

How to Confront an Advancing Threat From China

Getting Tough on Trade Is Just the First Step

By Nikki Haley

The most important international development of the last two decades has been the rise of China as a great economic and military power. As China transformed, many Western scholars and policymakers predicted that economic reform and integration into the world economy would force the country to liberalize politically and become a “responsible stakeholder” in the international system. The idea, sometimes called “convergence theory,” was that as China grew wealthier, it would become more like the United States.

The theory was comforting, but it did not pan out. China grew economically without democratizing. Instead its government became more ideological and repressive, with military ambitions that are not just regional and defensive but global and designed to intimidate. And as the distinction between civilian and military technology gradually eroded across the globe, Chinese President Xi Jinping made it official policy for Chinese companies to put all technology at the disposal of China’s military. As the Princeton University scholar Aaron Friedberg has written, “What Xi Jinping and his colleagues have in mind is not a transitional phase of authoritarian rule to be followed by eventual liberalization, but an efficient, technologically empowered, and permanent one-party dictatorship.”

Let’s face it: Xi has killed the notion of convergence.

China is enormously important to the United States—for reasons both positive and negative. American companies highly prize its huge market, which is a crucial engine of growth for the world economy. But we cannot allow our strong interest in good economic relations with China to blind us to Beijing’s hostile political intentions. The Chinese government defines itself as a foe of Western liberal democracy and the upholder of its own brand of communist nationalism. Its strategic ambitions are unfriendly, far-reaching, and deeply rooted in an authoritarian worldview.

Americans look with deep regret on the choices Chinese leaders have made. For decades, the United States strove to cultivate friendship. Presidents Jimmy Carter and Ronald Reagan both worked to forge cooperative ties through the transfer of high technology to support modernization and economic growth. The United States helped China enter the World Trade Organization on lenient terms. We gave it access to our markets even though China did not reciprocate. China’s increasingly hostile policies cannot be explained as a reaction to unfriendliness from our side.

A PRINCIPLED FOREIGN POLICY

Since the end of World War II, the United States has been the world’s greatest power by almost any measure: economic output, scientific discovery, military strength, and cultural influence. Since the start of the Cold War, and especially since the Soviet Union’s disintegration in 1991,

the United States has commanded a degree of power and influence unmatched even by the Roman or British Empire. But the United States is not an empire. Ours is a democratic country that takes pride in respecting the rights of other countries and peoples. In foreign policy, we don't always live up to our principles, nor do we always make the wisest decisions. But we don't just do whatever we can get away with, either.

One principle that guides U.S. foreign policy is that countries should respect what belongs to other countries. After World War II, the United States provided aid to rebuild Germany and Japan. We didn't steal the resources of either country. More recently, when we led the coalition that overthrew Saddam Hussein, we spent great sums to help rebuild Iraq. We didn't steal a drop of its oil.

At home, Americans live under the rule of law. Our laws are not just tools of the powerful but constraints on power. This understanding of the law shapes the way Americans think and act and the way we operate in world affairs. We respect private contracts—and we expect others to do the same. We respect property rights, including for intellectual property. We believe in moving forward technologically by inventing and innovating, not by stealing other people's ideas and reverse engineering them.

The United States has helped to build and protect an international system in harmony with such principles. By helping to maintain international peace and stability, enabling free navigation by sea and air around the world, and creating global communications and computer networks, the United States has led the world economy to spectacular growth since World War II. If the United States did not play this leadership role, life would be far worse for Americans and for countless others. Our lives would be more constricted and less safe. Our liberties would be under pressure. China wishes to usurp our country's leadership role, certainly in Asia and evidently in the rest of the world as well.

WHAT'S BEST FOR THE PARTY IS BEST FOR CHINA

Only a few decades ago, China was a poor, undeveloped country. Then, in the late 1970s, it began to reform its economy. Beijing observed the success of market economies and applied their lessons, with stunning results: in 1980, China's gross domestic product was \$200 billion. Last year it was 70 times that—more than \$14 trillion. As a result of this amazing boom, other developing countries began to see China as a model. Admirers lauded its combination of selective free-market practices and centralized guidance from a government that was decisive and farsighted. Often, these admirers overlooked the intensity of China's authoritarianism. Of course, it's easier for dictators than for leaders of democratic countries to act decisively and to take a long view.

As impressive as its growth has been, however, China now faces serious difficulties. It has spawned environmental disasters and created immense social dislocations that could eventually fuel political unrest. Huge numbers of people have moved from the countryside into dangerously polluted cities, but the government hasn't permitted them to get housing or education. China's economy has also slowed. In 2018, the official growth rate was the lowest in nearly 30 years, and the official rate very likely overstates the actual growth rate.

China's authoritarian leaders fear that free Chinese people would oust them from power, as free people have done throughout the world. One way Chinese leaders manage the threat to their rule is by provoking crises abroad and appealing to their people's nationalism. The result is a vicious

cycle of repression and potential instability that makes the world a more dangerous place. Another way China's leaders manage the threat to their rule is by creating an Orwellian surveillance state: Xi has concentrated unprecedented power in his own hands, using facial recognition and big-data technologies to monitor huge masses of people. For the same reason, his government now strives for world leadership in 5G networking and artificial intelligence.

