S. investors and public pension funds to many billions in losses. See NASDAQ, “33 Chinese Companies Listed on NASDAQ in 2009, More Than Any Other U.S. Exchange,” press release, January 6, 2010, <http://ir.nasdaq.com/news-releases/news-release-details/33-chinese-companies-listed-nasdaq-2009-more-any-other-us> and Nicole Spering, “The China Hustle Unveils the Biggest Financial Scandal You’ve Never Heard Of,” *Vanity Fair*, March 28, 2018, <https://www.vanityfair.com/hollywood/2018/03/china-hustle-documentary-financial-crisis-scandal-director-interview>.

<sup>38</sup> U.S.-China Economic and Security Review Commission, “Chinese Companies Listed

on Major U.S. Stock Exchanges,” updated February 25, 2019, <https://www.uscc.gov/chinese-companies-listed-major-us-stock-exchanges>.

<sup>39</sup> Josh Rogin, “Washington Presses Wall Street to Solve its China Problem,” opinion, *Washington Post*, June 6, 2019, <https://www.washingtonpost.com/opinions/2019/06/06/washington-presses-wall-street-solve-its-china-problem/>; Public Company Accounting Oversight Board, “PCAOB Enters into Enforcement Cooperation Agreement with Chinese Regulators,” press release, May 24, 2013, [https://pcaobus.org/News/Releases/Pages/05202013\\_ChinaMOU.aspx](https://pcaobus.org/News/Releases/Pages/05202013_ChinaMOU.aspx); and Jay Clayton, Wes Bricker, and William D. Duhnke III, *Statement on the Vital Role of Audit Quality and Regulatory Access to Audit and Other Information Internationally – Discussion of Current Information Access Challenges with Respect to U.S.-listed Companies With Significant Operations in China*, U.S. Securities and Exchange Commission, December 7, 2018, <https://www.sec.gov/news/public-statement/statement-vital-role-audit-quality-and-regulatory-access-audit-and-other>.

<sup>40</sup> Belgium invokes privacy laws. Every other country complies.

<sup>41</sup> In a case from 2019, the Commerce Department blacklisted Hangzhou Hikvision Digital Technology Co. (Hikvision) — a Chinese state-directed “big brother” surveillance company complicit with China’s human rights abuses against over one million Uyghurs in Xinjiang — on Commerce’s banned Entity List. See “Addition of Certain Entities to the Entity List,” 84 FR 54002, *Federal Register*, October 9, 2019, <https://www.federalregister.gov/documents/2019/10/09/2019-22210/addition-of-certain-entities-to-the-entity-list>.

Yet many prominent state pension funds — such as the California State Teachers’ Retirement System (CalSTRS), the New York State Teachers Retirement System (NYSTRS), the Florida Retirement System (FRS) — held active investments in Hikvision. See Svea Herbst-Bayliss and Tim McLaughlin, “U.S. pension funds took positions in blacklisted Chinese surveillance company,” *Reuters*, October 15, 2019, <https://www.reuters.com/article/us-hikvision-pensions-focus/u-s-pension-funds-took-positions-in-blacklisted-chinese-surveillance-company-idUSKBN1WU191>; “Hikvision: US pension funds invest in China ‘Big Brother’ firm,” *BBC News*, March 29, 2019, <https://www.bbc.com/news/world-us-canada-47753085>; and RWR Advisory Group, LLC, “Chinese ‘Bad Actor’ Enterprises in State Public Pension Systems,” January 29, 2020. U.S. investors also may be passively investing in Hikvision through exchange traded funds (ETFs) or mimicking major index providers that include Hikvision and other deeply problematic Chinese firms. Examples of major index providers, which have included, as constituents, securities for Chinese companies with links to China’s military modernization, espionage, and human rights abuses, are MSCI China All Shares Index, MSCI Emerging Markets (EM) Index, MSCI ACWI Index, MSCI ACWI ex-U.S. Index, FTSE Global Equity Index Series (GEIS). See RWR Advisory Group, LLC, “Chinese ‘Bad Actor’ Enterprises in State Public Pension Systems.” In another case, Aviation Industry Corporation of China (AVIC) and its subsidiaries are helping China’s military modernization, designing and supplying the Chinese military with advanced aircraft, unmanned aerial systems, and airborne weapon systems that threaten the U.S. military. See “Listed Subsidiaries,” website of AVIC, accessed May 11, 2020, <https://www.avic.com/en/aboutus/listedsubsidiaries/index.shtml>. Some state pension funds — such as the California Public Employees’ Retirement System (CalPERS) — have actively invested in AVIC subsidiaries, and many more state pension funds passively invest in AVIC subsidiaries through ETFs or by mimicking major index providers. See CalPERS, *2018-19 Annual Investment Report for Fiscal Year Ended June 30, 2019*, <https://www.calpers.ca.gov/docs/forms-publications/annual-investment-report-2019.pdf> and RWR Advisory Group, LLC, “Chinese ‘Bad Actor’ Enterprises in State Public Pension Systems.”

