
CHINA VS. DEMOCRACY
THE GREATEST GAME

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A HANDBOOK FOR DEMOCRACIES

By Robin Shepherd, HFX Vice President

ABOUT HFX

HFX convenes the annual Halifax International Security Forum, the world's preeminent gathering for leaders committed to strengthening strategic cooperation among democracies.

The flagship meeting in Halifax, Nova Scotia brings together select leaders in politics, business, militaries, the media, and civil society.

HFX published this handbook for democracies in November 2020 to advance its global mission.

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ACKNOWLEDGEMENTS

First and foremost, HFX acknowledges the more than 250 experts it interviewed from around the world who helped to reappraise China and the challenge it poses to the world's democracies. Their willingness to share their expertise and varied opinions was invaluable. Of course, they bear no responsibility, individually or collectively, for this handbook's contents, which are entirely the work of HFX.

This project began as a series of meetings hosted by Baroness Neville-Jones at the U.K. House of Lords in London in 2019. At one of those meetings, Baroness Neville-Jones, who has been a stalwart friend and supporter since HFX began in 2009, pointedly declared that there was no common strategy among the world's democracies with regard to China, and that there ought to be one. This handbook seeks to contribute toward building that common strategy.

The handbook itself was authored by Robin Shepherd, HFX Vice President, in cooperation with a team of colleagues and collaborators including Paz Magat, Director of HFX's Peace With Women Fellowship, who led the research, Andrew Fishbein, HFX Head of Policy Relations, who coordinated the project, and Michael R. Auslin, the Payson J. Treat Distinguished Research Fellow in Contemporary Asia at the Hoover Institution and HFX's Senior Advisor for Asia, who provided general oversight. John Gans joined the team as editor of the handbook late in the process. HFX is grateful to John for his expert guidance and magnificent teamwork.

Many experts from around the world took the time to review drafts of this handbook. Steve Tsang, Director of the China Institute at the School of Oriental and African Studies (SOAS) in London, made several important suggestions to early versions of chapters one and two. Peter Hefele, Head of Department Asia and Pacific, and David Merkle, Desk Officer China, at Germany's Konrad-Adenauer-Stiftung made a number of very helpful suggestions. Ambassador Hemant Singh, Director General of the Delhi Policy Group (DPG), and Brigadier Arun Sahgal (retired), DPG Senior Fellow for Strategic and Regional Security, provided vital perspective from India. Ambassador Kenichiro Sasae, President of the Japan Institute of International Affairs, did the same from Japan. Roland Paris, Professor of International Affairs at the University of Ottawa, made several important suggestions from Canada. Admiral Mike Rogers (retired), former Director of the United States National Security Agency (NSA) and former Commander of U.S. Cyber Command, made similarly helpful comments; as did John Mullen, former Assistant Director of the CIA for East Asia & Pacific.

While this handbook benefited significantly from the observations of the above experts, none of them bears any responsibility for its shortcomings. Each has a unique view on China. Some of the differences between these views are significant while in other cases it is far more nuanced. In no sense should they be regarded as endorsing the handbook's contents or its conclusions.

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FOREWORD
PETER VAN PRAAGH

This is a handbook. It is a handbook about China for democracies. It is perhaps the first comprehensive compendium of vital information about the very serious and urgent test that now confronts the world's democracies. It delivers an overwhelming body of evidence to explain why people around the world, and their democratic governments, have, perhaps belatedly, woken up to the hard reality that Beijing is not our friend.

HFX spent the past decade calling attention to the challenge China poses through panel discussions at our annual Forum in Halifax. But it was not until 2020, with the emergence of the global coronavirus pandemic that began in Wuhan, China, and all the uncertainty that accompanied it, that people around the world began to understand the real threat—to our supply chains, to international organizations, to the open exchange of information, to the protection of confidential information, and to freedom of the seas and skies.

The 2020 paradigm shift in people's attitudes toward China was a concrete change from the old conventional wisdom that an economically vibrant China would progress toward more freedom for its people, to the new conventional wisdom that the Chinese Communist Party is, in fact, the virus that endangers the world.

Old conventional wisdom also suggested that if demography was indeed destiny, it was only a matter of time until China and its enormous population and economy exerted comprehensive global influence. The new conventional wisdom concludes that surrendering to this dark destiny is not an option.

Working in concert, the world's democracies have overwhelming advantages that China cannot meet. The challenge is no longer about trying to cooperate with a rising China governed by autocrats. The real China challenge for the world's democracies is how to cooperate effectively with each other.

Demand calls for a comprehensive global strategy among the world's democracies outlining what to do with regard to China, and how to do it. Before that strategy, however, there has to be common understanding of what confronts the democratic community of nations.

This handbook contributes to building that necessary common understanding.

Through conversations with more than 250 experts from around the world, including cabinet secretaries from the Clinton, Bush, and Obama administrations, HFX prepared an overwhelming case for increased cooperation.

For its part, this handbook concludes with a set of principles that HFX will be championing around the world. I respectfully invite you to join your voice with ours in defending the values that underpin our democratic societies.

Peter Van Praagh
President, HFX

"THE REAL CHINA CHALLENGE FOR THE WORLD'S DEMOCRACIES IS HOW TO COOPERATE EFFECTIVELY WITH EACH OTHER."

EXECUTIVE SUMMARY

The year 2020 witnessed a paradigm shift in the world's understanding of China. Democracies have acknowledged implicitly and explicitly that their approach to Beijing over the last three decades, and especially under the leadership of Xi Jinping, General Secretary of the Chinese Communist Party, amounted to a foreign policy miscalculation of historic proportions. The central error was the assumption that China would eventually liberalize, uphold the rules-based international order, and cooperate with the democratic world as it accrued the benefits of capitalist economics. Rather than moderate its behavior at home and abroad, however, modern-day China has emerged as the most powerful authoritarian state in history and the major challenger to the liberal world.

To help democracies move past these mistakes and rethink the challenge that China poses around the world, Halifax International Security Forum (HFX) conducted in-depth interviews with more than 250 global experts and policy- and decision-makers between February and October 2020. In addition, exclusive polling for HFX by Ipsos Public Affairs suggests that, following Beijing's censorship of the outbreak of COVID-19, China's favorability ratings among the global public, particularly in democracies, have plunged.

The key to understanding the nature of the China challenge is to recognize that Beijing's worldview is guided, above all else, by the interests of a Chinese Communist Party (CCP) that is Leninist to the core. Failure to internalize this central point will lead to misdiagnosing the challenge and result in continued policy mistakes.

All leading human rights organizations testify that oppression is intensifying in China, but it is clear that the CCP's ambitions do not stop at China's borders. The CCP's global ambitions are evident in several critical ways:

- The CCP aims to make the world as a whole safe for authoritarianism. Xi and the CCP have demonstrated this ambition in both word and deed, as a now overwhelming body of evidence amply demonstrates.

- Accordingly, the PRC is intent on undermining democracy abroad. While the CCP continues to target democracies such as the United States, Canada, Great Britain, Germany, India, Japan, and Australia, it is Hong Kong and Taiwan that stand on the frontline of the PRC's global assault on democracy; their very existence as democracies now hangs precariously in the balance.

- The CCP's global ambitions are undergirded by what is fast becoming the world's largest economy. In prosecuting these ambitions, the multi-trillion-dollar global infrastructure project known as the One Belt One Road Initiative is complemented by the use of major Chinese companies like Huawei, which are beholden to the CCP's interests and instructions.

- The CCP under Xi is committed to technological authoritarianism at home and abroad. China is aware of its current technological shortcomings. To overcome them, the CCP has carefully thought-out

plans, which include cyber espionage and the continued theft of intellectual property. China intends to emerge as the dominant tech power in the twenty-first century.

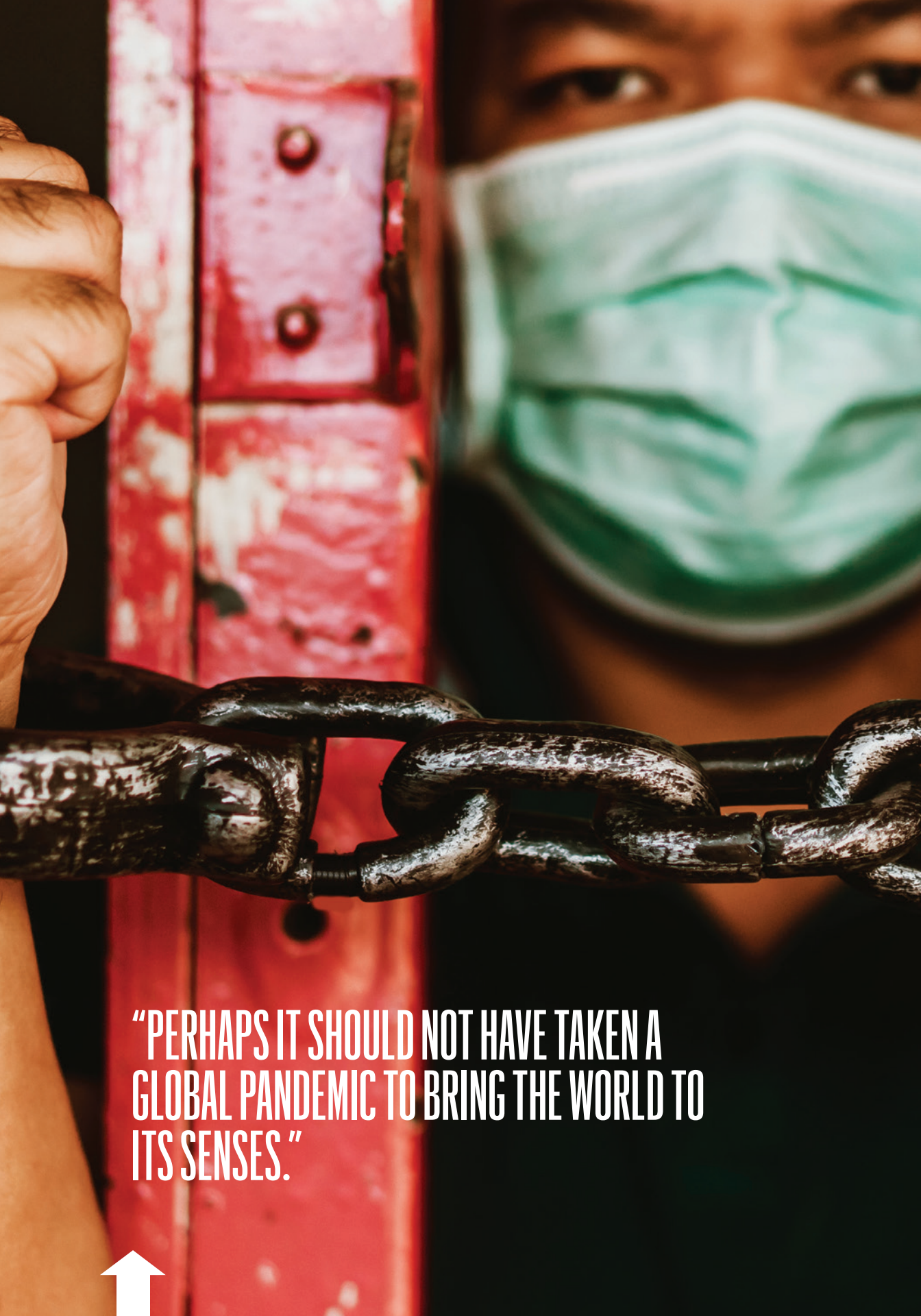
- The PRC has committed to modernizing its military while growing bolder and more assertive geostrategically—and not just in Asia. What may sometimes look like innocent and incremental steps risk developing into a pattern that, in a decade or two, could transform the balance of military power as well as the relevance of alliances and partnerships among democracies.

Now is the time to soberly rethink the democratic world's policy responses to the China challenge. Democracies must pursue a carefully considered yet robust push back— push back that Xi's China has brought upon itself. The CCP must recalibrate its global ambitions and back off from the ongoing assault on the world's democracies.

Neither the United States nor any other democracy is likely to successfully meet the challenge from the PRC by going it alone. The good news is that no country, including the United States, need go it alone.

The effective deployment of U.S. power, wealth and technological prowess in conjunction with its vast array of global allies, will ensure that China's ambitions can be kept in check. While the United States remains the free world's natural leader, alliances and partnerships among democracies will be different than those of the twentieth century. Reimagining democratic alliances that are fit for the twenty-first century is the most urgent task of the day.

"NOW IS THE TIME TO SOBERLY RETHINK THE DEMOCRATIC WORLD'S POLICY RESPONSES TO THE CHINA CHALLENGE."



"PERHAPS IT SHOULD NOT HAVE TAKEN A GLOBAL PANDEMIC TO BRING THE WORLD TO ITS SENSES."

INTRODUCTION
LOST IN TRANSLATION

In September 2005, then–U.S. Deputy Secretary of State Robert Zoellick traveled to New York to make a public address on relations between the United States and China. Four years after 9/11, the speech was designed to set the direction of U.S. policy toward a power whose rise the world was still coming to terms with. He famously urged Beijing to become "a responsible stakeholder" and looked forward to "the democratic China of tomorrow."[1] In one of modern diplomacy's more unfortunate lapses, it later emerged that Chinese interpreters at the gathering had struggled to find an appropriate rendition of the word "stakeholder." That the central assumption of the free world's policy stance toward China for most of the post-Cold War era may have been literally lost in translation is a piece of dramatic irony that would be difficult to invent.[2]

A decade and a half later, the world has received a message that needs no translating. The only stakeholder that Beijing is interested in accommodating is the Chinese Communist Party (CCP). Democratic China is a mirage. Though there were of course prescient thinkers who went against the grain of conventional wisdom, the harsh truth is that, collectively, we got China wrong.

The year 2020 is likely to be remembered not only for the coronavirus (COVID-19) but also for a paradigm shift in the world's attitudes to China. Beijing's role in concealing the reality of the former, of course, goes some way to explaining the emergence of the latter. There is now an uneasy but growing awareness that the open society perhaps faces its biggest challenger yet. China, led by Xi Jinping, is emerging as the most powerful authoritarian state in history. The evidence that it aims to make the wider world safe for authoritarianism has become impossible to ignore.

Perhaps it should not have taken a global pandemic to bring the world to its senses. But, finally, there has been an awakening. In the United States, there is growing bipartisan agreement that China is now a major challenger to the democratic world and its values.[3] Staunch, traditional American allies such as Canada and Great Britain show signs of the same awakening.[4,5] In the European Union (EU), there is a gathering consensus along similar lines.[6] India is now taking major steps to reconfigure policy toward its eastern neighbor.[7] Japan has been worried for years.[8] The debacle surrounding China's bugging of the African Union headquarters in Addis Ababa (see Chapter 4) has raised awareness across the continent.[9] In Latin America, Chinese support for the socially and politically disastrous regime in Venezuela has concentrated minds about the CCP's true colors, offering the world a salutary lesson about Beijing's claim to offer an attractive, alternative model for developing countries.[10]

The hardening of attitudes among political leaders mirrors a stark deterioration in China's reputation among the global public. In exclusive polling for HFX, Ipsos Public Affairs

surveyed citizens from twenty-eight countries—democracies and non-democracies—asking them to rate China's impact on world affairs over the next decade. In September 2020, 42 percent of respondents rated China positively, a drop of 11 percentage points from the same month in 2019, and 16 percentage points down from autumn 2017.

Among democracies in particular (see Figure 0.1), public attitudes have shifted noticeably, and ratings on China are now well below a falling global average.[11] The trend lines show that while Japanese citizens have long been cynical about China's intentions, its favorability ratings in Australia, Europe, and North America collectively peaked in 2017 and then declined sharply after that, a downward shift that the coronavirus accentuated in 2020.

At the level of high politics, there have been shifts in attitudes before. From the founding of the People's Republic of China (PRC) in 1949 until the 1970s, the relationship among the United States, its allies, and China was markedly hostile—understandable given that the United States and China had found themselves on opposite sides in the Korean War. Then, in the wake of U.S. President Richard Nixon's opening to Beijing, there was an alignment, of sorts, founded on mutual opposition to the Soviet Union.[12] It was a sensible piece of realpolitik. As is now known, the third shift in policy and attitudes toward Beijing was predicated upon a false belief that integration into the global system would promote democracy in China and respect for the rules abroad. What makes this latest realignment different, therefore, is that it comes after what can only be described as a foreign policy miscalculation of historic proportions.

This should be a cause of deep introspection about how policy is thought about, the more so because the wider political establishment has by now accrued an unenviable track record of misreading, or being taken by surprise at, a litany of major issues and events. These range from the fall of the Soviet Union and the rise of Islamism, through the Iraq War and Great Recession of 2008. It continued with the fracturing of the EU due to Brexit, the rise of Donald Trump in the United States and populism elsewhere, right up to the abject unpreparedness for the coronavirus despite years of being warned about the risks of a global pandemic.[13] Losing Hong Kong and Taiwan now risks being next on that list.

Democracies must go back to basics. The temptation to adopt reflexive postures—either understating the risks or overreacting without due caution—can only be resisted if democracies are prepared to acknowledge the failures of the past, and start again. This is precisely the time to do that, which is why reconceptualizing China is at the heart of what this handbook sets out to do. Policy recommendations are, of course, important. There is no shortage of them.[14] But to avoid the temptation to put the cart before the horse, democracies need to understand the nature of the problem first.