China's leaders primarily seek not the betterment of their people but the preservation of Chinese Communist Party (CCP) rule. For them, politics outweighs all other considerations. Many Americans have a hard time grasping this reality because it's not how we think about our own country. Our Declaration of Independence says that the government's highest aim is to secure the rights of individuals to life, liberty, and the pursuit of happiness. Politics in the United States serves, and is subordinate to, freedom, including economic freedom. In China, it's the other way around. Economics serves politics, and the political goal is to strengthen the government's power at home and abroad.

NO MORE BUSINESS AS USUAL

In past decades, CCP strategists debated the merits of various paths to national greatness. Some championed bid-your-time policies that encouraged private-sector growth and emphasized integrating China into the world economy. Their ultimate goal was to increase the power of the party and the military, but to do so in a manner that would make China's rise seem unthreatening to the rest of the world. Other strategists advocated a more assertive, nationalistic, and militaristic approach.

Under Xi's leadership, the latter approach has clearly prevailed. His government has seized islands in the South China Sea and built military facilities on them, in violation of promises to former U.S. President Barack Obama (among others) not to militarize. It has punished Vietnam, the Philippines, and Indonesia over maritime disputes, cutting their underwater acoustic cables and attacking their fishing fleets. It has violated Taiwan's airspace and kidnapped dissidents and critics in Thailand, Taiwan, and Hong Kong. Those kidnapped include citizens of Sweden and the United Kingdom.

Chinese officials say they have no interest in the politics of foreign countries, but their habit of bribing foreign officials has ignited corruption scandals in Australia, New Zealand, Malaysia, Sri Lanka, Angola, and elsewhere. China's Belt and Road Initiative, Xi's signature initiative to extend loans and build infrastructure around the world, relies heavily on corrupt financing arrangements that burden foreign governments with debt they cannot afford to repay. In addition, China subverts academic freedom in universities in the United States and elsewhere through its government-funded Confucius Institutes. These organizations spread propaganda and sometimes manage to squelch discussion of topics embarrassing to China, such as the conquest of Tibet and the camps in Xinjiang Province, where Beijing claims to be "reeducating" an estimated one million Chinese Muslims, known as Uighurs.

The Chinese government also systematically directs Chinese companies to steal intellectual property from U.S. and other foreign companies, according to the U.S. Justice Department. In addition, it requires private Chinese companies to share with the military any technologies they acquire through innovation, purchase, or theft. The new civil-military fusion policy announced by Xi in 2015 effectively requires all privately owned Chinese companies to work for the military. That means business with Chinese companies is no longer just business. Those doing

business in China in high-tech fields are advancing Beijing's military interests, regardless of their intentions.

A NEW STRATEGY FOR A NEW STRUGGLE

Since the United States emerged as the world's leading power, we have never had to contend with a potential military challenger that was also our most important trading partner. In the Cold War, we confronted a Soviet Union whose economy was a fraction of the size of China's today. History offers no close analogies, but that doesn't mean it offers no lessons.

During the Cold War, our government crafted new policies and programs to check Soviet military technological progress and weaken the Soviet economy. These included export control and trade promotion programs that served national security purposes. We created the U.S. Information Agency, which countered Soviet propaganda, and the Strategic Defense Initiative, which aimed to neutralize the Soviet Union's long-range nuclear-armed missiles. We also established programs to encourage higher education in relevant areas—for example, the Russian language and nuclear weapons technology.

To counter Chinese threats to U.S. vital interests, it is necessary for us to think creatively and courageously—and without any illusions about our adversary's intentions. To begin with, we should revise our regulations on trade and investment, especially in the high-tech sector, so that China can no longer exploit our openness. In general, I dislike government interference in private business. But our national security takes precedence over free-market policies. Adam Smith made this point in *The Wealth of Nations*, arguing that Great Britain's interest in preserving naval supremacy was more important than free trade in the maritime sector: "Defense," he wrote, "is of much more importance than opulence." With China committed to taking military advantage of all private commercial activity, we must alter the lens through which we examine U.S. regulation of foreign trade, international supply chains, inward investments, intellectual property protection, and incentives for critical defense technologies. The necessary regulation will be expensive and onerous, but it is the price we must pay to secure our country.

Even as we adjust our economic policies, we will also need to improve our diplomacy. The radical nature of China's national security strategy has become clear only in the last few years. As we rethink our own national security strategy in response, we have an interest in encouraging our allies to rethink theirs. Congress should ensure that U.S. officials have the authority and resources they need to promote understanding of China's strategy and to rally multilateral efforts to compete with it—to counter Chinese influence, to defend against military threats, and to preserve the principles on which the prosperity-promoting post-World War II international system was constructed.

To handle threats posed by China—as well as by Russia, North Korea, Iran, and jihadist terrorist networks, among others—we must strengthen our military. We need greater naval capability, more long-range air strike forces, and improved information technology and cyber-capabilities. We must also modernize our long-neglected nuclear infrastructure. The U.S. defense budget is huge, but not enough is allocated for capital investment. With limited resources, there will always be tradeoffs. But we must always be able to respond, in strong and measured fashion, to our most militarily sophisticated adversary.

China poses intellectual, technological, political, diplomatic, and military challenges to the United States. The necessary response is similarly multifaceted, requiring action in fields as

disparate as intelligence, law enforcement, private business, and higher education. In recent years, many problems have been described as requiring “whole of government” responses. China requires a response that is not just “whole of government” but “whole of nation.” Fortunately, there is support across the political spectrum for countering China’s new aggressive policies. We must act now, before it’s too late. The stakes are high. They could be life or death.