It is worth noting that Yu “Ben” Meng, who until recently served as chief investment officer of CALPERS, reportedly participated in the Thousand Talents Program. In October 2017, *People’s Daily* reported that an earlier employer — the State Administration of Foreign Exchange (SAFE), a government agency regulates China’s foreign-exchange activities — hired Yu through TTP in November 2015. See Wu Chuqi, 为国家用好每一笔外汇 (海归人才创新创业风采录) [“Make good use of every foreign exchange for the country (returned

talent innovation and entrepreneurship style record)”, *People’s Daily*, October 2, 2017, <http://society.people.com.cn/n1/2017/1002/c1008-29571359.html>; and Nathan Su, “Chief Investment Officer of Largest US Public Pension Fund Has Deep Ties to Chinese Regime,” *Epoch Times*, July 8, 2019, [https://www.theepochtimes.com/chief-investment-officer-of-us-largest-public-pension-fund-has-deep-ties-to-chinese-regime\\_2992183.html](https://www.theepochtimes.com/chief-investment-officer-of-us-largest-public-pension-fund-has-deep-ties-to-chinese-regime_2992183.html).

<sup>42</sup> Josh Rogin, “White House Calls China’s Threats to Airlines ‘Orwellian Nonsense,’” opinion, *Washington Post*, May 5, 2018, <https://www.washingtonpost.com/news/josh-rogin/wp/2018/05/05/white-house-calls-chinas-threats-to-airlines-orwellian-nonsense/>; Adrian Wojnarowski and Bobby Marks, “Sources: NBA Set to Release Revised 2020-21 Salary and Luxury Tax Projections,” *ESPN*, January 30, 2020, [https://www.espn.com/nba/story/\\_/id/28596920/sources-nba-set-release-revised-2020-21-salary-luxury-tax-projections](https://www.espn.com/nba/story/_/id/28596920/sources-nba-set-release-revised-2020-21-salary-luxury-tax-projections); Pei Li and Adam Jourdan, “Mercedes-Benz Apologizes to Chinese for Quoting Dalai Lama,” *Reuters*, February 6, 2018, <https://www.reuters.com/article/us-mercedes-benz-china-gaffe/mercedes-benz-apologizes-to-chinese-for-quoting-dalai-lama-idUSKBN1FQ1FJ>; Josh Rogin, “China Takes its Political Censorship Global: Will America Resist?” opinion, *Washington Post*, July 26, 2018, [https://www.washingtonpost.com/opinions/global-opinions/china-takes-its-political-censorship-global/2018/07/26/898d40dc-90f6-11e8-bcd5-9d911c784c38\\_story.html](https://www.washingtonpost.com/opinions/global-opinions/china-takes-its-political-censorship-global/2018/07/26/898d40dc-90f6-11e8-bcd5-9d911c784c38_story.html).

<sup>43</sup> Kathy Gilsinan, “How China is Planning to Win Back the World,” *The Atlantic*, May 28, 2020, <https://www.theatlantic.com/politics/archive/2020/05/china-disinformation-propaganda-united-states-xi-jinping/612085/>; Dan Blumenthal, “China’s Censorship, Propaganda & Disinformation,” American Enterprise Institute (AEI), July 10, 2020, <https://www.aei.org/articles/chinas-censorship-propaganda-disinformation/>; and Joshua Kurlantzick, “How China Ramped Up Disinformation Efforts During the Pandemic,” Council on Foreign Relations, September 10, 2020, <https://www.cfr.org/in-brief/how-china-ramped-disinformation-efforts-during-pandemic>.

<sup>44</sup> For recent high-profile examples, see U.S. Department of Justice, “University of Kansas Researcher Indicted for Fraud for Failing to Disclose Conflict of Interest with Chinese University,” press release, August 21, 2019, <https://www.justice.gov/opa/pr/university-kansas-researcher-indicted-fraud-failing-disclose-conflict-interest-chinese>; and “Harvard University Professor and Two Chinese Nationals Charged in Three Separate China Related Cases,” press release, January 28, 2020, <https://www.justice.gov/opa/pr/harvard-university-professor-and-two-chinese-nationals-charged-three-separate-china-related>.

<sup>45</sup> Rachelle Peterson, “Outsourced to China: Confucius Institutes and Soft Power in American Higher Education,” National Association of Scholars, April 7, 2017, <https://www.nas.org/reports/outourced-to-china/full-report>.

<sup>46</sup> The CCP uses Confucius Institutes and other instruments to press U.S. universities to censor free speech and open inquiry and to conform to the Party’s political correctness. In a press release, the Senate Homeland Security and Government Affairs Committee’s Permanent Subcommittee on Investigations noted that its February 2019 bipartisan staff report examined “the lack of transparency in how American colleges and universities manage Confucius Institutes — which are located at more than 100 American colleges and universities and have received more than \$150 million in support from the Chinese government.” The press release added, “These Confucius Institutes are controlled, funded, and mostly staffed by the Chinese government. The report also details China’s one-sided treatment of U.S. schools and key State Department programs in China and documents the lack of oversight by the Departments of State and Education of U.S. Confucius Institutes.” For more, see Senate Homeland Security and Government Affairs Committee’s Permanent Subcommittee on Investigations, “Senators Portman & Carper Unveil Bipartisan Report on Confucius Institutes at U.S. Universities & K-12 Classrooms,” press release, February 27, 2019, [https://www.hsgac.senate.gov/subcommittees/investigations/media/senators-portman-and-carper-unveil-bipartisan-report-on-confucius-institutes-at-us-universities\\_k-12-classrooms](https://www.hsgac.senate.gov/subcommittees/investigations/media/senators-portman-and-carper-unveil-bipartisan-report-on-confucius-institutes-at-us-universities_k-12-classrooms); and *China’s Impact on the U.S. Education*

*System*, staff report, 116<sup>th</sup> Congress, 1<sup>st</sup> Session, February 22, 2019, <https://www.hsgac.senate.gov/imo/media/doc/PSI%20Report%20China's%20Impact%20on%20the%20US%20Education%20System.pdf>.