It is partly in recognition that global democracies need to think about things differently that HFX adopted a very particular approach in the preparation of this handbook and constructed it in a very particular way. The HFX team conducted in-depth interviews through much of 2020 with more than 250 dignitaries, experts, and business leaders from nearly thirty countries. In almost every case, discussions began with the same two questions: (1) What is the nature of the Chinese regime? and (2)

What is the nature of the threat that it poses to the world's democracies?

Respondents were, of course, free to dispute the premise of that last question, though few did. Instead, time and again, participants argued that there is an emerging twenty-first-century contest of values and principles with China, or, more precisely, the CCP. Far less common, though, was a sense of why.

So, what is the nature of the regime? What is the nature of the threat? First, it is clear the regime in Beijing is and will for the foreseeable future remain authoritarian, neither respecting nor deferring to the values of democratic nations, nor the global norms and institutions infused with those values. Second, the PRC increasingly has the economic power to assert its own authoritarian value system, not just inside China, or even Asia, but across the world. Third, the CCP under Xi Jinping, the president and party general secretary, is Leninist to the core (see Chapter 1) and has made clear in both word and deed that it intends to assert that power to make the world safe for its brand of authoritarianism.

There are several suggested explanations as to why China has become so aggressive. Some believe the aggression has emerged from what China views as a century of humiliation at the hands of global powers, and it is eager to settle old scores and meet the expectations of a newfound national pride.[16] Others blame the central, Leninist-totalitarian assumption that the mere existence of rival systems, most particularly democracy, poses an existential threat to communist rule.[17] Another school of thought sees naked power politics at play and argues that China behaves in this manner simply *because it can*.[18] The most current explanation suggests that while some or all of the above may be true, Xi, eager to establish his place in history, has overplayed his hand. He has gone too hard, too fast, and has provoked a backlash before China is strong enough to withstand it.[19] Time will tell. But whatever the source of this aggression, China and the world's democracies are plainly now locked in an increasingly

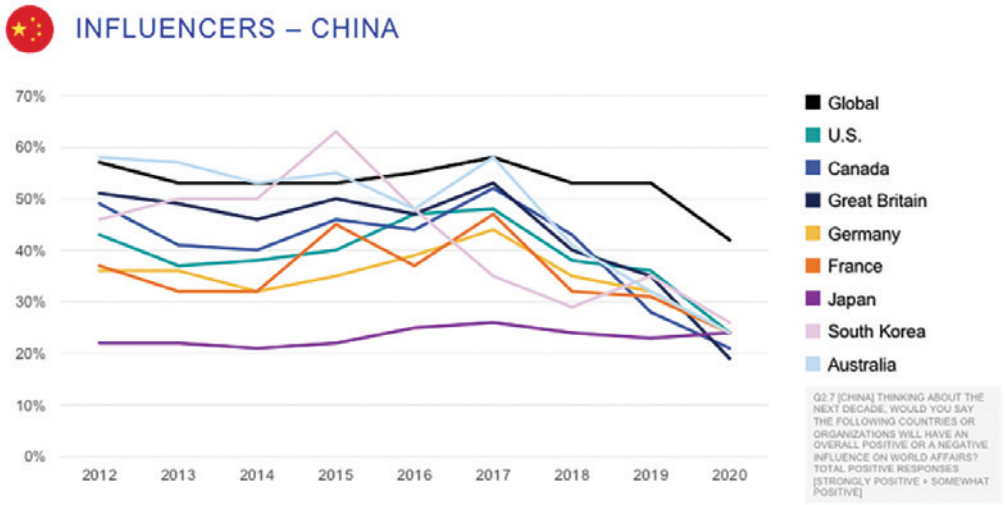


Figure 0.1 *Percentage of positive responses in selected democracies to the question: Thinking about the next decade, would you say China will have an overall positive or a negative influence on world affairs? Source: Ipsos for HFX*

antagonistic standoff.

Cold Warriors?

Is this a new Cold War? Despite the aforementioned awakening, some still argue that a more robust overall stance, as opposed to ad hoc pushback, risks provoking one. But China's aggression toward democracies and democracy itself has been going on for years, and certainly long before the change of stance in Washington under President Trump. While no reasonable person would welcome a new cold war, if anyone has launched one, it is China. The country's aggression in democracies across the world amounts to interference in domestic affairs that, as this handbook will show, is both unprecedented and unprovoked.

Democracies cannot continue on a path of misreading this regime or failing sufficiently to push it back. Far from stirring the hornets' nest by being too tough, it is democracies' very weakness and vacillation that has encouraged the hard-liners in China by leaving them an open door to push against. Would Xi have really been so bold in cracking down on Hong Kong if, say, a decade ago, the world's democracies had adopted a united position, backed by the credible threat of major sanctions? It is precisely because China perceives us to be weak that it literally has taken so many liberties.

China started this fight, and it is within China's power to end it. Beijing can improve deteriorating relations, if it wants to. If it doesn't, as the instigator of a range of violations of international norms—such as fighter jet incursions in Taiwanese airspace; the dismantling of the One-Country, Two-Systems arrangement in Hong Kong; confrontations with India; cyberattacks against the United States and others; intellectual property theft; and disruption of American and allied democratic processes—it has no one to blame but itself for the push back that is now coming.

Nor is there any sign that Xi's aggressive stance is abating, either at home or abroad. In September 2020, a prominent Chinese businessman from an elite party background was sentenced to eighteen years in prison for criticizing Xi's initial censorship of the coronavirus outbreak.[20] In the same month, two days prior to talks between the Chinese leader and Germany's Chancellor Angela Merkel, German pork exporters suddenly found that they had been blocked from the Chinese market in an instance of what the *Financial Times* and others have referred to as "punishment diplomacy."[21] There is no record of a similar strategy of economic-diplomatic intimidation coming from the German side against China. Domestic oppression and external aggression are flip sides of the same CCP coin.

While it is crucial to state unambiguously the nature of the challenge that the regime poses, the world's democracies must also appreciate that though Xi's China is an authoritarian, Leninist state, it is not only an authoritarian, Leninist state. It is simultaneously the sovereign representative of the Chinese people. No one should forget that the Chinese people, with whom democracies have no quarrel, right now have no alternative but to have their interests—economic, diplomatic, cultural, and many others—articulated by Xi's regime. Ignoring or isolating Beijing is not a sensible option. Neither should diplomatic engagement or warm relations between leaders be castigated as a form of appeasement, as some of the more one-dimensional proponents of a tough line in meeting

the China challenge sometimes seem to suggest.[22]

Many of the greatest challenges that the people of this planet face in the twentieth century will require global solutions. Without China, they will be difficult or impossible to achieve. But this is precisely why it is imperative that democracies recalibrate this relationship on the basis of mutual respect for the rules of the international order, and why China must stop its unilateral assault on the world's democracies. All people of goodwill should be striving toward a stable equilibrium where genuine cooperation is possible, and indeed flourishes. But the very unstable equilibrium democracies now face is a direct result of failing to enforce the rules of the game sooner. Rather than democracies burying their heads in the sand, responsible, restrained, and robust pushback is far more likely to get them, and the wider world, to where they need to be.

It is worth pausing at this point to clear up some issues that, in the West in particular, can easily impede a constructive reappraisal of the China challenge and what to do about it. Understandably, and rightly in a pluralistic environment, there are different shades of opinion in relation to China, and there are several different starting points from which to approach it.

In the course of researching this handbook, it became clear that there are now at least three camps to consider. One camp, a diminishing group, but one whose views held sway for most of the post–Cold War era, essentially argues that there is no significant challenge from China and certainly not one that could be described as existential. Proponents of this view are not blind to the tensions between China on the one hand and the United States and its allies on the other. But, believing that skilled diplomacy will suffice, they argue that such tensions amount to little more than the birth pangs of an emerging, new global order as China, understandably enough, seeks international recognition and a level of respect commensurate with the economic power it now wields. For reasons that have already been stated in embryonic form, and which will be elaborated on throughout this handbook, that view is profoundly mistaken. It does not square with the available evidence. It can only truly be sustained by willful blindness to Beijing's words and actions, and to the imperatives arising from the Leninist nature of the regime (see Chapter 1).

The more interesting differences arise between two camps that are largely in agreement about the facts, and the nature, of the challenge that China poses but who disagree on how to meet and talk about that challenge. In part, this is a standard disagreement between "hawks" and "doves." Some, it would appear, have a dispositional inclination toward sticks rather than carrots; others, the reverse. In part also, particularly where there is a national or regional dimension at play, it reflects different interests. The economies of some democracies are more closely tied into a trading relationship with China than others. Poorer countries with underdeveloped infrastructures—roads, railways, ports, for example—will assess their national interests differently

"Many of the greatest challenges that the people of this planet face in the twentieth century will require global solutions. Without China, they will be difficult or impossible to achieve."

than more economically advanced democracies when Beijing attempts to seduce them with investments from its One Belt One Road Initiative (see Chapter 3).

But accommodating different interests, and debating responses is exactly what democratic nations and their peoples do. With one, nonnegotiable proviso—that there is no shirking the truth about the oppressive nature of the CCP's regime at home and the unacceptability of its encroachments on democracies abroad—HFX adopts a big-tent approach in terms of how democracies respond to the challenge Xi's China has posed. There is an expansive common ground on which people of goodwill can debate the next steps.

A final thought seems appropriate on the debate about the debate. Is HFX shirking the core issue here? Is HFX refusing to name its real ambition as "regime change" when the overwhelming drift of the argumentation is precisely that? Far from it. One of the many lessons the United States and others must learn from Iraq is that regime change in the absence of a clear and present military danger to the homeland is off the table, whether a democracy is considering its approach to China or any other nation.[23] Nonetheless, to be perfectly forthright, there is going to have to be what one might term "regime reconfiguration." HFX is not arguing that the CCP must give up power. That is up to the Chinese people to decide and no one else. But the way the CCP calibrates its interests and ambitions in the world will have to change if the kind of stable equilibrium referred to above is ever to be achieved. Given the path down which the CCP has gone in recent years, such a reconfiguration will undoubtedly be challenging. But that is China's problem to solve.

United We Stand

HFX's mission is to strengthen strategic cooperation among the world's democracies. Such an approach means that, respectfully yet firmly, HFX differs with those members of the foreign policy community who say that one of its objectives in dealing with Beijing should, for example, be to speak sotto voce about China's human rights violations.[24] HFX also disagrees with increasingly common calls to cozy up to Russia to create a wedge between Moscow and Beijing.[25] These are usually accompanied by suggestions to write off the annexation of Crimea and drop sanctions imposed due to incidents such as the assassination of opponents of the Kremlin whether inside or outside Russia. To be clear: Vladimir Putin's Russia cannot be trusted, even for alliances of convenience. A Faustian bargain with the Kremlin would cause more problems than it solved.

"...there is no shirking the truth about the oppressive nature of the CCP's regime at home and the unacceptability of its encroachments on democracies abroad..."

None of this means that democracies have perfect records on human rights or indeed anything else. Law-based, liberal democracy is superior to tyranny. Democracies must firmly resist the relativists and defeatists who assert that it is not. But too often, the triumphalism that followed the last Cold War froze the development and the evolution of open societies that, in recent years, have stagnated in important respects.

From overcoming racial injustice to alleviating deep distrust in politicians and institutions, the world's democracies have a mammoth task in front of them. Rising to these challenges is right in itself. When they are met, the soft power of democracy will also be enhanced dramatically.

Still, the need for improvements at home should not distract democracies from the seriousness and the scale of what they are up against around the world. The standoff with Xi's China is indeed a decisive moment in history, and the decisions democracies take over the course of the next decade will, to put it bluntly, determine whether they meet the challenge or whether they are overcome by it. The world's democracies have come to a fork in the road. There is a route to success, and there is a route to failure.

It is fundamentally important to understand that any strategy for meeting the CCP's challenge that frames it at the outset as a twenty-first-century contest between the United States and China has immediately ceded to Beijing the only conceptual and, indeed, practical terrain on which China can conceivably prevail. For it is precisely the effective deployment of the almost unimaginable power and wealth and technological prowess of the United States in conjunction with its vast array of allies all across the world that will guarantee that the challenge from China can be met and met handily. China has no allies. Instead, it has a motley band of quasi clients, such as North Korea and Pakistan, and opportunistic relationships of convenience with nations such as Russia—all nations that China can never trust and that in turn will never trust China.

This is not the same thing as America's alliance with Canada, or Great Britain, or Japan—where long-standing cooperation cemented in values and history create relationships of real meaning and, therefore, power. In so far as the United States retains the ambition to play the preeminent role in shaping the international system, it can do so successfully only by deploying the multiplier effect provided by its allies. Given the growing strength of China on so many fronts, this implies a far more cooperative and indeed egalitarian approach to alliances than the United States was used to in the twentieth century (see Chapter 6). This will require a change in mindset throughout the U.S. foreign policy establishment that goes far beyond the idiosyncrasies of any particular president or administration. But the prize is real. The United States remains the democratic world's natural leader. Multiplied by its allies, it can lead an unbeatable combination that can last all the way through the twenty-first century.

"The standoff with Xi's China is indeed a decisive moment in history, and the decisions democracies take over the course of the next decade will, to put it bluntly, determine whether they meet the challenge or whether they are overcome by it."

By contrast, the United States versus China—seen through a lens in which Washington forlornly adopts archaic twentieth- or even nineteenth-century approaches to square up to a Beijing with three times the population and perhaps twice the GDP by mid-century—most likely means victory for Beijing. Even

in a best-case scenario for the United States, where China's economic growth falters somewhat and its demographic imbalances come back to haunt it, China is going to be at least as big a player as the United States, however hard that may be for Americans to internalize.[26] If Washington goes it alone, the twenty-first century will be a place in which the United States gets pushed around a lot more than it is used to. And it will be an even worse place than that for the rest of the world's democracies, who risk being left clinging on to as much as they can, while scurrying around the diplomatic, economic, and perhaps military theaters of confrontation, desperately trying to dodge the flying shrapnel in a world governed only by the law of the jungle.

With an urgency unseen since the end of the Cold War, the China challenge therefore presents both the United States and its allies around the world with an offer that neither the United States nor those allies can afford to refuse: reforge, rebuild, reinvigorate, and reimagine alliances between democracies, or face the consequences. That, above all else, was the message HFX received from the nine months of research it conducted.

Can this be done? In one sense, democracies are already ahead of the game. It is true that many alliances between the United States and other democracies have been strained in the post–Cold War era. While it is tempting to blame this on the Trump administration, it is worth remembering how cold the Obama administration seemed to traditional allies such as Great Britain, or how heated some of the exchanges were in the early 2000s between European nations such as France and the Bush administration. And yet, these alliances have survived. There is plenty to work with.

The core of the China challenge is to create or breathe new life into alliances and partnerships of democracies, not as they were conceived for the twentieth century, but as they must be reimagined and reformed for the twenty-first. That is how democracies will win the twenty-first century's Greatest Game. But to get there, democracies everywhere must first understand what they are dealing with.

CHAPTER 1
HOME RULES

On June 12, 2020, the family of Chen Mei, an archivist working on an online project to publish material about the COVID-19 outbreak across China, received a call from the police. They were told Chen was being held at the Chaoyang Detention Center in Beijing. It was with a certain relief that they learned he was still alive. Chen, like tens of thousands of others, had been "forcibly disappeared" fifty-four days earlier. His crime? "Picking quarrels and provoking trouble" under Article 293 of the Chinese Criminal Law, which Amnesty International calls a "broadly defined and vaguely worded offence that has increasingly been used to target activists and human rights defenders."[29]

Chen Mei is far from alone. Indeed, there are far more egregious human rights abuses going on in contemporary China, including the seven-decades-long occupation of Tibet, during which more than a million Tibetans have been killed.[30] In addition, Amnesty International estimates that up to a million Turkic Muslim Uyghurs in Xinjiang Province have been incarcerated in so-called "transformation-through-education" camps. According to Amnesty, "The detentions appear to be part of an effort by the Chinese government to wipe out religious beliefs and aspects of cultural identity to enforce political loyalty."[31]

As much as these atrocities speak volumes about the brutal oppression that the Chinese Communist Party (CCP) is capable of visiting upon anyone who gets in its way, the more seemingly banal cases of Chen Mei and many like him are just as telling about the nature of the challenge that China poses to democracies around the world and, indeed, to the entire international community. In the spring and summer of 2020, with hundreds of thousands of people dead across the globe from a pandemic that began in China, Chinese citizens were *still* being arrested for collating vital information about the origins of COVID-19.[32]

There could be no clearer illustration of the crossover between the domestic human rights situation of this rising power, and the figurative and literal health of the democratic world. Standing shoulder to shoulder with the victims of CCP oppression is in democracies' vital interests.

This chapter will make clear that it is the very nature of China's regime, most particularly as it has been fashioned by Xi Jinping, that poses a unique and urgent threat to democracy.