<sup>47</sup> Secretary of State Michael R. Pompeo, “U.S. States and the China Competition.” Secretary Pompeo’s speech noted a Beijing think-tank published a report in June 2019 that assessed all 50 of America’s governors on their attitudes towards China, and, to refine its influence efforts, labeled each governor as “friendly,” “hardline,” or “ambiguous.” See 美国对华态度全景 – 州长篇 [*Panoramic View of the U.S. Attitudes towards China – Governors*], Minzhi International Research Institute, June 22, 2019, <https://user.guancha.cn/main/content?id=132238>. Minzhi’s website is at <http://dcthink.cn/>.

Secretary Pompeo also mentioned the PRC’s Consul General in New York, who sent a letter in January 2020, to the speaker of a state legislature urging state lawmakers not to exercise their rights to freedom of speech: “As we all know, Taiwan is part of China... avoid engaging in any official contact with Taiwan, including sending congratulatory messages to the elected, introducing bills and proclamations for the election, sending officials and representatives to attend the inauguration ceremony, and inviting officials in Taiwan to visit the United States.”

Secretary Pompeo cited a third example from August 2019, when a Chinese diplomat in the consul’s office in Houston sent a letter to then-Mississippi Governor Phil Bryant threatening to cancel a Chinese investment if he traveled to Taiwan. Nevertheless, the secretary said, Governor Bryant made the trip.

<sup>48</sup> The U.S. Department of Defense’s annual report on China’s military power offers an authoritative and unclassified view of the PLA. For the most recent iteration, see Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China: 2020*.

<sup>49</sup> Information Office of the State Council of the People’s Republic of China, *2012 White Paper*, [http://eng.mod.gov.cn/publications/2016-07/13/content\\_4768293.htm](http://eng.mod.gov.cn/publications/2016-07/13/content_4768293.htm).

<sup>50</sup> “Xi Leads China’s Military Reform, Stresses Strong Army,” *Xinhua*, March 15, 2014, [http://www.chinadaily.com.cn/kindle/2014-03/16/content\\_17350020.htm](http://www.chinadaily.com.cn/kindle/2014-03/16/content_17350020.htm). Quoted in Joel Wuthnow and Phillip C. Saunders, “Chairman Xi Remakes the PLA,” in Phillip C. Saunders, ed., *Chairman Xi Remakes the PLA: Assessing Chinese Military Reforms* (Washington, D.C.: National Defense University, 2019), p. 2, <https://ndupress.ndu.edu/Portals/68/Documents/Books/Chairman-Xi/Chairman-Xi.pdf>.

<sup>51</sup> John Costello and Joe McReynolds, “China’s Strategic Support Force,” in Phillip C. Saunders, ed., *Chairman Xi Remakes the PLA: Assessing Chinese Military Reforms*, p. 442.

<sup>52</sup> Acting DIA Defense Intelligence Officer for East Asia Daniel K. Taylor, prepared testimony for hearing on “‘World-Class’ Military: Assessing China’s Global Military Ambitions,” U.S.-China Economic and Security Review Commission, June 20, 2019, <https://www.uscc.gov/hearings/world-class-military-assessing-chinas-global-military-ambitions>.

<sup>53</sup> Joel Wuthnow and Phillip C. Saunders, “Chairman Xi Remakes the PLA,” pp. 1-3.

<sup>54</sup> Robert O. Work and Greg Grant, *Beating the Americans at Their Own Game: An Offset Strategy with Chinese Characteristics*, CNAS, June 6, 2019, <https://www.cnas.org/publications/reports/ beating-the-americans-at-their-own-game>.

<sup>55</sup> Secretary of Defense James N. Mattis, testimony for hearing “Department of Defense Budget posture in review of the Defense Authorization Request for Fiscal Year 2018 and the Future Years Defense Program,” Senate Committee on Armed Services, 115<sup>th</sup> Congress, 1<sup>st</sup> Session, June 13, 2017, <https://www.armed-services.senate.gov/hearings/17-06-13-department-of-defense-budget-posture>; and Admiral Harry B. Harris, Jr., U.S. Navy, testimony for hearing on “United States Pacific Command in Review of the Defense Authorization Request for Fiscal Year 2019 and the Future Years Defense Program,” Senate Committee on Armed Services, 115<sup>th</sup> Congress, 2<sup>nd</sup> Session, March 15, 2018, <https://www.armed-services.senate.gov/hearings/18-03-15-united-states-pacific-command>.



<sup>56</sup> Robert O. Work and Greg Grant, *Beating the Americans at Their Own Game: An Offset Strategy with Chinese Characteristics*, pp. 5-6.

<sup>57</sup> These hypersonic weapons will backstop the world's largest theater-based conventional ballistic missile force — a class of weapons that until August 2019 the U.S. was prohibited from fielding as one of two signatories to the Intermediate Nuclear Forces Treaty.

<sup>58</sup> Acting DIA Defense Intelligence Officer for East Asia Daniel K. Taylor, prepared testimony for hearing on “A ‘World-Class’ Military: Assessing China’s Global Military Ambitions,” U.S.-China Economic and Security Review Commission, June 20, 2019, <https://www.uscc.gov/hearings/world-class-military-assessing-chinas-global-military-ambitions>.

<sup>59</sup> Johnny Wood, “The Countries With the Most Satellites in Space,” World Economic Forum, May 4, 2019, <https://www.weforum.org/agenda/2019/03/chart-of-the-day-the-countries-with-the-most-satellites-in-space/>.

<sup>60</sup> Defense Intelligence Agency, *China Military Power*, report, January 3, 2019, p. 41, [https://www.dia.mil/Portals/27/Documents/News/Military%20Power%20Publications/China\\_Military\\_Power\\_FINAL\\_5MB\\_20190103.pdf](https://www.dia.mil/Portals/27/Documents/News/Military%20Power%20Publications/China_Military_Power_FINAL_5MB_20190103.pdf).

<sup>61</sup> Andrea Stricker, “Proliferant States Continue to Rely on China for Nuclear-related Equipment,” FDD, July 2, 2020, <https://www.fdd.org/analysis/2020/07/02/proliferant-states-rely-on-china/>; and U.S. Department of State, “Iran, North Korea, and Syria Nonproliferation Act: Imposed Sanctions,” May 29, 2013; <https://2009-2017.state.gov/t/isn/inksna/c28836.htm>.

<sup>62</sup> U.S. Department of State, “2020 Adherence to and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments (Compliance Report),” June 2020, <https://www.state.gov/wp-content/uploads/2020/06/2020-Adherence-to-and-Compliance-with-Arms-Control-Nonproliferation-and-Disarmament-Agreements-and-Commitments-Compliance-Report-1.pdf>.

<sup>63</sup> U.S. Department of State, “2020 Adherence to and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments (Compliance Report).”

<sup>64</sup> Assistant Secretary of State for International Security and Nonproliferation Christopher A. Ford, “Ideological ‘Grievance States’ and Nonproliferation: China, Russia, and Iran,” Speech to the Institute for National Security Studies’ Arms Control Conference and Experts Forum, Tel Aviv, Israel, November 11, 2019, <https://www.state.gov/ideological-grievance-states-and-nonproliferation-china-russia-and-iran/>.

<sup>65</sup> Elsa B. Kania, “Chinese Military Innovation and Artificial Intelligence,” testimony for hearing on “Trade, Technology, and Military-Civil Fusion,” U.S.-China Economic and Security Review Commission, June 7, 2019, [https://www.uscc.gov/sites/default/files/June%207%20Hearing\\_Panel%201\\_Elsa%20Kania\\_Chinese%20Military%20Innovation%20in%20Artificial%20Intelligence.pdf](https://www.uscc.gov/sites/default/files/June%207%20Hearing_Panel%201_Elsa%20Kania_Chinese%20Military%20Innovation%20in%20Artificial%20Intelligence.pdf); and Assistant Secretary of State for International Security and Nonproliferation Christopher A. Ford, “Technology and Power in China’s Geopolitical Ambitions,” testimony for hearing on Trade, Technology, and Military-Civil Fusion,” U.S.-China Economic and Security Review Commission, June 20, 2019 <https://www.state.gov/technology-and-power-in-chinas-geopolitical-ambitions/>.

<sup>66</sup> Neil J. Morales, “China’s CCCC, Philippines’ Macroasia Win \$10 billion Airport Project,” *Reuters*, December 17, 2019, <https://www.reuters.com/article/us-cccc-philippines/chinas-cccc-philippines-macroasia-win-10-billion-airport-project-idUSKBN1YL12E>; and “China is Making Substantial Investment in Ports and Pipelines Worldwide,” *The Economist*, February 6, 2020, <https://www.economist.com/special-report/2020/02/06/china-is-making-substantial-investment-in-ports-and-pipelines-worldwide>.

<sup>67</sup> Anne Marie Brady, “Magic Weapons: China’s Political Influence Activities under Xi Jinping,” Wilson Center, September 18, 2017, [https://www.wilsoncenter.org/sites/default/files/media/documents/article/magic\\_weapons.pdf](https://www.wilsoncenter.org/sites/default/files/media/documents/article/magic_weapons.pdf); Damien Cave and Jamie Tarabay, “Suddenly Chinese Threat to Australia Seems Very Real,” *The New York Times*, November 28, 2019, <https://www.nytimes.com/2019/11/28/world/>

[australia/china-spying-wang-liqiang-nick-zhao.html](#); and Joshua Kurlantzick, “Australia, New Zealand Face China’s Influence,” Council on Foreign Relations, December 13, 2017, <https://www.cfr.org/expert-brief/australia-new-zealand-face-chinas-influence>.

<sup>68</sup> Michael J. Green, *China’s Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region*, CSIS, April 2, 2018, <https://www.csis.org/analysis/chinas-maritime-silk-road>; Richard Ghiasy, Fei Su and Lora Saalman, *The 21<sup>st</sup> Century Maritime Silk Road*, SIPRI/Friedrich Ebert Stiftung, May 2017, <https://www.sipri.org/sites/default/files/2019-10/the-21st-century-maritime-silk-road.pdf>; and Kamran R. Chowdhury, “China Can Use Bangladesh’s Largest Seaports, PM Hasina Says,” *BenarNews*, November 13, 2019, <https://www.benarnews.org/english/news/bengali/bangladesh-china-11132019171915.html>.