An uncompromising tyranny

CCP tyranny has a long and sordid history. Since the regime's founding in 1949, it has been a one-party dictatorship determined to remain in power at all costs and at any price. Some of its lowlights include:

- *The Great Leap Forward from 1958 to 1962.* Mao Zedong's CCP was responsible for as many as forty-five million deaths during this period. Frank Dikötter, a historian, writes, "It is not merely the

extent of the catastrophe … but also the manner in which many people died: between two and three million victims were tortured to death or summarily killed, often for the slightest infraction."[33]

- *The Cultural Revolution from 1966 to 1976.* No one knows exactly how many people were murdered or driven to suicide, but collective killings for perceived anti-CCP attitudes were one of its hallmarks. There is no shortage of stories about atrocities committed, even by one neighbor against another. Yang Su, a scholar, wrote that "at least four hundred thousand and possibly as many as three million were killed in the countryside villages by neighbors."[34]

- *Tiananmen Square on June 4, 1989.* Even with the entire world watching, China's People's Liberation Army killed or injured thousands of demonstrators and bystanders. Tens of thousands were arrested in the aftermath.[35]

Today, Xi has rejected even the hesitant opening up of civil society that had developed in the 1980s and 1990s. Freedom House, which ranks China "Not Free"—its lowest category in terms of political freedoms— noted starkly in a 2019 report: "China's authoritarian regime has become increasingly repressive in recent years."[36]

This is entirely reflective of the ideological precepts that Xi sought to suture into China's political culture from the beginning of his tenure as leader. In 2013, a "confidential" CCP communiqué was circulated to all sections of the party and state. Known as "Document No. 9," and bearing the unmistakable imprint of Xi, it warned of and demanded action against "false ideological trends, positions, and activities," including any attempts to promote democracy, civil society, or "universal values" (see Figure 1.1).[37]

SEVEN "SINS" OPPOSED BY THE CCP

1. **Promoting Western constitutional democracy in an attempt to undermine the current leadership and the CCP's brand of the socialism with Chinese characteristics.**
2. **Promoting "universal values" in an attempt to weaken the theoretical foundations of the party's leadership.**
3. **Promoting civil society in an attempt to dismantle the ruling party's social foundation.**
4. **Promoting neoliberalism in an attempt to change China's basic economic system.**
5. **Promoting the West's idea of journalism in an attempt to challenge China's principle that media and publishing systems should be subject to party discipline.**
6. **Promoting historical nihilism in an attempt to undermine the history of the CCP and of New China.**
7. **Questioning CCP's reform and opening strategies as well as the socialist nature of China's new CCP socialism.**

Figure 1.1 *Seven "Sins" Opposed by the CCP.*
Source: ChinaFile, "Document 9: A ChinaFile Translation"[38]

The CCP has been sedulous in thwarting each and every one of these purported threats to its rule.

China's uncompromising tyranny can be seen in its internet censorship and surveillance. Although the "Great Firewall," which limits internet connections to the outside world, gets much of the attention, the CCP has also placed restrictions on apolitical social media platforms and continues criminal prosecutions for political, social, religious, and even humorous speech online. New advances in artificial intelligence and facial recognition have been incorporated into the regime's surveillance state, offering the frightening potential for crackdowns.[39]

In recent months, analysis of thousands of satellite images revealed more disturbing evidence of a "vast, growing infrastructure for long-term detention and incarceration" in Xinjiang Province. Regime leaks make clear that Xi and other leaders have been driving the campaign against the Uyghurs directly (see Figure 1.2).[40]

Consensus no more

This is not how many in the democratic world had envisaged matters evolving in China. For much of the post–Cold War era, Western governments, and Westerners generally, assumed that as China accrued the benefits of capitalist economics, democratic politics, albeit in fits and starts, would inevitably follow. As former U.S. President Bill Clinton said of the country's accession into the World Trade Organization (W.T.O.): "Membership in the W.T.O., of course, will not create a free society in China overnight. ... But over time, I believe it will move China faster and further in the right direction, and certainly will do that more than rejection would."[41] President George W. Bush was, if anything, even more confident that China was on the path to democratic reform. In a speech in China in 2002, he said bluntly, "Change is coming."[42]

The U.S. consensus held firm through Democratic and Republican administrations, including during moments of crisis like the 2001 spy-plane saga and the 2008 financial crisis.[43] It only began to shake toward the end of

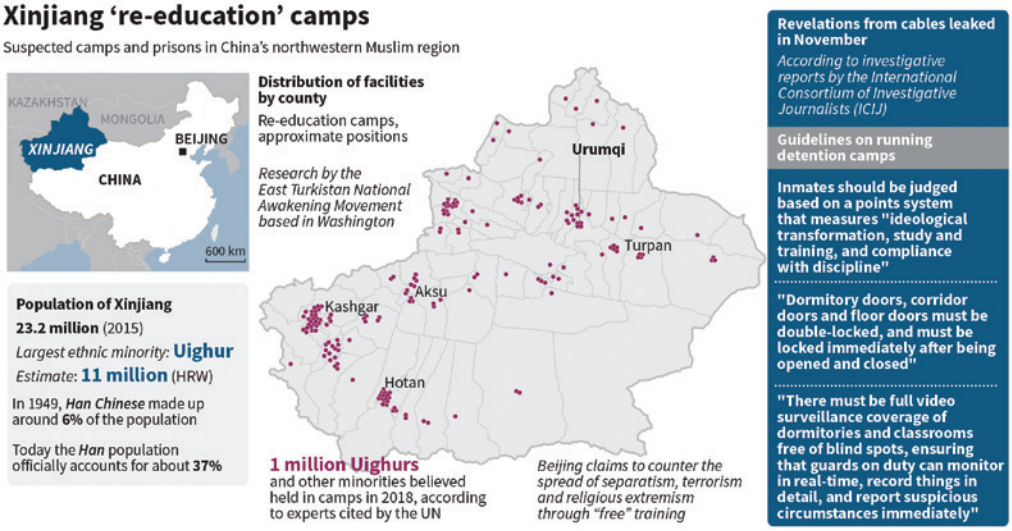


Figure 1.2 Xinjiang's 're-education' camps. Source: Agence-France Presse

President Barack Obama's second term. In 2015, the White House Press Office released a Factsheet to journalists, which, in one section, read: "[W]e are managing the real and complex differences between us—in areas such as cyber, market access, maritime security, and human rights—with candor and resolve. China cannot effectively wield influence while selectively opting out of international norms."[44]

Nerves were plainly beginning to jangle, and recognition of the need to reconsider the whole relationship with China started, slowly but surely, to crystalize. Under the presidency of Donald Trump, the old approach to China, as to much else, evaporated. It was transformed into tit-for-tat trade wars, increasingly abrasive rhetoric, and ever more proactive measures from Washington to counter Beijing-inspired intellectual property theft, cyber espionage, and intrusive behavior from Chinese tech companies (see Chapter 4).

Seen over a 30-year perspective, there has been a 180-degree turn. And while it is easy to be wise with hindsight, it is foolish not to make use of hindsight when one has it. Of course, there is room for reasonable disagreement about the pace, intensity, and selection of priorities inside the much-needed counter-strategy to Beijing's ambitions on the global stage (see Chapter 2), but the reality of what this regime is and what it wants needs to be kept front and center if democracies are to be properly equipped to meet the challenge it poses.

Capitalist, and nationalist, but Leninist, too

If there is one matter that has tended to throw people off course in their attempts to understand China's present-day rulers, it is the apparent contradiction between an avowedly communist, one-party state and its fulsome embrace of capitalism. The economic growth due to a form of state-directed capitalism that has lifted hundreds of millions of Chinese citizens out of poverty and that functions as a central pillar of the CCP's legitimacy is surely proof in itself, many argue, that the commitment to communism is purely vestigial—the legacy mantle of an ideology that no one, least of all China's leaders, remotely believes in.[45]

Another central pillar of today's CCP that does not sit easily with orthodox communist ideology is Chinese nationalism. Beijing remains committed to forging ahead from the so-called "century of humiliation," during which China struggled under colonial and great-power politics. In Xi's keynote address to the nineteenth National Congress in 2017, he referred to the "Chinese dream of national rejuvenation," "Chinese wisdom," and "socialism with Chinese characteristics."[46] These sound like the kinds of utterances that Marx, who regarded nationalism as a retrograde form of political identity, was wont to deride with a biting sarcasm. Even many Western liberals would today find it jarring to talk in such overtly nationalistic terms. The word "socialism" in that context looks like window dressing. As one scholar observed, "It appears evident on closer examination of official discourses that such elements as Marxism, socialism and communism are reduced to empty signifiers in contrast to elements of nationalism."[47]

One can still find references inside Communist Party leaders' speeches to "the revolution" and "communism," though the latter is conveniently consigned to the realm of the distant future. As Xi averred, speaking to the CCP Central Committee in January 2013, "The *eventual* demise of capitalism and

the *ultimate* victory of socialism will require a *long* historical process to reach completion" (emphasis added).[48]

What has any of that really got in common with a modern-day China that is the world's biggest importer of Rolls Royces and in which Xi's "Chinese Dream" is built as much as anything else on a quintessentially capitalist ethos of *enrichissez-vous*?[49] And yet, China continues to call itself a communist state, and it is ruled by the Communist Party.

If China's leaders have embraced both nationalism and at least some form of capitalism, why do they not simply call the whole thing off? That is, of course, precisely what American and Western leaders predicated their relationship with China on for much of the last three decades. They erred because they misunderstood the political core of the Leninist project.

past, a mythology, a culture that requires that CCP leaders repeat mantras, such as "the eventual demise of capitalism," even if they may not believe in them. But not believing in these mantras does not imply that they lack meaning. On the contrary, they have a vital meaning since they signal to CCP members and wider Chinese society that the party means business. To challenge it would be to challenge a locomotive that has been hurtling through Chinese society for decades and that has been prepared to run over anything in its path. It won't easily be stopped.

The confusion here, deeply embedded in some sections of the Western intelligentsia, lies in the belief that Marxism-Leninism was an essentially benign ideology of social development and justice that was hijacked by despots in the context of Russian and Chinese political cultures and histories where liberalism was absent. A better

"The sole, overriding, animating goal of the CCP is to remain in power. Survival is all that matters."

In the first place, the system has solidity simply because it is there. Current and aspiring leaders have little personal incentive to rock a boat that provides them with meaningful, real-world benefits. But more consequentially, they *are* Leninists. Xi, who was schooled during the Cultural Revolution, is a true believer. Of course, he does not believe that nationalizing the commanding heights of the economy, to use the old parlance, would offer a better route to economic success than the current combination of markets and state directed private industry.[50] But he and the CCP *are* fundamentally committed to communism as a political system.

Within and around that system, there is a

explanation is that Marxism-Leninism was first and foremost a despotic ideology that hijacked anti-capitalist ideas about development and social justice as a cover for its totalitarian essence. Nothing was sacred if state-controlled capitalism and nationalism proved to be better vehicles for the totalitarian party. The sole, overriding, animating goal of the CCP is to remain in power. Survival is all that matters.

Indeed, one of Xi Jinping's earliest moves as CCP leader in 2012 was to require party members across China to watch a documentary about the demise of the Soviet Union. In what became known as his New Southern Tour Speech, Xi asked, "Why did the Soviet Communist Party

collapse?" He shared an answer:

An important reason was that their ideals and beliefs had been shaken. In the end, "the ruler's flag over the city tower" changed overnight. It's a profound lesson for us! To dismiss the history of the Soviet Union and the Soviet Communist Party, to dismiss Lenin and Stalin, and to dismiss everything else is to engage in historic nihilism, and it confuses our thoughts and undermines the Party's organizations on all levels.[51]

For the benefit of anyone who may still harbor doubts about the CCP's absolute determination not to go the way of the Communist Party of the Soviet Union, he concluded: "A big party was gone just like that. Proportionally, the Soviet Communist Party had more members than we do, but nobody was man enough to stand up and resist."[52]

This does not mean that China today looks like the totalitarian, Leninist societies of yesteryear, or that Xi wants it to. The fact that there is a quasi-capitalism all over modern China makes the kind of total control of society aimed at by the Soviet Communist Party in the 1930s impossible, though the CCP's embryonic, digitally powered surveillance state may yet yield an even more complete form of totalitarianism than Stalin could have dreamed of.

A consultative Leninism?

China watchers will not infrequently happen upon a characterization of the regime's stance known as "consultative Leninism."[53] It sounds promising. Perhaps the CCP has found a way to embrace democratic pluralism in the context of a one-party state? It may have been this line of thinking that encouraged Michael Bloomberg, the multibillionaire, former New York mayor, and candidate in the 2020 Democratic Party presidential primaries, to assert that Xi was "not a dictator." Bloomberg continued, "He has to satisfy his constituents or he's not going to survive."[54]

It seems that some Westerners still remain persuaded by the post–Cold War belief that democracy is on an inexorable march (see Chapter 2). As a result, they look for reasons why authoritarianism may not be all that it appears to be. Are there not "stakeholders" whose interests the CCP seeks to accommodate? Does Xi not want to strengthen his legitimacy among the Chinese people? Undoubtedly. All political systems that are more sophisticated than a tin-pot, military dictatorship take account of stakeholders. They all crave legitimacy. Communist-ruled China is no exception.

To that end, the CCP has sought to abolish poverty, improving the material prosperity of the Chinese people. (Of course, no one should forget that it was the CCP that caused a lot of the poverty in the first place through disastrous ventures such as the Great Leap Forward.)[55] Moreover, it rules a country of 1.4 billion people.[56] It cannot maintain a mission of "national rejuvenation," nor a hold on power, without bringing along significant segments of the Chinese population. Which returns the discussion to "consultative Leninism," of which scholar Steve Tsang identifies five elements:

- "the Communist Party is obsessively focused on staying in power, for which maintaining stability in the country and pre-emptively eliminating threats to its political supremacy are deemed essential;

- "a focus on governance reform both within the Party and in the state apparatus in order to pre-empt public demands for democratization;

- "a commitment to enhance the Party's capacity to elicit, respond to and direct changing public opinion;

- "a commitment to sustain rapid growth and economic development by whatever means and, where the party leadership deems politically expedient, regardless of its previous ideological commitment to Communism; and

- "the promotion of a brand of nationalism that integrates a sense of national pride in a tightly guided narrative of China's history and its civilization with the greatness of the People's Republic under the leadership of the Party."[57]

He continues: "Even though Communism is no longer the ultimate goal for development, the Communist Party keeps its Leninist structure and organizational principles and remains totally dedicated to staying in power. It is anti-democratic in nature and relies on the Party as the principal instrument to exercise control over the state institutions."[58]

In sum, the CCP's relationship with the Chinese people is aimed precisely at sustaining its own, unchallenged, authoritarian rule. It wants to be popular; it needs legitimacy. The fact that it is not deaf to the aspirations of the people it governs in no way means that the CCP is remotely democratic or pluralistic in its relationship with Chinese society. There are, of course, different shades of opinion inside the party itself. CCP members are not clones. But there is no room for discussion inside or outside the party about whether its rule should or should not be supreme.

CHAPTER 2
DEMOCRACIES IN THE CROSSHAIRS

The price of freedom, it seems, can be measured in dollar terms. In the case of the 2016 blockbuster Doctor Strange, the valuation came in at a little over $110 million. This was what the Marvel superhero movie earned at the Chinese box office.[59] No one, it seems, was going to risk a paycheck of that magnitude by offending the CCP. In the original comic book, a character named "the Ancient One" was a Tibetan man possessed of magical powers. In the movie, the Ancient One was played by the very un-Tibetan Tilda Swinton, an actress of Scottish heritage. Not only was the part not played by a Tibetan, or even Asian actor; the role was changed so that Swinton's character reflected Celtic rather than Tibetan origins.[60]

It was an odd turn of events. It soon became odder still. Before the movie's release, screenwriter C. Robert Cargill explained the Ancient One's metamorphosis: "If you acknowledge that Tibet is a place and that he's Tibetan, you risk alienating one billion people who think that that's bullshit and risk the Chinese government going, 'Hey, you know one of the biggest film-watching countries in the world? We're not going to show your movie because you decided to get political.'"[61]

Disturbing as that explanation may be, the subtext is even worse. The CCP was able to exert censorship in the United States, and across the world, even when it hadn't been asked for. Those who remain mired in denial about the threat that Beijing poses to democracy and to the values that democracy embodies would do well to ponder on that story. Chinese tyranny coming soon to a theater near you is no longer a figure of speech.

What China wants from the world

In October 2017, Xi gave a speech to the nineteenth National Congress in Beijing's Great Hall of the People. In it, he was clear about China's intentions for the world. He said that China was "blazing a new trail for other developing countries to achieve modernization," and "China will continue to play its part as a major and responsible country, take an active part in reforming and developing the global governance system, and keep contributing Chinese wisdom and strength to global governance."[62] In case there was any ambiguity about what "Chinese wisdom and strength" meant, he continued, "History looks kindly on those with resolve, with drive and ambition, and with plenty of guts; it won't wait for the hesitant, the apathetic, or those shy of a challenge."[63]

In "Thought on Socialism with Chinese Characteristics for a New Era," a specifically Xi-inspired contribution to party ideology, he early in his speech clarified that "diplomacy with Chinese characteristics aims to foster a new type of international relations and build a community with a shared future for mankind."[64] That this shared future does not include liberal democratic values should by now be obvious.

In attempting to understand Chinese foreign policy toward democracies around the world, it is of crucial importance always to keep in mind that it is the endurance of CCP rule at home that is the overriding priority.