<sup>69</sup> Jonathan Hillman and Measa McCalpin, “Watching Huawei’s ‘Safe Cities,’” CSIS Brief, November 4, 2019, <https://www.csis.org/analysis/watching-huaweis-safe-cities>; and Danielle Cave, Samantha Hoffman, Alex Joske, Fergus Ryan, and Elise Thomas, “Mapping China’s Tech Giants,” Report No. 15, Australia Strategic Policy Institute, April 18, 2019, <https://www.aspi.org.au/report/mapping-chinas-tech-giants>.

<sup>70</sup> Derek Grossman, *et al.*, *China’s Long-Range Bomber Flights: Drivers and Implications*, RR2567 (Santa Monica, CA: RAND Corporation, 2018), pp. 13-15, [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR2500/RR2567/RAND\\_RR2567.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR2500/RR2567/RAND_RR2567.pdf).

<sup>71</sup> Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China: 2019*, p. 83.

<sup>72</sup> “Remote Control: Japan’s Evolving Senkaku’s Strategy,” Asia Maritime Transparency Initiative (AMTI), CSIS, July 29, 2020, <https://amti.csis.org/remote-control-japans-evolving-senkakus-strategy/>.

<sup>73</sup> “Full Text of Statement of China’s Foreign Ministry on Award of South China Sea Arbitration,” *China Daily*, July 12, 2016, [https://www.chinadaily.com.cn/world/2016scsi/2016-07/12/content\\_26062029.htm](https://www.chinadaily.com.cn/world/2016scsi/2016-07/12/content_26062029.htm).

<sup>74</sup> “Mischief Reef: Overview Images,” AMTI, CSIS, accessed August 20, 2020, <https://amti.csis.org/mischief-reef/#AnalysisofOutpost-heading>.

<sup>75</sup> Jeremy Page, Carol E. Lee, and Gordon Lubold, “China’s President Pledges No Militarization in Disputed Islands,” *Wall Street Journal*, September 25, 2015, <https://www.wsj.com/articles/china-completes-runway-on-artificial-island-in-south-china-sea-1443184818>; and “Chinese Power Projection Capabilities in the South China Sea,” AMTI, CSIS, accessed May 4, 2020, <https://amti.csis.org/chinese-power-projection/>.

<sup>76</sup> Derek Grossman, “Why is China Pressing Indonesia Over its Maritime Claims,” *World Press Review*, January 16, 2020, <https://www.worldpoliticsreview.com/insights/28476/why-is-china-pushing-indonesia-again-over-the-natuna-islands>; Ivy Kwek and Chiew Ping-Hoo, “Malaysia’s Rationale and Response to South China Sea Tensions,” AMTI, CSIS, May 29 2020, <https://amti.csis.org/malaysias-rationale-and-response-to-south-china-sea-tensions/>; and “Chinese Vessel Rams Vietnamese Fishing Boat in S. China Sea,” *Maritime Executive*, June 14, 2020, <https://www.maritime-executive.com/article/report-chinese-vessel-rams-vietnamese-fishing-boat-in-s-china-sea>.

<sup>77</sup> Emma Chanlett-Avery and Mark E. Manyin, “U.S.-North Korea Relations,” CRS Report No. No. IF10246, Congressional Research Service, April 29, 2020, <https://crsreports.congress.gov/product/pdf/IF/IF10246/14>.

<sup>78</sup> Panel of Experts, “Report of the Panel of Experts [to the U.N. Security Council] Pursuant to Resolution 1874 (2009),” S/2020/151, March 2, 2020, [https://www.un.org/securitycouncil/sanctions/1718/panel\\_experts/reports](https://www.un.org/securitycouncil/sanctions/1718/panel_experts/reports).

<sup>79</sup> For examples, *see* U.S. Department of State, “Briefing with Special Envoy Lea Gabrielle, Global Engagement Center Update on PRC Efforts to Push Disinformation and Propaganda around COVID,” press release, May 8, 2020, <https://www.state.gov/>

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<sup>80</sup> As CCP General Secretary Xi Jinping said in Moscow in June 2019: “Russia is the country I have visited the most times, and President Putin is my best friend and colleague.” Quoted in Holly Ellyat, “China’s Xi calls Putin his ‘best friend’ against a backdrop of souring US relations,” *CNBC*, June 5, 2019, <https://www.cnbc.com/2019/06/05/putin-and-xi-meet-to-strengthen-ties-as-us-relations-sour.html>. Russian president Vladimir Putin similarly praised the “unprecedentedly high level of trust and cooperation” between the two nations: “This is an alliance relationship in the full sense of a multifaceted strategic partnership.” See Vladimir Putin, “Valdai Discussion Club session,” Website of the President of Russia, October 3, 2019, <http://en.kremlin.ru/events/president/news/61719>. See also Vasily Kashin, “Russia and China Take Military Partnership to New Level,” *Moscow Times*, October 23, 2019, <https://www.themoscowtimes.com/2019/10/23/russia-and-china-take-military-partnership-to-new-level-a67852>; and Rajeswari Pillai Rajagopalan, “Russia-China Strategic Alliance Gets a New Boost with Missile Early Warning System,” *The Diplomat*, October 25, 2019, <https://thediplomat.com/2019/10/russia-china-strategic-alliance-gets-a-new-boost-with-missile-early-warning-system/>.

<sup>81</sup> The PRC and Russia also are members of the Shanghai Cooperation Organization (SCO), a multilateral grouping whose members now also include India, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. As one NGO expert notes, SCO’s members “account for 80% of Eurasia’s landmass, 43% of the world’s population, and a quarter of global GDP. In terms of geographic coverage and population size, it is the largest regional organization in the world.” Beijing and Moscow have also sought to provide an alternative to Western-led international order through the BRICS grouping (Brazil, Russia, India, China, and South Africa), though with very limited success. See Angela Stent, “Russia and China: Axis of Revisionists,” Brookings Institution, February 2020, p. 6, [https://www.brookings.edu/wp-content/uploads/2020/02/FP\\_202002\\_russia\\_china\\_stent.pdf](https://www.brookings.edu/wp-content/uploads/2020/02/FP_202002_russia_china_stent.pdf).

<sup>82</sup> “U.S. Dollar’s Share Collapses in Payments for Russia-China Exports,” *Moscow Times*, July 26, 2019, <https://www.themoscowtimes.com/2019/07/26/us-dollars-share-collapses-in-payments-for-russia-china-exports-a66587>.

<sup>83</sup> “China-Russia Trade Up 3.4% in 2019 Exceeding Record \$110Bln — Chinese Customs,” *Sputnik*, January 14, 2020, <https://sputniknews.com/world/202001141078029670-china-russia-trade-up-34-in-2019-exceeding-record-110bln--chinese-customs/>.

<sup>84</sup> Muyu Xu and Chen Aizhu, “China Oil Imports from Top Supplier Saudi Arabia Rise 47% in 2019: Customs,” *Reuters*, January 30, 2020, <https://www.reuters.com/article/us-china-economy-trade-oil/china-oil-imports-from-top-supplier-saudi-arabia-rise-47-in-2019-customs-idUSKBN1ZU0EH>.

<sup>85</sup> Olga Tanas, Anna Shiryaevskaya, and Dan Murtaugh, “How Russia-China Gas Pipeline Changes Energy Calculus,” *Bloomberg*, November 24, 2019, <https://www.bloomberg.com/news/articles/2019-11-25/how-russia-china-gas-pipeline-changes-energy-calculus-quicktake>; and Ariel Cohen, “The Strategic Upside Behind Russia’s \$55 Billion ‘Power Of Siberia’ Pipeline To China,” *Fortune*, December 9, 2019, <https://www.forbes.com/sites/arielcohen/2019/12/06/is-there-strength-behind-russia-and-chinas-new-power-of-siberia-pipeline/#58f405cblfaf>.

<sup>86</sup> Swee Lean Collin Koh, “China’s strategic interest in the Arctic goes beyond economics,” opinion,

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<sup>87</sup> "Putin Says Action Against Huawei Attempt to Push It Out of Global Market," *Xinhua*, June 7, 2019, [http://www.xinhuanet.com/english/2019-06/07/c\\_138125039.htm](http://www.xinhuanet.com/english/2019-06/07/c_138125039.htm).

<sup>88</sup> For examples, see Samuel Bendett and Elsa Kania, "A New Sino-Russian High-Tech Partnership," Australian Strategic Policy Institute, October 29, 2019, <https://www.aspi.org.au/report/new-sino-russian-high-tech-partnership>; and Dmitri Simes, "Huawei Plays Star Role in New China-Russia AI Partnership," *Nikkei Asian Review*, February 4, 2020, <https://asia.nikkei.com/Spotlight/Asia-Insight/Huawei-plays-star-role-in-new-China-Russia-AI-partnership>.

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<sup>90</sup> Andrea Kendall-Taylor, David Shulman and Dan McCormick, "Navigating Sino-Russian Defense Cooperation," *War on the Rocks*, August 4, 2020, <https://warontherocks.com/2020/08/navigating-sino-russian-defense-cooperation/>.

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<sup>92</sup> Vladimir Putin and Xi Jinping, "Press Statements Following Russian-Chinese Talks," Kremlin, Jun 5, 2019, <http://en.kremlin.ru/events/president/news/60672>.

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<sup>94</sup> Vladimir Isachenkov, "Putin: Russia-China Military Alliance Can't Be Ruled Out," *Associated Press*, October 22, 2020, <https://apnews.com/article/beijing-moscow-foreign-policy-russia-vladimir-putin-1d4b112d2fe8cb66192c5225f4d614c4>; and Jun Mai, "Beijing Gives Cautious Welcome to Vladimir Putin's Hint over Russia-China Military Alliance," *South China Morning Post*, October 25, 2020, <https://www.scmp.com/news/china/diplomacy/article/3107027/beijing-gives-cautious-welcome-vladimir-putins-hint-over>.

<sup>95</sup> U.S.-China Economic and Security Review Commission, *2019 Report to Congress*, November 2019, p. 331, <https://www.uscc.gov/files/001166>.

<sup>96</sup> Yaroslav Trofimov, "The New Beijing-Moscow Axis," opinion, *Wall Street Journal*, February 1, 2019, [https://www.wsj.com/articles/the-new-beijing-moscow-axis-11549036661?mod=hp\\_lead\\_pos8&mod=article\\_inline](https://www.wsj.com/articles/the-new-beijing-moscow-axis-11549036661?mod=hp_lead_pos8&mod=article_inline).