Consider a landmark speech delivered in Beijing in 2018, in which Xi delineated a list of ten maxims of Chinese foreign policy. At the very top of the list was Xi's instruction to everyone involved in the theory and practice of Chinese foreign policy to: "Uphold the authority of the CCP Central Committee as the overarching principle and strengthen the centralized, unified leadership of the Party on external work."[65]

In 2009, prior to Xi's accession to power, the state councilor in charge of Chinese foreign policy ranked China's core external interests as "foremost, preserving China's basic state system and state security; after this, national sovereignty and territorial integrity; and in third place, sustain stable development of the economy and society."[66] Note how the preservation of the state system—Communist Party rule—comes even before national sovereignty or economic stability. This order of priorities has continued to hold. In 2017, one of Xi's foreign policy advisers cited his leader's instruction that "upholding the leadership of the Chinese Communist Party and socialism with Chinese characteristics is the most basic task in foreign policy."[67]

Recognizing this reality helps explain the widely noted but at first sight bewildering fact that China has hitherto played only ancillary roles in humanitarian and strategic issues, from North Korea to the Middle East.[68] Great powers typically take on a more global role, for both the prestige, and as a demonstration of their indispensability in international affairs. China's participation in such matters has been patchy.

North Korea is a fascinating case study. Beijing has, of course, been involved and is a vital and influential player. But, as scholars of North Korea have noted, China has been cautious and often tentative in its approach, fearing a collapse of the regime more than finding a lasting solution to the problem.[70] Why might this be? Certainly, Beijing fears the prospect of a unified peninsula potentially leading to a reunited and ultimately more powerful Korea under Seoul's control, right on its border, and allied to the United States. Another possible answer—the two are not mutually exclusive—is that North Korea is also a Leninist state, albeit a very strange one. As one leading expert has suggested, even though it would be manifestly in the interests of the Chinese nation to sort out an extremely dangerous nuclear standoff on the Korean Peninsula, undermining a communist regime in Pyongyang could trigger disquieting and potentially destabilizing questions at home.[71] A CCP that is obsessively aware of how one regime after another collapsed in Eastern Europe in 1989 is not of a mind to light a fire so close to home.

The same focus on the sustenance of CCP rule domestically also applies to international humanitarian efforts, on which China has been conspicuously

absent. COVID-19 provided a perfect illustration of an exception that proved the rule. China *did* get involved, but precisely because, having censored the doctors and silenced the scientists in the pandemic's early stages, the reputation of the CCP and its system of rule came under intense scrutiny, both at home and abroad.[72] In other humanitarian ventures, China has typically been lackluster, to say the least.[73]

Some of this could change as the ideological contest between the People's Republic of China (PRC) and the world's democracies ramps up in the years to come. But the way Beijing behaves in the international community provides convincing evidence that it is indeed the preservation of the communist system in Beijing that is first and foremost in Chinese foreign policy. This has inescapable implications for any serious attempt to comprehend China's threatening stance toward democracies around the world.

Power tools

While many China watchers are prepared to accept that the CCP is an oppressive ruler at home, and that it may pose a threat in its immediate vicinity—Taiwan and Hong Kong, first and foremost—it is all too often, explicitly or implicitly, suggested that the rest of the world can breathe easy. Compared with the Soviet Union's expansionist-ideological playbook of the twentieth century, modern-day China is not seen to be in the business of exporting ideology. In some ways, that is correct. The CCP does not support, overtly or covertly, workers' parties in foreign democracies. It does not instigate communist coups. Its cyber campaigns of disinformation are not peppered with ideological slogans. Beijing wants cash, not comrades. It is more Marks & Spencer than Marx and Engels.

But that is only part of the story. Beijing does want cash, but it also wants conformity. To enforce the latter, it has multiple tools at its disposal.

One is the United Front Work Department. It is among China's main headquarters for efforts to exert influence on major issues of concern to the CCP. From undermining Tibet and the Dalai Lama, to promoting loyalty to the CCP in Hong Kong, Taiwan, and Macau, the United Front works across the globe to boost pro-Beijing leaders. It has been invigorated under Xi.[74] To cite one example of activities that have been going on for many years now, the United Front teaching manual, obtained by *Financial Times* in 2017, "notes approvingly the success of overseas Chinese candidates in elections in Toronto, Canada. In 2003, six were elected from 25 candidates but by 2006 the number jumped to 10 elected from among 44 candidates."[75]

China's economic and technological espionage extends deep into U.S. higher education, facilitated by large monetary gifts to universities and enticements to scholars. The highest-profile case involved the former head of Harvard's chemistry department, Charles Lieber. He was arrested in January 2020 on charges of failing to disclose payments from China under a secret three-year contract with a Chinese university as part of Beijing's so-called "Thousand Talents" program.[76] Lieber is just one scholar inside a massive Chinese espionage and influence operation. The U.S. Department of Education "has uncovered over $6.5 billion of previously unreported foreign donations to U.S. Institutes of Higher Education," some of which are from China.[77]

The PRC also suppresses anti-CCP views

in higher education through its worldwide network of Confucius Institutes, funded by the government of China and installed at universities around the world. The U.S. National Association of Scholars counted seventy-five Confucius Institutes in the United States as of June 2020, including sixty-six at colleges and universities.[78] According to the association, the Confucius Institutes "compromise academic freedom, defy Western norms of transparency, and are inappropriate on campuses."[79]

China is not above hostage-taking to further its foreign policy ambitions. At the time of this writing, China was using two Canadian citizens as bargaining chips in its bid to force Canada to release Huawei's Chief Financial Officer Meng Wanzhou. Meng was detained and placed under house arrest in Vancouver in December 2018 on an extradition request from the United States for violating sanctions against Iran. Subsequently, Canadians Michael Spavor and Michael Kovrig, two consultants, were arrested and jailed in China. In July 2020, the "Two Michaels," as they are known, were charged with espionage by Chinese authorities in a blatantly political move.[80]

Hong Kong, of course, is on the front line. In June 2019, hundreds of thousands of people took to the streets to protest a new law that would allow Beijing to extradite Hong Kong citizens to mainland China. The bill was quickly withdrawn under public pressure, but citizens demanded investigations into rampant police brutality and pushed for reforms to protect their democratic rights under the "One Country, Two Systems" framework in place since 1997.[81] In July 2020, the Central Committee in Beijing imposed a draconian national security law on Hong Kong, allowing for the swift arrest of hundreds of peaceful protestors, the removal of pro-democracy books from Hong Kong public libraries, and the censoring of school textbooks. It even went so far as to include under its remit Hong Kong residents living abroad as well as foreign nationals. Almost immediately after the law came into effect, it became clear that a new and repressive era had dawned; it involved the arrest and charging of pro-democracy activists and high-profile critics of Beijing, as well as bans on pro-democracy candidates running in local elections.[82]

The wider Asia-Pacific region is also prey to Beijing's nefarious ambitions. In 2017, Australian Labor Party Senator Sam Dastyari had to resign when it was revealed that he accepted donations from Chinese billionaire Xiangmo Huang, that he had tried to influence his benefactor's citizenship application, and that he had warned Xiangmo of surveillance by Australian authorities.[83] The Dastyari scandal prompted the Australian government to expel Xiangmo and pass new laws on espionage and intelligence that require people working in Australia on behalf of foreign governments to declare such connections to the Australian authorities.[84]

"...it became clear that a new and repressive era had dawned: it involved the arrest and charging of pro-democracy activists and high-profile critics of Beijing..."

A subtler challenge to democracy

While such blatant interference continues, Beijing often adopts a "subtler" approach. China is an economic colossus that uses its growing prosperity to both secure the

legitimacy of CCP rule at home and to extend Chinese influence abroad. It does so not with twentieth-century ideological battles and proxy wars, but with a twenty-first-century appreciation for how to use Western consumer demand to undermine the West's own values.

For example, in October 2019, Daryl Morey, the general manager of the Houston Rockets, posted a message on Twitter in support of Hong Kong's pro-democracy activists. The statement enraged officials in Beijing, who pulled National Basketball Association (NBA) games from Chinese television, costing the NBA hundreds of millions of dollars. China is the NBA's most profitable foreign market, valued at $5 billion annually.[85] A groveling apology followed the incident, with the NBA saying that Morey's remarks had "deeply offended many of our friends and fans in China, which is regrettable."[86]

Such bullying tactics extend to Central Europe. Soon after Prague's Mayor Zdenek Hrib was elected in November 2018, he began to question Beijing's "One China" stance, which among other things discredits the freedom and legitimacy of Taiwan. In January 2019, Hrib hosted the Taiwanese ambassador at a City Hall event. China retaliated by canceling the Czech Philharmonic's fall 2019 tour of China, costing the orchestra several million Czech crowns.[87] At the same time, it was revealed that the wealthiest Czech businessman had surreptitiously paid for a public influence campaign to promote pro-China views in the Czech Republic.[88]

Those familiar with the Dr. Strange fiasco (see above) will not be surprised to learn that Hollywood has continued to appease Beijing's sensibilities, sacrificing artistic independence and integrity to rake in hundreds of millions of dollars from the booming Chinese film market. Among a growing list of examples is the removal of Taiwanese and Japanese flags from the jacket of Tom Cruise's character in trailers for the 2021 sequel to Top Gun.[89] There's more. In September 2020, nineteen members of Congress sent a bipartisan letter to Bob Chapek, the CEO of Walt Disney, inquiring as to why Disney had appeared to cooperate with "Xinjiang Uyghur Autonomous Region's (XUAR) security and propaganda authorities in the production of Mulan," a movie drama based on Chinese folklore.[91] Summarizing this parlous state of affairs in August 2020, PEN America said in a report that "Hollywood's approach to acceding to Chinese dictates is setting a standard for the rest of the world."[92]

Some of the most high-profile, multinational companies have also kowtowed to Beijing. In 2018, Marriott upset Chinese communists by sending a customer questionnaire listing Tibet, Hong Kong, Macau, and Taiwan as countries, and it further enraged the CCP when a junior employee "liked" a tweet in support of Tibet's independence. China's cyber authority blocked Marriott's website and app in China. Marriott then debased itself with a series of public apologies, including from the company's president. It even fired the $14-an-hour social media manager, who had been responsible for the Twitter activity in question.[93] Examples beyond Marriott abound. From Calvin Klein to Versace, McDonald's to Mercedes-Benz, companies around the world have swiftly apologized for any perceived slight to CCP sensitivities.[94] Along with rampant espionage and military pressure, these intimidation and blackmail techniques form what one scholar has called "the New China Rules."[95]

Undermining the democratic order

Not content to undermine democracies and their values, Beijing is plainly intent

on undermining the international order that serves them both. This is one reason why China actively backs tyrannies at the same time as opposing democracies. Support for Nicolas Maduro's Venezuela is one example; working hand in hand against democratic norms with Russia is another.[96,97] Bashar al-Assad's Syria is also on Beijing's radar, though it has let Russia do the dirty work.[98] Making the world safe for authoritarianism is a guiding maxim of Chinese foreign policy.

As an aspect of this, there are growing concerns that Beijing is creating structures that could lead to a parallel system of global governance designed to shape the international order in China's image, or at least in its strategic interests. The One Belt One Road Initiative (see Chapter 3) is often described as central to this ambition. The New Development Bank, headquartered in Shanghai, and the Asian Infrastructure Investment Bank, based in Beijing, have also been raised as potential building blocks for this parallel world order, though some observers dispute their effectiveness.[99]

China has also sought to capture established international institutions, making them either ineffective at their missions or better at protecting Beijing's interests. As such, China is insinuating its own illiberal standards and values at every opportunity.

Beijing has made it a priority to install its representatives as leading figures in international organizations, including the International Telecommunication Union, the International Civil Aviation Organization (ICAO), and the Food and Agriculture Association.[100] Such positions have allowed China to protect its regime and undermine what it sees as threats. For example, Beijing leveraged its leadership of ICAO to block Taiwan from the organization, promoting Beijing's position that Taiwan belongs to mainland China and excluding Taiwan from coordination efforts to address the spread of coronavirus.[101]

Nowhere has this effort been more direct than at the United Nations. Xi has made China a more active player on the powerful U.N. Security Council, most

often as a spoiler. In the thirteen years since 2007, China has vetoed eleven Security Council resolutions, compared with just two in the thirteen years prior to that.[102] Analyst Kristine Lee explains the PRC's strategy as follows: "Through a combination of deft coalition-building, strategically timed financial contributions and narrative-shaping efforts, Beijing has made progress in transforming the U.N. into a platform for its foreign policy agenda, including advancing China's economic interests, stifling dissent and democracy, and hollowing out the rules-based order."[103]

Most grotesquely ironic is the PRC's infiltration of the U.N. Human Rights Council, in which it successfully passed resolutions in 2017 and 2018 that create additional maneuvering room for the government of China to infringe on human rights.[104] Over the protests of rights groups, China has already served four terms on the Council and, as of this writing, is poised to be elected for a fifth two-year term.[105] In November 2019, China even joined Russia to enable additional censorship and surveillance by authoritarian governments with a resolution to "fight cybercrime."[106]

"Most grotesquely ironic is the PRC's infiltration of the U.N. Human Rights Council, in which it successfully passed resolutions in 2017 and 2018 that create additional maneuvering room for the government of China to infringe on human rights."

One of the most egregious instances of Chinese malign influence in international institutions came as the world was just starting to grapple with the implications of COVID-19. In January 2020, World Health Organization (WHO) Director-General Tedros Adhanom Ghebreyesus lavished praise on China for its coronavirus response, ignoring Beijing's policy of hiding the COVID-19 crisis in Wuhan by silencing its own doctors and withholding vital information from the WHO about the virus.[107,108] The CCP's concealment strategy meant that the WHO only declared an international health emergency on January 30, 2020, a month after it had first requested information from China.[109] In addition, Beijing's petty exclusion of Taiwan from the WHO meant that when Taiwan's Central Epidemic Command Center (CECC) warned the WHO about the possibility of human-to-human transmission of the coronavirus on December 31, 2019, "the WHO didn't take the information provided by Taiwan seriously, and [the CECC believes] that led to the delayed global response to the COVID19 pandemic."[110] The Associated Press reported that "China stalled for at least two weeks more on providing WHO with detailed data on patients and cases, according to recordings of internal meetings held by the U.N. health agency through January—all at a time when the outbreak arguably might have been dramatically slowed."[111]

The above list of cases is far from exhaustive. Even in abridged form, it nonetheless provides overwhelming evidence that the idea that Beijing's authoritarian ambitions are merely domestic or regional is simply wrong.

Not so Soviet, not so lucky

It sometimes seems that a big part of the problem in widening an understanding of the nature of the challenge from Xi's China is that some do not want to understand it. As suggested in Chapter

1, the previous U.S. consensus on China reflected deep-seated convictions among Western decision makers and thought leaders. That consensus, and the threads attached to it, which still remain, was based on certain core assumptions about the inevitability of freedom following the West's victory in the Cold War.

That line of thinking achieved its most famous expression in Francis Fukuyama's "End of History" paradigm.[112] Its core proposition was that while the to-ing and fro-ing of political and historical events would continue, the ideological struggle was over, for all time, and the Western model of liberal-democratic capitalism would inexorably expand until there was nothing but that left. The world is still waiting. And there is a whole gamut of explanations (some, to be fair, offered by Fukuyama himself) to make clear that the problem is greater than a lack of patience.[113]

China, perhaps above all other possible illustrations, brings "The End of History" paradigm to its knees. Quite apart from the fact that it was the kind of complacent assumptions flowing from that paradigm that sent everyone to sleep over China's rise, the real problem is the roaring "success" of Xi's particular brand of authoritarianism. It is possible to be even more precise. The coexistence (see Chapter 1) of a Leninist party state with capitalism (albeit state-directed) in the most populous country on the planet provides significant evidence that the contest definitively won in 1989 was primarily economic. Capitalism as a means to accumulating wealth and spreading material prosperity defeated state socialism and did so once and for all. By contrast, liberal-democracy's victory was partial, and localized, and in important respects, now threatens to be reversed, even in the most advanced democracies.

Apart from the ill-fated "End of History" paradigm, there are also misleading historical analogies to contend with in any attempt to establish a clear understanding of the contemporary challenge from China to the outside world. Drawing parallels with the Soviet Union, for instance, is an easy way of leading oneself astray. The analogy is admittedly seductive: like China today, the Soviet Union was a major power with global reach; it was a competitor to the United States and its allies; and, of course, it was ruled by a communist party. But the differences are at least as significant as the similarities. In stark contrast with anything even the most optimistic Soviet leader could ever have imagined for the Soviet Union, China is well on the way to equaling and even exceeding the United States economically. The very nature of the globalized twenty-first-century economy, and China's integral place within it, is far removed from the twentieth-century bipolar world in which the Soviet Union was an economic backwater. China today is a leader in a digital revolution that had not yet taken off in the Cold War era. The CCP bullies countries into submission not with force or by fostering local, Marxist-Leninist affiliates, but by using debt and foreign direct investment (see Chapter 3). China occupies Tibet and threatens Taiwan. But it does not have a colonial-style empire across half a continent as the Soviet Union had in Eastern Europe.