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<sup>99</sup> Zhao Lei, "3 Sea Routes Planned for Belt & Road Initiative," *China Daily*, June 21, 2017, [http://english.www.gov.cn/state\\_council/ministries/2017/06/21/content\\_281475692760102.htm](http://english.www.gov.cn/state_council/ministries/2017/06/21/content_281475692760102.htm).

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<sup>101</sup> Philippe Le Corre, prepared testimony for hearing on "Chinese Investment and Influence in Europe," House Foreign Affairs Committee's Subcommittee on Europe, Eurasia and Emerging Threats, 115<sup>th</sup> Congress, 2<sup>nd</sup> Session, May 23, 2018, p. 2, <http://docs.house.gov/meetings/FA/FA14/20180523/108355/HHRG-115-FA14-Wstate-LeCorreP-20180523.pdf>. Mercator Institute for China Studies (MERICS) and the Rhodium Group (RHG) released a 2019 update report on Chinese FDI in European Union (EU) stating that the trend declined in the last three years largely due to domestic variables, shrinking Chinese global FDI, and growing regulatory scrutiny in host economies. *See* Agatha Kratz, Mikko Huotari, Thilo Haneman, and Rebecca Arcesati, "Chinese FDI in Europe: 2019 Update," Rhodium Group, April 8, 2020, <https://rhg.com/research/chinese-fdi-in-europe-2019-update/>; and Thilo Hanemann, Mikko Huotari, and Agatha Kratz, "Chinese FDI in Europe: 2018 Trends and Impacts of New Screening Policies," MERICS, June 3, 2019, <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe-2018>.

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<sup>105</sup> Michal Meidan, *China's Energy Security at 70* (Oxford, UK: University of Oxford, October 2019), p. 2, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/10/Chinas-energy-security-at-70.pdf>.

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<sup>107</sup> Chinese state-owned enterprises (SOEs) have increased purchases of Israeli subsidiaries in sensitive sectors and invested in Israeli infrastructure projects that overlap with Israel's defense and technology sector. This has raised serious concerns about protecting the information of shared U.S.-Israel defense and intelligence activities. Chinese SOEs, some of which are known to have completed work for the People's Liberation Army, have undertaken the building and operating of four major infrastructure projects in Israel, estimated to be worth more than \$4 billion. See Shira Efron, Karen Schwindt, and Emily Haskel, *Chinese Investment in Israeli Technology and Infrastructure*, RR3176 (Santa Monica, CA: RAND Corporation, 2020), pp. 18 and 38-39, [https://www.rand.org/pubs/research\\_reports/RR3176.html](https://www.rand.org/pubs/research_reports/RR3176.html).

<sup>108</sup> Shira Efron, Karen Schwindt, and Emily Haskel, *Chinese Investment in Israeli Technology and Infrastructure*, p. 70. See also Ivan Levingston, "U.S. Raises China Concerns Over Israel's Sale of Largest Seaport," *Bloomberg*, October 6, 2020, <https://www.bloomberg.com/news/articles/2020-10-06/u-s-raises-china-concerns-over-israel-s-sale-of-largest-seaport>.

<sup>109</sup> Eleanor Albert, "China in Africa: Backgrounder," Council on Foreign Relations, last updated July 12, 2017, <https://www.cfr.org/backgrounder/china-africa>. See also Joseph Goldstein, "Kenyans Say Chinese Investment Brings Racism and Discrimination," *The New York Times*, October 15, 2018, <https://www.nytimes.com/2018/10/15/world/africa/kenya-china-racism.html>.

<sup>110</sup> Lina Benabdallah, "Spite Won't Beat China in Africa," *Foreign Policy*, January 23, 2019, <https://foreignpolicy.com/2019/01/23/spite-wont-beat-china-in-africa/>. Beijing's influence operations in Africa have also reshaped voting patterns at the United Nations and other multilateral institutions in ways intended to reorient the international order around China's goals. See Axel Dreher, *et al.*, "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa," *International Studies Quarterly*, Vol. 62, No. 1 (March 2018), pp. 182-194, <https://academic.oup.com/isq/article/62/1/182/4841635>.

<sup>111</sup> Jenni Marsh, "China Says It Has a 'Zero-Tolerance Policy' for Racism, but Discrimination towards Africans Goes Back Decades," *CNN*, May 25, 2020, <https://www.cnn.com/2020/05/25/asia/china-anti-african-attacks-history-hnk-intl/index.html>; and "Racist Incidents against Africans in China amid Coronavirus Crackdown Spark Outcry," *CBS News*, May 23, 2020, <https://www.cbsnews.com/news/coronavirus-racism-africans-china/>.

<sup>112</sup> This averages roughly 6.2 billion barrels per day of crude oil, condensate, and refined petroleum. See Justine Barden, "The Bab el-Mandeb is a Strategic Route for Oil and Natural Gas Shipments," U.S. Energy Information Administration, August 27, 2019, <https://www.eia.gov/todayinenergy/detail.php?id=41073/>.

<sup>113</sup> Office of the Secretary of Defense, *Military and Security Developments Involving the People's Republic of China: 2019*, p. 16, [https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019\\_CHINA\\_MILITARY\\_POWER\\_REPORT.pdf](https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019_CHINA_MILITARY_POWER_REPORT.pdf).

<sup>114</sup> Huawei had sought to build a transoceanic cable connecting South America to Asia but lost out to

Japan's NEC. See Natalia A. Ramos Miranda, "Huawei Wants to Build First Fiber-Optic Cable Between South America and Asia," *Reuters*, August 28, 2019, <https://www.reuters.com/article/us-huawei-tech-chile/huawei-wants-to-build-first-fiber-optic-cable-between-south-america-and-asia-idUSKCN1VI2N2>; and Sarah Zheng, "China's Huawei Loses Out to Japan's NEC on Chile-Asia Trans-Pacific Cable Project," *South China Morning Post*, July 30, 2020, <https://www.scmp.com/news/china/diplomacy/article/3095367/chinas-huawei-loses-out-japans-nec-chile-asia-trans-pacific>.

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<sup>116</sup> Matt Ferchen, "China, Venezuela, and the Illusion of Debt-Trap Diplomacy," *AsiaGlobal Online*, August 16, 2018, <https://carnegietsinghua.org/2018/08/16/china-venezuela-and-illusion-of-debt-trap-diplomacy-pub-77089>.

<sup>117</sup> Matt Ferchen, "China, Venezuela, and the Illusion of Debt-Trap Diplomacy."

<sup>118</sup> Ernesto Londoño, "From a Space Station in Argentina, China Expands Its Reach in Latin America," *The New York Times*, July 28, 2018, <https://www.nytimes.com/2018/07/28/world/americas/china-latin-america.html>.

<sup>119</sup> Larry Diamond and Orville Schell, eds., *China's Influence & American Interests: Promoting Constructive Vigilance*.

<sup>120</sup> Svea Herbst-Bayliss and Tim McLaughlin, "U.S. Pension Funds Took Positions in Blacklisted Chinese Surveillance Company," *Reuters*, October 15, 2019, <https://www.reuters.com/article/us-hikvision-pensions-focus/u-s-pension-funds-took-positions-in-blacklisted-chinese-surveillance-company-idUSKBN1WU191>; "Hikvision: US Pension Funds Invest in China 'Big Brother' Firm," *BBC News*, March 29, 2019, <https://www.bbc.com/news/world-us-canada-47753085> and RWR Advisory Group, LLC, "Chinese 'Bad Actor' Enterprises in State Public Pension Systems."

<sup>121</sup> Edward Wong, Lara Jakes, and Steven Lee Myers, "U.S. Orders China to Close Houston Consulate, Citing Efforts to Steal Trade Secrets," *The New York Times*, July 22, 2020, <https://www.nytimes.com/2020/07/22/world/asia/us-china-houston-consulate.html>.

<sup>122</sup> For recent examples, see U.S. Department of Justice, "University of Kansas Researcher Indicted for Fraud for Failing to Disclose Conflict of Interest with Chinese University"; and "Harvard University Professor and Two Chinese Nationals Charged in Three Separate China Related Cases."

<sup>123</sup> China extends its "long arm" of authoritarianism to punish Chinese students studying in the United States who express dissent or otherwise exercise free speech. For example, in July 2019, Chinese police in Wuhan reportedly arrested Luo Daiqing, a University of Minnesota student on summer break who, according to a Chinese court document, "used his Twitter account to post more than 40 comments denigrating a national leader's image and indecent pictures." Luo was reportedly sentenced to six months in prison. See Bethany Allen-Ebrahimian, "University of Minnesota Student Jailed in China Over Tweets," *Axios*, January 23, 2020, <https://www.axios.com/china-arrests-university-minnesota-twitter-e495cf47-d895-4014-9ac8-8dc76aa6004d.html>.

<sup>124</sup> Tamar Lewin, "Taking More Seats on Campus, Foreigners Also Pay the Freight," *The New York Times*, February 4, 2012, <https://www.nytimes.com/2012/02/05/education/international-students-pay-top-dollar-at-us-colleges.html>; Paul Musgrave, "Universities Aren't Ready for Trade War Casualties," *Foreign Policy*, May 19, 2018, <https://foreignpolicy.com/2019/05/19/universities-arent-ready-for-trade-war-casualties-china-trump-us/>; and Elizabeth Redden, "Will Coronavirus Trigger an Enrollment Crisis?" *Inside Higher Ed*, February 13, 2020, <https://www.insidehighered.com/news/2020/02/13/>

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<sup>125</sup> M. Martel, J. Baer, N. Andrejko and L. Mason, *Open Doors 2019 Report on International Educational Exchange* (New York, NY: Institute of International Education, 2019), pp. 8; 39-40; 62.

<sup>126</sup> Senate Homeland Security and Government Affairs Committee's Permanent Subcommittee on Investigations, *China's Impact on the U.S. Education System*.

<sup>127</sup> Axel Dreher, *et al.*, "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa," pp. 182-194.

<sup>128</sup> Courtney J. Fung and Shing-Hon Lam, "China Already Leads 4 of the 15 UN Specialized Agencies – and is Aiming for a Fifth," *Washington Post*, March 3, 2020, <https://www.washingtonpost.com/politics/2020/03/03/china-already-leads-4-15-un-specialized-agencies-is-aiming-5th/>.

<sup>129</sup> U.S.-China Economic and Security Review Commission, "The PRC in International Organizations," updated April 20, 2020, <https://www.uscc.gov/prc-international-orgs>.

<sup>130</sup> Kristine Lee and Alexander Sullivan, *People's Republic of the United Nations: China's Emerging Revisionism in International Organizations*, CNAS, May 2019, <https://www.cnas.org/publications/reports/peoples-republic-of-the-united-nations>.

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