In an ironic twist, those who accuse people taking the challenge from China seriously of wanting to launch a new Cold War, appear themselves to be the ones who are locked in Soviet-era thinking. Some who were schooled in the Cold War–era find it hard to recognize a twenty-first-century global threat to democracy unless it comes with the political economy, the colonial ambitions,

and the ideological bells and whistles of the twentieth-century Soviet Union.

The truth starting to dawn on many involved in this discussion is that the challenge to the world's democracies mounted by China today is not only different from the one mounted by the Soviet Union, but potentially more difficult to deal with. China is simply a much bigger and much richer competitor. In a global economy, the wealth of one is tied up with the wealth of all. Through that, China's very integration and connectedness with the world's democracies brings the CCP's challenge much closer to home than the Soviet threat ever was. It is a dilemma that is not easy to resolve, though China itself may now be forcing the issue. The kind of Chinese behavior outlined in this chapter is starting to provoke a backlash. Chinese tech companies are increasingly seen as pariahs (see Chapter 4). Once defunct alliances, such as the Quad—India, Japan, Australia, and the United States—have been given new life (see Chapter 6). Even if complete "decoupling" is an unlikely outcome, the kind of diversification away from the Chinese economy that is now taking place in North America, Europe, and major Asian economies such as Japan risks harming China's growth.[114]

Such a backlash is not inevitable for a rising power. The United States did not provoke a backlash as its economy soared after World War II. Japan, Britain, Australia, and company did not seek to diversify and decouple because the United States was becoming too economically powerful. As one China analyst put it, "No other major trading country's government, not even Japan's at the height of its power in the 1980s, has intimidated and threatened foreign governments or businesses" as China has.[115]

There would be no demand to diversify and decouple from China today were it not for the behavior of the CCP abroad. One cannot say too often that it has brought this on itself. The crucial point to understand is that it has done so because it can do no other, at least in its current incarnation as a rigidly Leninist party under Xi that will tolerate no dissent. As such, it is hostile to democracy in both theory and practice. Neither is it paranoid. Most Leninist parties are long gone. In a globalized world where Chinese businesses and people are not confined inside national borders—and are therefore exposed to the "risk" of encountering criticism of Xi and his regime—the CCP believes it must go outside of China's borders and meet the challenge posed by democracy head on. Unless that behavior is rebutted, and rebutted firmly, there is no real-world prospect of this aggression petering out.

Nordic intrigue

As a codicil to this chapter, and a segue into the next, consider one more example of how the PRC prosecutes its authoritarian ambitions around the world and has been doing so for quite some time. In 2010, two years before Xi became general secretary of the CCP, Liu Xiabo, a dissident jailed in China in 2009 for writing a petition to end one-party rule, was being considered for the Nobel Peace Prize, which is given out by the Nobel Committee in Norway. Prior to the committee's decision, the Chinese Embassy warned the Norwegian government, which has no control over the Nobel Peace Prize, that if the award was given to a "criminal" it would "damage" diplomatic ties between Norway and China.[116]

When, despite the pressure, Liu Xiabo was indeed awarded the Nobel Prize, China made good on its threats.

Diplomatic relations were frozen, and it targeted Norwegian salmon with import controls. At that point in time, salmon was not a very significant proportion of Norway's overall exports, or its exports to China.[117] But since salmon is among Norway's best-known products internationally, the restrictions served two purposes at once: (1) to warn everyone else that what had happened to Norway could happen to them; and (2) to warn Norway itself that it could face an escalation if it failed to show obedience to Beijing.

By 2015, Norway began bending under Chinese pressure. To the consternation of humanitarians around the world, the Norwegian government, while engaged in intensive efforts to repair relations with Beijing and reboot exports, deliberately snubbed the Dalai Lama who was on a visit to Norway to celebrate the twenty-fifth anniversary of his own Nobel Peace Prize.[118] As a reward for the snub, full diplomatic relations were restored between Beijing and Oslo the following year.[119]

There are plainly a lot of things one could say about all this, but two stand out. First, if wealthy Norway won't risk even a small financial hit to preserve its integrity and values, who will? The second is that democracies can only counter Beijing's aggression if they stick together. Unfortunately, as soon as restrictions were placed on Norway's salmon exports, companies from Chile, Canada, the United Kingdom, and the Faroe Islands quickly moved to grab the vacant market share.[120] While it is easy, and indeed right, to criticize Norway, the saga also demonstrates that as long as there is no expectation of solidarity among allied democracies in the face of Beijing's encroachments, those same allied democracies are also complicit in the PRC's policy of divide and rule.

"...THE CHALLENGE TO THE WORLD'S DEMOCRACIES MOUNTED BY CHINA TODAY IS NOT ONLY DIFFERENT FROM THE ONE MOUNTED BY THE SOVIET UNION, BUT POTENTIALLY MORE DIFFICULT TO DEAL WITH."

CHAPTER 3
THE BUSINESS OF TYRANNY

On the northeast coast of the Saronic Gulf, between the peninsulas of Attica and Argolis, lies the ancient Greek port of Piraeus. Strategically located on NATO's southern flank and positioned now to become the world's greatest trade hub between Europe and Asia, it was bought in 2016 by Chinese shipping firm COSCO.[121] A year later, Greece vetoed the European Union at the U.N. Human Rights Council when Brussels tried to organize a statement critical of the government of China's persecution of its citizens. It was the first time that the EU had been unable to garner the necessary unanimity to propose a resolution on human rights at the U.N. body.[122] One year after that, in 2018, the Greek government formally announced that it was joining China's One Belt One Road Initiative, for which Beijing has made infrastructure investments in more than sixty countries since 2013.[123]

Meanwhile in the United States, Micron Technology, a chipmaker in Idaho, specializes in dynamic random-access memory (DRAM) semiconductor data-storage technology. The $50 billion tech firm is the only U.S. company that makes such chips. In DRAM, it has a global market share of over 20 percent, and in the flash memory market, it has a share above 12 percent. It is a formidable company. China knows that, too. As a result, it dispatched fraudsters to steal Micron's technology. It then patented it in China and, incredibly, proceeded to sue Micron in the Chinese courts for patent infringement.[124]

In a final example, Rosy Ferry, of Great Britain, was searching for her favorite eye makeup on eBay when she came across what seemed to be a bargain: limited-edition Christian Dior eye shadow for a third less than the recommended retail price. When the delivery arrived, the packaging was not the standard Dior velvet pouch but a box covered in Chinese customs labels. Still, a deal is a deal, so Ferry applied the eye shadow. The next morning, she awoke to darkness: her eye lashes were glued together. After a hot-water eye bath, her sight was restored. Later, her skin blistered, and flaked off.[125] In addition to the pain and the humiliation, Ferry had also been a victim of China's $258 billion a year counterfeit economy.[126]

Each of these three stories is an illustrative tale of modern economic globalization and China's place within it. In the first, the PRC was able to blackmail a country's government into remaining silent on Chinese human rights abuses while simultaneously compromising EU foreign policy. With Micron, Beijing demonstrated its calculated strategy of stealing the building blocks of the digital economy of the future. In the third example, it proved its reckless disregard for the well-being of anyone while reaping the profits from its voluminous counterfeit economy.

Collectively, these stories illustrate a troublesome and tangled dimension of the China challenge for democracies (and indeed non-democracies) which, of course, benefit from globalization, too. Perhaps that is one reason why, for

so long, they have failed to take that challenge seriously. Although European allies are trying to help Greece see the light, the U.S. Department of Justice is investigating the Micron affair, and companies and law enforcement agencies are increasing pressure on China over knockoffs, Beijing is so far undeterred.[127] It is easy to miss how comprehensive, well thought out, and strategic Beijing's overall economic ambitions are and how ruthless it is in prosecuting them.

Belts, roads, projects, and silk

In separate speeches in Kazakhstan and Indonesia in 2013, Xi Jinping announced the One Belt One Road Initiative, a massive infrastructure investment program in foreign countries.[128] It can be divided into two parts, sometimes referred to as the Silk Road Economic Belt and the Maritime Silk Road (see map), though subsets include the Polar Silk Road (see Chapter 5) and the Digital Silk Road (see Chapter 4). Xi has called the One Belt One Road Initiative a "master plan," and it exists in conjunction with other major development projects, such as Made in China 2025 and China Standards 2035, which focuses on digital.[129,130]

The One Belt One Road Initiative (see Figure 3.1) is arguably the most ambitious, global infrastructure project ever launched.[131] It has financed railways, bridges, highways, power grids, and many other infrastructure assets across Asia and beyond. In total, China has already spent an estimated $200 billion on One Belt One Road projects. Morgan Stanley predicts investments undertaken for such projects could total $1.2 to $1.3 trillion by 2027.[132]

In one respect, it is an impressive and praiseworthy contribution to the development of the Chinese economy itself and the Asian and world economies generally. But it is also a double-edged sword, as it simultaneously promotes the CCP's geopolitical ambitions to create political leverage, and even subservience,

One Belt One Road initiative creates a global infrastructure network
China uses, acquires and builds railroads, ports and pipelines

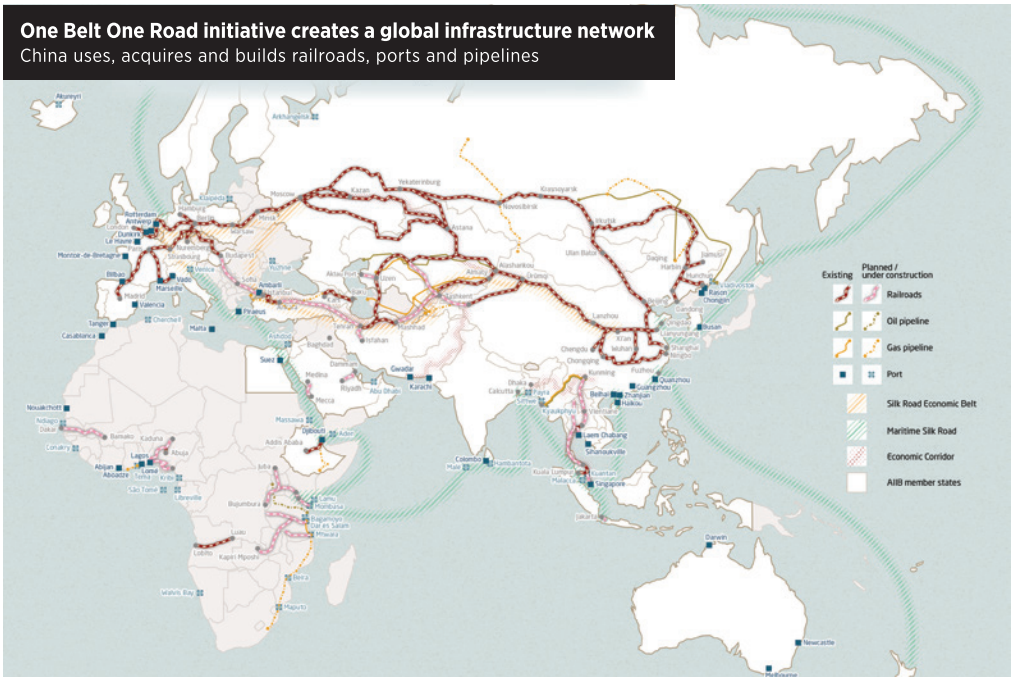


Figure 3.1 *Map of One Belt One Road Initiative. Source: Mercator Institute for China Studies*

in dozens of countries across the globe. As the Greece example demonstrates, Beijing is not afraid to call in the favors it believes it is owed.

Greece is not alone. There are many examples to choose from. In a now infamous saga, Sri Lanka has also fallen victim to Chinese economic bullying and bribery. The tangled web surrounding the Hambantota Port Development Project offers salutary lessons. A *New York Times* investigation found, "Over years of construction and renegotiation with China Harbor Engineering Company, one of Beijing's largest state-owned enterprises, the Hambantota Port Development Project distinguished itself mostly by failing, as predicted. With tens of thousands of ships passing by along one of the world's busiest shipping lanes, the port drew only 34 ships in 2012."[133] Sri Lanka struggled to pay Chinese companies billions in debt for the failed project. In December 2017, the strategically positioned port and 15,000 acres of land were handed over to China on a ninety-nine-year lease. The whole house of cards had been put up inside a cloud of sketchy dealings between China and Sri Lankan President Mahinda Rajapaksa, whose 2015 election campaign, the *Times* found, received at least $7.6 million from Chinese sources.[134]

To diversify, not to decouple

As China has modernized, it has captured a commanding position in global supply chains. Yet at the same time, the laws of economics and demographics have begun to change its economic position. From a labor shortage due to the CCP's draconian former One-Child Policy to rising wages for laborers, Chinese manufacturers have become less competitive, especially in lower-value-added industries.[135] As a consequence, Chinese producers have been losing market share since the mid-2010s in some sectors. The Trump administration's trade policies to reduce America's deficits with China exacerbated this trend by placing tariffs on Chinese goods and forcing U.S. companies to consider new manufacturing partners.[136]

During the COVID-19 pandemic, most nations learned that they were dangerously dependent on Chinese producers for medicines; basic personal protective equipment (PPE), such as masks and gloves; and more complicated medical equipment, such as ventilators.[137] When Chinese companies shipped millions of pieces of defective medical equipment around the world, global outrage only grew at the vulnerabilities in the global supply chain.[138] Other reports told of how Beijing was holding up the export of protective masks made in China by U.S. companies like 3M, essentially diverting them to domestic Chinese use.[139] In response, the Trump administration and Congress explored mandates for onshoring production of medicines and PPE in the United States.[140]

Other major economies, such as Japan, went even further. In late spring 2020, then–Prime Minister Shinzo Abe unveiled a $2.2 billion program to bring Japanese-owned production back from China. Nearly ninety Japanese companies were eligible to receive government aid to relocate production. Of those companies, two-thirds—almost sixty firms—stated they would be opening production facilities in Japan, while the remaining one-third would be expanding production in Southeast Asia, in countries eager to begin moving up the value-added chain but who had previously found it impossible to do as Chinese firms dominated global manufacturing.[141]

This coronavirus-inspired shift in production is a reminder of how

globalization had made democratic economies dangerously dependent on China and how each is now belatedly waking up to the risk. While labor groups have long worried that unbalanced free trade with China was destroying domestic manufacturing, impoverishing the working class, and hollowing out blue-collar communities around the world, it took COVID-19 to shock countries into doing something about it.[142]

As most observers note, full "decoupling" from China is neither possible nor desirable.[143] It is by far the number one exporter to seven of the nine biggest economies (after China), accounting for 22 percent of U.S. imports, 15 percent of India's, 23 percent of Japan's, 10 percent of Germany's, 22 percent of Russia's, and 19 percent of Brazil's. China is also the top export market for Japan, Indonesia, Brazil, South Korea, and Australia.[144] Australia, in particular, sends 35 percent of its exports to China, a fact clearly not lost on Beijing: in 2020, it imposed an 80 percent tariff on barley and cut off beef imports in retaliation for Australia's support of an investigation into the origins of the coronavirus.[145]

Chinese firms' significant cost advantage, fueled in part by the use of forced labor, kept the PRC's exports competitive amid the coronavirus economic downturn and steep tariffs imposed by the Trump administration. As *The New York Times* reported at the end of August 2020, "Such a cost advantage has helped drive China's share of world exports to nearly 20 percent in the April-to-June quarter this year [2020], up from 12.8 percent in 2018 and 13.1 percent last year."[146]

Blackmail and the debt trap in the third world

China's economic authoritarianism is not just seen in the global north. In Africa and throughout Central Asia, Chinese companies are becoming increasingly ubiquitous, throwing up apartment blocks, paving roads, or building port facilities. Some of these are One Belt One Road programs and others are not. Beijing sometimes furthers its national interests by also linking a military component to its development programs, a phenomenon sometimes referred to as "debt-trap diplomacy."[147]

In Djibouti, in the Horn of Africa, where China opened its first overseas military base in July 2017, the military plan was tied to development aid.[148] As noted by one scholar, "this cost of doing business with China, or of accepting Chinese foreign aid, often emerges only after deals have been struck, increasingly to the benefit of China's military."[149]

"Beijing sometimes furthers its national interests by also linking a military component to its development programs, a phenomenon sometimes referred to as 'debt-trap diplomacy'."

The question of debt-trap diplomacy also goes to governance issues (see the Sri Lanka example above). Throughout Africa and Asia, Beijing has been making loans for years to governments, often directly bribing local officials and buying off elites. These loans include few human rights or environmental protections: typically, the only strings attached require Chinese businesses to provide services, usually construction. Chinese workers are hired and sent to the project in question, where they shop at Chinese-owned stores. When construction is complete, or often abandoned, the

Chinese construction crews depart, taking their earnings with them and leaving environmental damage behind. The "benefits" to recipient countries can be measured in the amount of debt they take on versus largely illusory gains in trade and productivity.[150]

Competitive advantage: counterfeits, theft, and slaves

China's economic rise has been remarkable. According to the World Bank, since the CCP's economic reforms began in earnest in the late 1970s, GDP growth has been almost 10 percent each year, helping lift more than 850 million people out of poverty.[151] China's economic success is often called a miracle and the envy of the world. But the truth is that some of it has been built on illicit behavior, including counterfeiting, cyber theft, and even slavery.

China's economy produces 70 percent of the world's counterfeit goods, which account for over 12 percent of Chinese merchandise exports.[152] The Commission on the Theft of American Intellectual Property estimates that IP theft costs the U.S. economy between $225 billion and $600 billion annually.[153] More than knock-off eye shadow, U.S. firms' trade secrets are the primary target of IP theft, amounting to 1 to 3 percent of GDP.[154] Often China targets biotechnology firms and next-generation tech companies for the same reason the United States boasts of them: such entities drive future growth and strategic advantage.

Indeed, stealing IP is a cornerstone of PRC industrial advancement and technological-development strategies. According to one report, China pursues its ambitions with "cyber-espionage, evasion of export control laws, counterfeiting and piracy, reverse

engineering, forced tech transfers, investment and licensing restrictions, data localization requirements, discriminatory IP protections, collection of science and technology information by Chinese nationals at universities, labs, and companies, and investments in private companies and university R&D programs."[155]

This is not new. In 2011, Dmitri Alperovitch, the vice president of threat research at McAfee, revealed operation Shady RAT, under which Chinese operatives had been using malware to compromise agencies and entities in the United States, the United Nations, and also the International Olympic Committee, among many others.[156] Two years later, the Mandiant Report set out yet more evidence. Its research traced the activities of Chinese cyber criminals, with links to the People's Liberation Army, going back to 2006.[157] For many years, little was done to combat this. But recently, Washington in particular has been adopting a tougher line. During 2020, the Trump administration began to crack down on Chinese operatives studying at U.S. research institutes who illegally concealed their active military status. Some of them had been ordered to collect sensitive information or cutting-edge research and were assisted by Chinese diplomats in erasing evidence of their true employers.[158]

It is, of course, the crossover between Chinese intellectual property theft and the defense sector that raises the stakes of such rampant criminal activity to the strategic level. Referencing a report prepared for the Pentagon and representatives of the U.S. defense industry, *The Washington Post* noted that "designs for many of the nation's most sensitive advanced weapons systems have been compromised by Chinese hackers." A senior American military official said: "This is billions of dollars of combat advantage for China. They've just saved themselves 25 years of research and development. It's nuts."[159]

The infamous 2015 hack of the U.S. Office of Personnel Management (OPM) by Chinese hackers was, or at least should have been, a wake-up call, not only to the sophistication but to the extent of China's information theft. According to the hack post-mortem, the attackers "gained access to every nook and cranny of OPM's digital terrain."[160] *Wired* magazine reported on the incursion: "hackers delved into the complete personnel files of 4.2 million employees, past and present. Then, just weeks before OPM booted them out, they grabbed approximately 5.6 million digital images of government employee fingerprints."[161] In the end, the investigation found that more than twenty-two million Americans had their personal information compromised.[162] Chinese hackers also broke into data banks of U.S. insurance companies, stealing financial and medical information of millions more Americans. As FBI Director Christopher Wray put it in July 2020: "If you are an American adult, it is more likely than not that China has stolen your personal data."[163]

Hacking is not the only crime China commits. It is a global center of slavery. In 2016, the Global Slavery Index estimated there were more than 3.8 million people living in conditions of modern slavery in China. Because the government profits from slavery and forced labor—it fuels the growing economy that undergirds political stability—Beijing does little to combat such practices. There are no laws requiring businesses to disclose the use of modern slavery in production.[164]

Worse than ignoring the problem, the CCP supports it. The PRC forces prisoners to produce goods intended

for export. Uyghur detainees, and others, are subject not only to torture, political indoctrination, and forced renunciations of faith; they are forced to work, including in the cotton industry. As Reuters reported, "more than 80% of China's cotton comes from northwestern Xinjiang, which is home to about 11 million Uighurs."[165]

Pulling all this together provides yet another overwhelming raft of evidence that if anyone is launching a Cold War it is Beijing. U.S., British, and German governmental institutions and companies are not engaged in a relentless campaign of intellectual property theft in China. Neither are they flooding the Chinese market with counterfeit goods. Indeed, in view of China's continued restrictions on access to much of its domestic market, the world's democracies find themselves in the extraordinary situation that, in important respects, it is easier for China to export fake products to them than it is for democracies to export legitimate goods to it.

Demand chains

How does the West deal with the challenge from an authoritarian behemoth that is embedded in the global economy and is therefore materially connected to its own prosperity? Painful as it may sound, it will require sacrifice. If no country is prepared to sacrifice anything at all, the world's democracies must have the moral courage to acknowledge their own complicity in economic practices that are in some respects outright criminal.

For what do all the illustrations drawn at the beginning of this chapter have in common, beyond China's own actions? What they have in common is that democracies allowed each to happen. Greece was not forced to accept a Chinese buyer for the port of Piraeus. The United States did not take the threat of intellectual property seriously enough to protect Micron until it was too late. Nor are Western consumers somehow fated to buy counterfeit goods. For too long, democracies have paid only lip-service in their opposition to the CCP's criminal practices, while knowing full well that trade with China means that their economies are, to a significant extent, effectively in receipt of stolen goods.

To repeat and underline: democracies are faced with the most powerful authoritarian state in history. In the economic domain, the supply chain is not necessarily the biggest problem. It is the "demand chain" from Western governments and consumers that helps fuel this. So long and in so far as this continues, democracies are effectively offering China what contract lawyers refer to as an "implicit waiver." That is neither an ethically sustainable proposition, nor one that is in democracies' long-term interests.

CHAPTER 4
CHINA'S TECH AUTHORITARIANISM

In January 2018, *Le Monde Afrique* newspaper published an investigative article on Chinese data theft at the African Union's (AU) new headquarters in Addis Ababa. The $200 million complex, whose nineteen-story main building imposingly decorates the Ethiopian capital's skyline, was funded entirely by China and built by the China State Construction Engineering Corporation. The AU headquarters hosts high-level meetings involving heads of government, business leaders, diplomats, and officials from across Africa, as well as dignitaries from around the world.[166]

At the ceremonial opening in 2012, Jia Qinglin, then chairman of the National Committee of the Chinese People's Political Consultative Conference, spoke gushingly about the international community's obligations to help resolve Africa's problems. He said: "China believes that such help should be based on respect for the will of the African people and should be constructive. It should reinforce, rather than undercut, Africa's independent efforts to solve problems. Interference in Africa's internal affairs by outside forces out of selfish motives can only complicate the efforts to resolve issues in Africa."[167]

Yet, as the *Le Monde* investigation discovered, from that very day, and on every day subsequently for five years, computer servers in the AU building began secretly transferring masses of data to servers in Shanghai. Listening devices were also found embedded in the walls and desks. Every briefing, every off-the-record conversation, every private audience between presidents had been recorded and sent to China. In response, China's ambassador to the AU called the report "absurd" and admonished *Le Monde* in the high-handed manner that has now become typical of Chinese officials abroad. In short order, the report was confirmed by the *Financial Times* and others.[168]

The protagonists most closely involved in furnishing and equipping the AU headquarters' data and communications infrastructure were Huawei and Chinese telecoms giant ZTE. A 2017 report from McKinsey described the two companies as being responsible for the construction of "most of Africa's telecoms infrastructure."[169]

In a sense, the outright theft of data or espionage using bugging devices, or telecoms and information and communications technology, is at the more accessible end of a discussion that can easily confound all but the most technologically savvy. In research interviews with China observers around the world, HFX frequently heard open admissions that people did not completely understand, for example, the precise mechanism by which Huawei's involvement (now rescinded) in Britain's 5G infrastructure could compromise the United Kingdom's national security.

While there are some matters—"standards," and what artificial intelligence is doing to data privacy and protection chief among them—where it

may be necessary to get involved in the weeds of the conversation, it is more important for policymakers to understand some key precepts about what is at stake in the digital revolution generally and Chinese ambitions to dominate it in particular. The technology continues to evolve, and it does so faster than most of us can keep up with.

Planning for victory

The default assumption, not entirely false up until recently, is that the internet is a largely anarchic, ungoverned space. What laws exist are minimal in comparison with the scope of what it is possible to do and to say, to download and to upload. One consequence of this is that, even in free societies, major questions are now being debated about privacy, the ability of big tech companies to follow people's movements—literally with apps like Uber or Lyft—to track every website ever opened, and then to either use that data for profit themselves or to sell it to third parties without the ordinary user's explicit permission or even knowledge.[170]

If private companies can get access to such data, so can the state. The civil liberties implications in democracies are profound enough. But what if all of that data could be mined by an authoritarian state where there are no legal or external safeguards? What if algorithms powered by ever more sophisticated artificial intelligence were making the task of mining personal data exponentially faster and more efficient? What if an unprecedentedly large authoritarian state, fast becoming the richest country in the world with an increasing proportion of the biggest and most cutting-edge tech companies, was now aiming to reconfigure the way the internet works to optimize its own objectives and values? And what if it could embed all, or even some, of this inside the very technology that operates the devices that are not only used by its own citizens, but increasingly by the citizens of the world's democracies, too?

These are not rhetorical questions: Beijing is doing all in its power to make each of these scenarios a reality. In 2015, China launched its Digital Silk Road Initiative. As Clayton Cheney, a fellow at the Pacific Forum, explained, "[It] has both foreign and domestic policy objectives."[171] The initiative includes Chinese efforts to invest abroad in 5G networks, fiber optics, and digital infrastructure; invest and research at home in quantum computing and artificial intelligence; promote digital free-trade zones to enhance ecommerce; and become dominant in global institutions on governance of the internet and the setting of technological standards. Central to this strategy is promotion of China's core principle of "cybersovereignty" in U.N. bodies and elsewhere, which, in a nutshell, effectively comes down to establishing an international norm giving authoritarian states the right to censor the internet.[172] In sum, Cheney, explained, "While China's Digital Silk Road has the potential to enhance digital connectivity in developing economies, it simultaneously has the capacity to spread authoritarianism, curtail democracy, and curb fundamental human rights."[173]

The Digital Silk Road is part of an impressively wide-ranging plan of action demonstrating in no uncertain terms that Beijing is fully aware of the stakes in the contest to lead the digital future and that it intends to emerge as the winner. For example, in 2017, the CCP issued a plan that identified artificial intelligence (AI) as a "strategic technology that will lead the future" and, in an admirable display of seriousness, made clear where China was lagging behind on basic theory, core algorithm,

and high-end chips. After admitting its limitations, the plan made clear the country was resolutely determined to overcome them, instructing all Chinese state agencies to "advance the deepening of AI applications in the field of public safety" and "promote the construction of public safety and intelligent monitoring and early warning and control systems."[174] In evaluating the plan, Fabian J. G. Westerheide, the CEO of AI for Humans, described China as being on track to become "the first global superpower for artificial intelligence."[175]

Beijing's plans do indeed have global implications. Summarizing the issue in a seminal paper on China's international aspirations in tech, Samantha Hoffman, an analyst at the Australian Strategic Policy Institute's International Cyber Policy Centre, argues: "The Chinese party-state's tech-enhanced authoritarianism is expanding globally. This expansion isn't always distinctly coercive or overtly invasive... By leveraging state-owned enterprises (SOEs), Chinese technology companies and partnerships with foreign partners—including Western universities—the CCP is building a massive and global data-collection ecosystem."[176]

China has been working to undermine the very idea of an open digital order, something that proceeds directly from the nature of the regime. In another announcement from 2017, the Chinese Foreign Ministry published the country's *International Strategy of Cooperation on Cyberspace*. In a truly Orwellian segment of the document, it read, "China supports a free and open Internet." But it quickly followed with: "Like the real world, freedom and order are both necessary in cyberspace. China pursues effective governance in cyberspace to promote free flow of information while ensuring national security and public interests."[177] Plainly, China has no intention of supporting a "free and open internet." Its so-called Great Firewall, which aims to block anything that the CCP regards as subversive, demonstrates its view of the ideal scenario. Though not completely watertight, this covers an extensive range of sources and social media platforms, including Google, Facebook, Wikipedia, and Twitter, none of which Chinese citizens are allowed to access.[178] The Great Firewall of China does not apply to everyone in the world yet. But if China gets its way on international governance of the internet, it is coming.

Trojans of tech

The place of China's increasingly formidable tech companies in this debate offers a useful stepping-stone to those crucial matters of global governance and standards. Chinese internet companies occupied five of the top twenty by market cap in 2019 (see Figure 4.1).[179] Three of those—Tencent, Alibaba, and Baidu—have been fixtures of the top global tech companies for more than five years, and Tencent even grew bigger than Facebook in July 2020, swelling to $664.5 billion.[180] Volatility in the tech sector notwithstanding, Chinese technology companies are here to stay. As many of those consulted for this handbook readily conceded, this success is undoubtedly because each is an exceptionally well-run company, offering world-class products and services.

Yet, the CCP's ambitions need to be viewed holistically. Like much else China does abroad, these companies are part of a bigger plan. It is naïve to view China's moves as mere tactics, or ad hoc responses conjured up on the spur of the moment. There is a strategy that China has devoted enormous amounts of time and effort to. The nexus between the CCP and China's tech companies forms part of that strategy. It is one of the

most vexatious and potentially confusing matters with which the democratic world's policymakers must contend. What is going on?

Huawei, the Chinese telecommunications equipment developer, offers an illustrative case study. In January 2019, the U.S. Department of Justice (DOJ) announced a thirteen-count indictment against the company for alleged crimes, including theft of trade secrets, wire fraud, and obstruction of justice.[181] Incredibly enough, the DOJ even had to call out Huawei for an internal company announcement "offering bonuses to employees who succeeded in stealing confidential information from other companies."[182] Among other violations referred to were multimillion-dollar transactions designed to help Iran evade sanctions put in place by the United States over its nuclear program.

Why would a purely private company get involved in sanctions-busting in aid of one of America's and the Western world's most implacable enemies? As Christopher Ashley Ford, the U.S. assistant secretary of state for international security and

Rank			Market Cap Value ($B)		
2019	Company	Region	6/7/19	6/7/16	% Change
1	Microsoft	USA	$1,007B	$410B	+146%
2	Amazon	USA	888	343	+159%
3	Apple	USA	875	540	+62%
4	Alphabet	USA	741	497	+49%
5	Facebook	USA	495	340	+46%
6	Alibaba	China	402	195	+106%
7	Tencent	China	398	206	+93%
8	Netflix	USA	158	43	+266%
9	Adobe	USA	136	50	+174%
10	PayPal	USA	134	46	+190%
11	Salesforce	USA	125	56	+123%
12	Booking.com	USA	77	67	+15%
13	Uber	USA	75	--	--
14	Recruit Holdings	Japan	52	20	+167%
15	ServiceNow	USA	51	12	+316%
16	Workday	USA	48	16	+197%
17	Meituan Dianping	China	44	--	--
18	JD.com	China	39	32	+22%
19	Baidu	China	38	60	(36%)
20	Activision Blizzard	USA	35	28	+25%
21	Shopify	Canada	34	2	+1,297%
22	NetEase	China	33	23	+44%
23	eBay	USA	33	28	+19%
24	Atlassian	Australia	32	5	+509%
25	MercadoLibre	Argentina	30	6	+388%
26	Twitter	USA	29	11	+173%
27	Square	USA	29	3	+808%
28	Electronic Arts	USA	29	23	+25%
29	Xiaomi	China	28	--	--
30	Spotify	Sweden	25	--	--
	Total		$6,119	$3,064	

Figure 4.1 *Today's top twenty worldwide internet leaders. Source: Mary Meeker, Bond Capital*

nonproliferation, explained: "Though they may have formally private ownership and operate in the national and in the international marketplace, global Chinese firms—including Huawei—are in key ways not genuinely private companies and do not make decisions entirely for economic and commercial reasons. Whether de facto or de jure, such giants can in some important respects or for some purposes act as arms of the state—or, more precisely, the Chinese Communist Party, to which the Chinese state apparatus is itself subordinate."[183]

Put bluntly, Ford continued: "Firms such as Huawei, Tencent, ZTE, Alibaba, and Baidu have no meaningful ability to tell the Chinese Communist Party 'no' if officials decide to ask for their assistance."[184] In June 2020, in a move that some believe has been too long in the coming, the U.S. Federal Communications Commission designated Huawei and ZTE as threats to U.S. national security, saying the two companies "have close ties to the Chinese Communist Party and China's military apparatus."[185]

any other Chinese tech company, need therefore to be seen as "strategic" and not just business or technological.

Ruling the digital revolution

Standing atop the discussion of the digital revolution generally, and China's place within it in particular, is the question of who gets to decide the rules and mechanisms that govern how the internet and its related technology work and are used. The key to understanding China's ambitions regarding global governance of the internet is, as ever, to keep in mind the CCP's overriding aim of remaining in power and neutralizing any perceived threat to it, however small and wherever it may be.

In December 2016, the State Council of the People's Republic of China released a statement accompanying the publication of a *National Cyberspace Security Strategy*. It underlined for all to see how seriously the CCP takes the potential threat that the internet poses: "China will use whatever means necessary—scientific, technological, legal, diplomatic

"The key to understanding China's ambitions regarding global governance of the internet is, as ever, to keep in mind the CCP's overriding aim of remaining in power and neutralizing any perceived threat to it, however small and wherever it may be."

The linkage in China between the military and civilian spheres, known as military-civil fusion, is a direct consequence of the nature of the Chinese regime. The NATO Cooperative Cyber Defence Centre of Excellence also noted in a 2019 report, "Chinese companies are required by law to cooperate with their government in support of Chinese national interests, including participation in intelligence activities."[186] Matters such as the roll-out of 5G involving Huawei, or indeed

or military—to ensure cyberspace sovereignty. No attempt to use the internet to undermine or overturn China's national regime or sabotage sovereignty will be tolerated."[187]

"Cybersovereignty" is a catchphrase that occurs again and again in Chinese official discourse. But in a globalized word, securing the domestic arena is not enough. China has at least 750 million internet users but there are billions around the world, and the Great Firewall

can only keep so many of them at bay.[188] It is thus no surprise that the Cyberspace Security Strategy explicitly affirms China's ambition to "promote the reform of the global Internet governance system."[189] The party-state's ambitions for reform include enshrining cybersovereignty and the CCP's interpretation of it into international laws, norms, and regulations. It also includes a strategy for influencing "standards," a concept that can be difficult for nonexperts to grasp.

In a briefing report on China, Dezan Shira & Associates explained: "Simply put, the tech industry, along with other industries worldwide, use standardized processes and specifications to ensure that products are built to work together seamlessly. If each country or company set its own standards, technologies would not be able to easily work with products designed by other companies or work in other markets."[190] To ensure interoperability—that a mobile phone can work when one travels abroad, for example—rules and standards must be set to avoid fragmentation of markets.

If an authoritarian state, or a company in the pocket of an authoritarian state, designs a technological product, it will want to ensure, as far as it can, that the product suits the interests of that authoritarian state. Tech might be designed to scoop up data to be shared with the state, or standards might be set that allow such behavior instead of protecting values like privacy. The risks of both scenarios are especially acute: as AI advances, it vastly improves the efficiency of mining and sorting through data. A crucial point to internalize here is that technology is not necessarily apolitical or agnostic. Politics intrudes, whether one likes it or not.

Although such issues may seem too technical or too esoteric, they are being decided right now at institutions such as the United Nation's International Telecommunication Union, the Internet Corporation for Assigned Names and Numbers, the Internet Governance Forum, the Internet Engineering Task Force and others.[191] In so far as it is able, China is aggressively pushing its agenda in these bodies. As one scholar summarized China's approach: "From the official point of view, the existing global Internet governance system is still dominated by Western countries, particularly the United States, in terms of Internet resources, technology standards, international norms, and ideological discourse."[192]

Such matters are hotly debated in tech circles, and questions of data privacy are also fiercely contested with reference to U.S. tech giants, as noted above. The point at issue is that the standards set can have societal implications, and if a state can influence or control global standards then there is likely to be a temptation to set those standards in accordance with that state's own interests. The CCP has made it abundantly clear what its interests and values are. As one analyst explained in an interview for HFX, "Facial-recognition technology designed by China is going to be set according to a standard that will suit the CCP."

As indicated by Beijing's broader digital strategy, Beijing is hoping to push this pivotal moment in technological achievement in its favor. Some observers have warned about believing "China's own hype"[193] and that it will not ultimately be in China's interests to radically change the way global standards are set. But the world has been surprised before at China's ingenuity and the speed at which it realizes its ambitions. Vigilance, therefore, seems reasonable.

To entertain and misinform

Along with the kind of cyber espionage illustrated at the top of this chapter, the most direct way in which China is using digital tools to assault the world's democracies is through social media. After years of ignoring the problem, countries are finally beginning to wake up to the dangers, and policy responses are being cobbled together in real time. In June 2020, India banned the Chinese video-sharing platform TikTok and dozens of other apps, including WeChat, for allegedly "stealing and surreptitiously transmitting users' data in an unauthorized manner … which ultimately impinges upon the sovereignty and integrity of India."[194] In early August 2020, the Trump administration did the same, moving to ban TikTok and WeChat from the United States, citing national security concerns.[195]

But it is the use and abuse by Chinese operatives of U.S. social media platforms such as Facebook and Twitter that gets to the heart of the matter. In March 2020, *ProPublica* released the findings of an in-depth analysis of "thousands of fake and hijacked Twitter accounts to understand how covert Chinese propaganda spreads around the globe."[196] Since August 2019, ProPublica "tracked more than 10,000 suspected fake Twitter accounts involved in a coordinated influence campaign with ties to the Chinese government. Among those are the hacked accounts of users from around the world that now post propaganda and disinformation about the coronavirus outbreak, the Hong Kong protests and other topics of state interest."[197]At the same time, Twitter announced in a press release the disclosure of 936 accounts originating in the PRC that were "deliberately and specifically attempting to sow political discord in Hong Kong, including undermining the legitimacy and political positions of the protest movement on the ground."[198] Twitter said it was sure that this was part of "a coordinated state-backed operation," which also involved "a larger, spammy network of approximately 200,000 accounts."[199]

In July 2020, Stanford University's Internet Observatory in conjunction with the Hoover Institution published a report outlining the CCP's campaign to "shape global narratives" with both overt and covert capabilities. The former include the expansion of China's state news agency, Xinhua, and China Radio International, which has "contracts to broadcast from more than a dozen radio stations in the United States alone, while *China Daily* places inserts in newspapers such as the *Washington Post*, for as much as $250,000 an issue."[200]

Covert capabilities include the use of so-called "content farms" that "mass produce clickbait articles." For example, "content farms with a covert political agenda promote pro-China stories while also amplifying or initiating denigrating rumors about political opponents, such as Taiwan's government under President Tsai Ing-wen."[201] On social media, the report inter alia referenced "allegations by Reddit moderators on a series of subreddits, noting the presence of what appeared to be coordinated efforts to downvote negative commentary on China in general and Chinese company Huawei in particular, and to upvote or push pro-CCP content."[202] The list could go on and on.

Presumption of guilt

In examining China's approach to the digital revolution, there can be no doubt that it is fully integrated with the CCP's most critical interests and ambitions. It has set those interests and ambitions in

opposition to the free and open society. The free and open society, therefore, has no choice but to respond accordingly.

While there is still a long way to go in democratic governments' understanding of the ramifications of the PRC's tech authoritarianism, the picture is not entirely bleak. In 2020, after a long and winding journey, Prime Minister Boris Johnson of Great Britain finally came around to banning Huawei from building the United Kingdom's 5G infrastructure.[203] The road to that decision was not an easy one. Huawei was offering a solution that might have saved the British taxpayers billions of pounds compared with alternative arrangements for introducing 5G. The British prime minister was understandably concerned about his people's economic interests, while advice about the security risks was neither definitive nor easy to understand.

But when all is said and done, all the British government needed to know was (a) that Huawei can mine data and send it back to China; (b) Huawei is, or at least can be, an instrument of an authoritarian Chinese state that aims to undermine democracies everywhere; (c) getting control of data is what can give that kind of protagonist the wherewithal to accomplish such malign aims and, therefore, (d) where there is even the slightest risk to national security, sovereignty, or democratic rights, Chinese tech companies must either be excluded completely or regarded as guilty until they can prove themselves innocent.

It is a sad state of affairs. But, once again, it is one that Xi Jinping's China has brought upon itself.

"WHILE THERE IS STILL A LONG WAY TO GO IN DEMOCRATIC GOVERNMENTS' UNDERSTANDING OF THE RAMIFICATIONS OF THE PRC'S TECH AUTHORITARIANISM, THE PICTURE IS NOT ENTIRELY BLEAK."

CHAPTER 5
STRATEGIC CALCULATION

On July 22, 2020, a day after U.S. Secretary of Defense Mark Esper had reiterated and underlined America's pledge to "live up to [its] commitments to Taiwan," including the imminent prospect of supplementary arms sales, the alert sounded in air-traffic control at Taiwanese air force bases.[204] Radar operators spotted an aircraft of initially unknown origin weaving in and out of Taiwan's airspace. "They're Chinese fighter jets. It's now a weekly occurrence," said a senior Taiwanese official speaking on the condition of anonymity in September. "It's about intimidation, and about warning the United States not to intervene. They're testing our ability to respond, and showing in deed what they have said in words: they will not renounce the use of force against Taiwan."

Amid the ongoing evisceration of Hong Kong's democracy, the people of Taiwan, ever watchful of events in the former British colony, look on nervously. As China ignores its commitments under international law to honor the Sino-British declaration guaranteeing the much-vaunted "One-Country, Two-Systems" arrangement, it is impossible for the twenty-four million inhabitants of Taiwan, 100 miles from the Chinese mainland, not to wonder whether events in Hong Kong are a prologue to their own future.

If Xi's words are anything to go by, they have plenty to worry about. In January 2019, he said ominously, "We make no promise to abandon the use of force, and retain the option of taking all necessary measures," stressing that the matter "should not be passed down generation after generation."[205] As Richard C. Bush, a fellow at the Brookings Institution, observed, "The first noteworthy item in … [Xi's] entire approach to Taiwan—is how he embeds the specific issue of unification into the signature theme for his now open-ended tenure as China's leader: the 'great rejuvenation of the Chinese nation.'"[206]

In other words, the threat to Taiwan is not mere rhetoric. It has been internalized into Xi's political personality as the Chinese leader, and it is thus intertwined with his credibility, his reputation, and the legacy he wants to leave. If the worst happens, no one can say that the world was not warned.

Taiwan stands on the front line of the CCP's worldwide challenge to democracy. As this handbook has shown, that challenge takes many forms, and it is making landfall in every part of the world. But in Asia—in Taiwan itself, Japan's Senkaku Islands, the increasingly militarized disputed islands in the South China Sea like Fiery Cross Reef, and the Himalayan wilderness on the Sino-Indian border—Beijing's cold war against democracy is always at risk of going hot (see Figure 5.1).[207]

The CCP's geostrategic ambitions

Beijing is increasingly bold and assertive, and not just in Asia. In June 2020, NATO Secretary General Jens Stoltenberg assessed the nature of the China challenge in the following terms: "It's

not about NATO moving into the South China Sea but about the fact that China is coming closer to us. We see them in the Arctic, we see them in Africa, we see them investing heavily in infrastructure in our own countries and, of course, we see them also in cyberspace."[208]

What may look like innocent and purely incremental steps at first risk developing into a pattern that, a decade or two hence, could transform the balance of military power and the effectiveness and relevance of military alliances.

The first steps in such a process may have already begun. Consider the following:

- In 2017, China established its first-ever overseas military base in Djibouti on the Horn of Africa, giving China strategic reach both into the Mediterranean via the

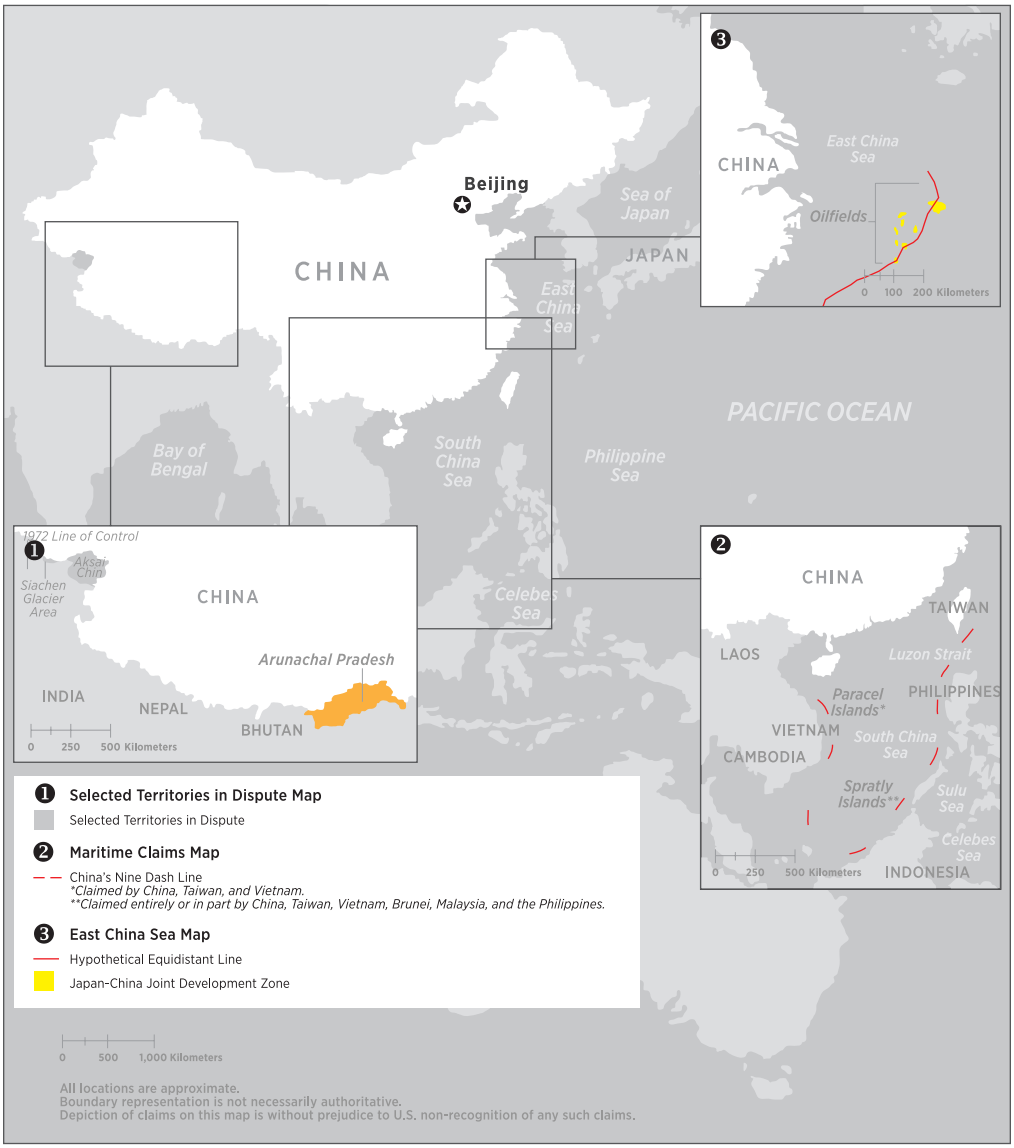


Figure 5.1 China's flashpoints.
Source: U.S. Defense Intelligence Agency

Suez Canal and into the Middle East.[209]

- In 2018, the Chinese Navy conducted its first exercise with EUNAVFOR, the European Union's naval force.[210]

- In 2019, China effected its first-ever deployment of military vehicles in Europe. In an operation in Germany named "Combined Aid 2019," the Chinese and German militaries conducted drills with medical-service units to respond to a future humanitarian crisis.[211]

- In 2019, Serbia, a NATO partner country, deployed six Chinese attack drones, making it the first European country ever to acquire Chinese airborne combat assets.[212]

- In 2019, the Chinese guided missile destroyer Xi'an docked in the French port of Toulon. Chinese Embassy Chargé d'Affaires Yu Jinsong described the visit as being of "special significance" for France and China. It would strengthen their "strategic partnership," he said.[213]

That list is far from exhaustive. But it is hard to see such moves as anything other than part of Beijing's larger geostrategy under which security moves complement its economic and political ambitions. Similar to rising countries in the past, China wants to control lines of communication between strategic points, secure resources, neutralize potential opposition, and gain strategically important access points and "allies," even if they are rented or bought.

Two case studies illustrate the direction of travel all too clearly.

In 2016, India's Ministry of Defense deployed two of its Poseidon 8I aircraft from a military base on Andaman and Nicobar Islands in the Indian Ocean.[214] The deployment was the result of frequent Chinese nuclear and conventional submarine activity, proof to some that China is intent on developing operational comfort and protecting sea lines of communication in the region. The concerns over the subs raised tension between New Delhi and Beijing but also within the region as a whole, with India pushing Sri Lanka to limit Chinese submarine visits to the Hambantota port (see Chapter 3).

The submarines are just one way Beijing has demonstrated its intent to exert its influence and power in South Asia. Some of this activity appears benign, including the Chinese contributions to the search for Malaysian aircraft MH370 in 2014. But its development of port relationships, installments of military equipment, and regular patrolling suggest China's military activity in the Indian Ocean is another part of its effort to expand its sphere of influence. Indeed, while it may still remain the case that the economic center of gravity for the democratic world remains in the Euro-Atlantic area, it is important to recognize that the global strategic point of balance is tilting toward the Indo-Pacific region. There is a vast contested strategic space all the way from the Western Pacific, the South and East China Seas, through to the Indian Ocean and the east coast of Africa. India, and the Indian Ocean in particular, are at the pivot of the multidimensional—strategic, economic, diplomatic—challenge that China poses in this contested space. It is therefore vital that India receives maximum support from the United States and its allies in helping meet this challenge.

A second case study shows how China is prepared to go to the ends of the Earth, literally. In January 2018, Beijing published a white paper titled "China's Arctic Policy." Even though the shortest distance between Chinese territory

and the Arctic is 900 miles, the paper argued: "Geographically, China is a 'Near-Arctic State,' one of the continental states that are closest to the Arctic Circle. The natural conditions of the Arctic and their changes have a direct impact on China's climate system and ecological environment, and, in turn, on its economic interests in agriculture, forestry, fishery, marine industry and other sectors."[215]

China aims to build a "Polar Silk Road" through Arctic shipping routes (see Figure 5.2).[216] The underlying economic incentives for China are clear when one considers how much more efficient an opening up of Arctic waterways would be for international trade. A navigable northern route, for example, would cut the distance between Shanghai and ports in Europe by 2,800 miles compared with the route via the Suez Canal.[217] Fishing rights, too, are at stake. There is also plenty in the way of fossil fuels: a U.S. Geological Survey report suggested the Arctic holds 13 percent of the world's untapped oil reserves and 30 percent of its natural gas.[218]

China's exploits in the Indian Ocean and Polar Silk Road give fair warning that

Figure 5.2 *Polar Sea Routes. Source: Jane Nakano, CSIS*

Beijing's aim to displace the U.S. military for preeminence in East Asia, while real, is not the limit of its ambitions, as also seen in Oceana, Africa, and Latin America. This is a global military power in the making, and it has increasing reach.

Deterrence?

How likely is armed conflict between China and the United States? That depends on what one means by armed conflict. One well-known, but heavily critiqued, analysis, *The Thucydides Trap*, suggests that war between a rising power and an established power is more likely than not.[219] Others contend that such a conclusion is too pessimistic.[220] Indeed, among other examples, the last truly significant great-power contest, between the Soviet Union and the United States, did not result in armed conflict, at least not directly.

There are many potential reasons why China and the United States may not go to war. The CCP is not yet confident China can win such a war, though they believe they are much closer today than in the past. That is a sobering conclusion buttressed by the 2020 Pentagon report on China's military power, which noted that the People's Liberation Army (PLA) not only had achieved parity with U.S. forces in certain crucial areas, but had arguably surpassed American capabilities in naval shipbuilding, ballistic missiles, and integrated air defenses.[221] The world saw just how much China's military capabilities had developed in a massive parade marking the seventieth anniversary of the founding of the PRC. Xi Jinping himself presided over a huge display of ballistic and hypersonic missiles, armed drones, stealth fighters, and the like, snaking for miles through the streets of Beijing.[222]

Even so, America's existing military power remains an obstacle to Beijing's dreams of uncontested supremacy in Asia, and around the world.

One of the most obvious issues, of course, is nuclear deterrence. Even if U.S. warheads outnumber Chinese warheads by more than ten to one, the conditions do appear to have been met for a stable, if uneasy, equilibrium—for now.[223] The aforementioned Pentagon report concluded that by 2025 the PLA rocket force would reach 200 nuclear warheads on intercontinental ballistic missiles capable of threatening the United States, indicating Beijing's determination to continue developing a modern nuclear force.

While war could be devastating enough without the use of nuclear weapons, the almost unimaginable destruction from a nuclear exchange has long created disincentives to conflict that are seemingly overwhelming. In addition to outright destruction and loss of life, the unprecedented interconnectivity of the global economy means that a putative nuclear war, even a "limited" one, would wreak havoc with each of the protagonists' wealth and prosperity, not to mention the lives of the leaders and their families.[224]

China watchers are always wary of looking at the challenge Beijing poses through the lens of the twentieth-century Cold War. But while the Soviet challenge and the China challenge are indeed very different, such variance does not mean lessons cannot be learned from that era. Chief among them is what can be learned from the world's first standoff between nuclear-armed great powers. The four-decades-long nuclear standoff between the Soviet Union and the U.S.-led West, including the 1962 Cuban Missile Crisis, offer a reminder that direct confrontation can be deescalated.[225]

Hot war

That said, it would be foolish in the extreme to take anything for granted. The risks are still there. Even if the chances of a calculated nuclear war are remote, what about the prospect of some relatively minor skirmish—for example, a Taiwanese fighter jet shooting down a Chinese J-20 encroaching on Taiwan's airspace—escalating out of control? Fatal accidents have already happened, such as the April 2001 collision between a PLA Air Force fighter jet and a U.S. Navy surveillance plane over the South China Sea, due to the reckless flying of the Chinese pilot, who died in the accident.

According to the Pentagon, the PLA continues to plan actively for military contingencies in the Taiwan Strait. The PLA's growing capabilities across all military domains give it various options to deter a move by Taiwan to assert independence, or to force reunification. There are a lot of military assets in that part of the world, and, as they expand, the possibilities for mishaps in such a crowded space will grow.[226]

stability is, in that sense, enhanced."[228] As RAND amply demonstrates, in other areas too, China has been steadily reducing the power gap with the United States.

Generally, the Chinese military is in a sustained and well-planned process of modernization. It appears intent on developing what is known as A2/AD, or anti-access and area-denial, capabilities that would allow it to try to keep adversary forces from entering certain theaters, or operating freely when already inside areas deemed vital to Chinese security. Presently, according to the Pentagon, the Chinese military's A2/AD capabilities are most robust in the first island chain off China's coast, which includes Taiwan and the East and South China Seas.[229] Beijing is investing heavily in pushing that perimeter eastward and south.

As these new capabilities develop, it is once again important to remember that miscalculations and mistakes do happen, a point that cannot be repeated too often. From the Cold War era, perhaps the most disturbing reminder was the scare over NATO's Able Archer simulation in 1983, which included a simulated U.S. nuclear launch so realistic that it almost triggered a real Warsaw Pact response.[230] The misbegotten simulation provided a cautionary tale: misunderstanding the nature of the challenge from a rival can bring powers much closer to confrontation than their leaders realize.

"Xi Jinping himself presided over a huge display of ballistic and hypersonic missiles, armed drones, stealth fighters, and the like, snaking for miles through the streets of Beijing."

Looking at two possible scenarios for military confrontation between the United States and China in Asia—a conflict over Taiwan, and a conflict further from the Chinese mainland—the RAND Corporation analyzed the shifting balance of military power between 1996 and 2017 (see Figure 5.3).[227] On the nuclear option, RAND assessed both sides' ability to deter the other in terms of one, key metric: "When both sides maintain a survivable second-strike capability, the incentives for both the stronger and weaker parties to strike first diminish and

An alliance of non-democracies?

While China is increasing its military power, and while it is true that one of its key vulnerabilities is its lack of the kind

FIGURE 5.3

OPERATIONAL AREAS	CLOSER TO MAINLAND CHINA: TAIWAN SCENARIO				FARTHER FROM MAINLAND CHINA: SPRATLY ISLANDS SCENARIO			
	1996	2003	2010	2017	1996	2003	2010	2017
1. Chinese air base attack	Major U.S. Advantage	Major U.S. Advantage	Approximate Parity	Chinese Advantage	Major U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	Approximate Parity
2. U.S. vs. Chinese air superiority	Major U.S. Advantage	U.S. Advantage	U.S. Advantage	Approximate Parity	Major U.S. Advantage	Major U.S. Advantage	U.S. Advantage	U.S. Advantage
3. U.S. airspace penetration	U.S. Advantage	Approximate Parity	Approximate Parity	Approximate Parity	Major U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	U.S. Advantage
4. U.S. air base attack	Approximate Parity	Major U.S. Advantage	U.S. Advantage	U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage
5. Chinese anti-surface warfare	Major U.S. Advantage	U.S. Advantage	Approximate Parity	Chinese Advantage	Major U.S. Advantage	Major U.S. Advantage	U.S. Advantage	Approximate Parity
6. U.S. anti-surface warfare	Major U.S. Advantage	Major U.S. Advantage	U.S. Advantage	U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage
7. U.S. counterspace	Chinese Advantage	Chinese Advantage	Approximate Parity	Approximate Parity	Chinese Advantage	Chinese Advantage	Approximate Parity	Approximate Parity
8. Chinese counterspace	Major U.S. Advantage	U.S. Advantage	Approximate Parity	Approximate Parity	Major U.S. Advantage	U.S. Advantage	Approximate Parity	Approximate Parity
9. U.S. vs. China cyberwar	Major U.S. Advantage	Major U.S. Advantage	U.S. Advantage	U.S. Advantage	Major U.S. Advantage	Major U.S. Advantage	U.S. Advantage	U.S. Advantage

10. Nuclear stability (confidence in secure second-strike capability)

	1996, 2003, and 2010	2017
China	Low confidence	Medium confidence
U.S.	High confidence	

Source: RAND Corporation

of global network of allies and partners that the United States has nurtured over decades, Beijing does work with other powers when it sees an advantage. The Arctic is just one area in which China and Russia, for example, have been developing a potentially formidable, if unsteady, strategic relationship.

The two countries have cooperated in other areas in recent years as well, not least Russia's Vostok war game in 2018. It included more than 300,000 troops, 3,500 of whom were from China's PLA.[231] Vostok raised concerns not only about the strategic partnership between Russia and China, but also about the wider issue of whether Beijing could or would seek to create a kind of alliance of non-democracies to counter the United States and its democratic allies and partners around the world. Since Vostok, China-Russia joint exercises and trainings have accelerated.[232]

China and Russia have also been partners in the arms trade since the early 1990s. While China's purchases of Russian arms have fluctuated over the years, joint exercises and training are increasingly deepening their military "entente." In 2016, the two countries executed contracts in military-technical cooperation worth $3 billion.[233]

Expeditionary power

With China's growing wealth, it is hardly surprising that it is investing more in defense. But how much is it spending, and what is its status as a military power today?

Although a precise understanding of Chinese military spending is impossible to decipher from open sources, evidence suggests the nation is putting its money where its ambitions are. In 2019, China announced a defense budget of $174 billion, around 1.3 percent of GDP.[234] But that does not include several categories of spending and needs to be adjusted to take account of purchasing-power realities that differ from crude conversions into U.S. dollars. Though estimates vary, most, including the U.S. Defense Department, believe China's true military spending is above $200 billion per year—almost a seven-fold increase since 2000 (see Figure 5.4).[235]

In addition to budget figures, the International Institute for Strategic Studies (IISS) looked at the potential to conduct operations across the spectrum of war and determined that China is an "expeditionary power," akin to France, the United Kingdom, and Russia in days past. China has a "proven ability to deploy limited capabilities at strategic range."[236] Although it cannot currently project large-scale conventional forces at a "continental range for a sustained period," China's nuclear forces and the size of its conventional forces serve as a boost.[237]

"With China's growing wealth, it is hardly surprising that it is investing more in defense."

Without global force projection to rival the United States, China has relied on an offensive cyber war against democracies that is indeed global in range and scope. China leverages cyber tools for economic, political, and strategic gain. According to a 2019 report by the IISS, the Ministry of State Security, the PLA, and their affiliated hackers are continually engaged in the "accumulation of data that may have relevance for Chinese intelligence, counter-intelligence and information manipulation."[238] This data,

combined with China's advances in AI and other technologies could prove especially important in the years ahead. Among other entities, the party-state has targeted Eastern European financial organizations (August 2020), Taiwanese government agencies (August 2020), the Vatican (July 2020), the U.K. airline EasyJet (May 2020), and the U.S. government, including the Department of Health and Human Services during the COVID-19 pandemic (April 2020).[239]

This all said, the U.S. military remains superior. With a defense budget of over $700 billion, hard-earned military experience in recent decades, and capital and knowledge stocks, it is no surprise that the IISS considers the United States still to be the only truly global military power.[240] That power is magnified many times when combined with America's allies.

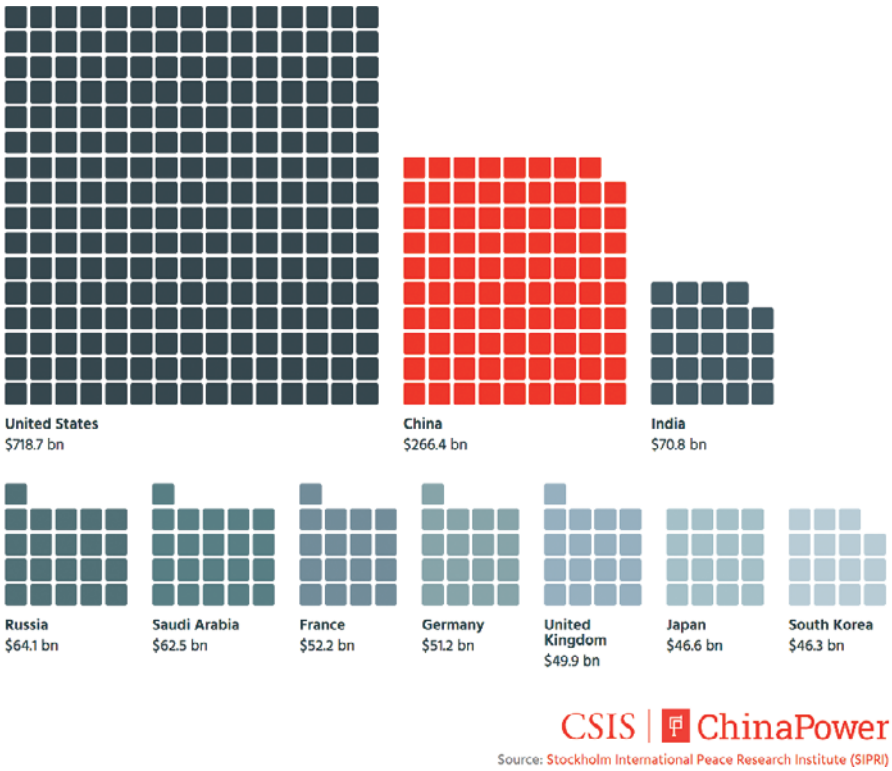


Figure 5.4 Top Ten Military Expenditures by Country in 2019 (2018 Nominal Dollars).
Source: Center for Strategic and International Studies China Power Project

CHAPTER 6
STRONGER TOGETHER

The China challenge to the world's democracies has many dimensions. And there is not a single one of the threat factors described in the five chapters above that can be successfully met by the United States on its own, at least not without incurring costs that the U.S. government and American public would likely be unwilling to pay. Perhaps, some might argue, the military challenge is the exception. But, as demonstrated in Chapter 5, China's military power is rising faster than is often assumed, especially closer to home. The United States improves, and often drastically improves, its chances of keeping China at bay when it brings its allies into the game. This is as true in the military sphere as it is in economics, technology, and diplomacy.

This then raises a fundamentally important question: what do alliances between democracies look like in the twenty-first century? It has become fashionable in many quarters to total up the GDP and the military hardware of the world's democracies, juxtapose that with what China can deploy on its own, and, with a drum roll, announce that the Holy Grail has been found. Raw, aggregate power matters. But that does not equal declaring victory with a rhetorical flourish. Beijing knows full well that its key vulnerability is its lack of allies, and that America's greatest strength is that it has lots of them. This is why it goes to such great lengths to sow division—to create the prospect of alternative allegiances for nations that, in some cases, have been part of the Pax Americana for decades or that, in others, have not yet made up their minds about which camp, if any, they want to belong to.

While this is the beginning and not the end of the discussion, the HFX interviews suggest that it would be prudent to begin thinking along the following lines:

Global NATO no more

Democracies need to make a conceptual and, indeed, cultural shift in their attitudes to alliances in the twenty-first century. Talk about a Global NATO as one possible response to China is a good illustration of a well-meaning idea that is mired in a twentieth-century view of the world. Most of the countries in Asia, let alone Africa, for example, that would putatively be part of such a Global NATO have only been independent from colonial powers (which are in NATO) since the middle of the twentieth century. In floating this idea to Asian participants, all HFX encountered was bemusement. There is no appetite for a return to the days in which Asian countries place themselves under Western power structures, even if today they are under new management.

NATO itself should stay right where it is, continuing to focus on its impressive, historically successful core role of ensuring peace, stability, and freedom in Europe and the North Atlantic, while upgrading its capabilities to meet evolving threats in the cyber domain. What will work in Asia will be flexible alliances and partnerships between

the United States and individual Asian nations, sometimes in combination with other Asian nations, and sometimes with the added participation of other allies from outside Asia.

It is worth noting in relation to NATO that the China challenge has in important respects given it a new lease on life. Close observers, as well as insiders, say that there has been a remarkable convergence of views on China among member states in the last couple of years, and that putting China at the heart of its agenda has forged a renewed respect and appreciation in Washington of NATO's benefits to burden-sharing to meet America's most pressing, global challenge.

The Quad squad

A more interesting approach than Global NATO is the Quad, more formally known as the Quadrilateral Security Dialogue. Formed in 2007 by the United States, India, Japan, and Australia, it had all but fallen apart a year later in the wake of loud protests about its very existence from Beijing, which issued diplomatic demarches to all four participant nations.[241] The Quad reemerged in 2017 as a combination with formidable potential.[242] It met most recently in October 2020, in Tokyo.

In the first place, the Quad provides an excellent illustration that if at first one doesn't succeed, try again. The fact that there are going to be challenges in building new alliances and partnerships in the twenty-first century needs to be written into expectations at the outset, lest nations run for the hills at the first sign of trouble.

The Quad was formed in an organic way following the 2004 tsunami, with navies from the four countries engaging in coordinated humanitarian assistance.[243] Its beginnings were, therefore, more of a partnership than an alliance per se. At around the same time another combination was being formed—the so called Trilateral between the United States, Japan, and Australia—concerns about China encouraged the formation of the Quad in its first incarnation. While it is easy to blame one or other of the participating nations for its early collapse, that collapse took place at the height of a much more broadly based uncertainty, denial even, about the challenge that China poses. It has taken time for the

United States and its allies in Europe to get up to speed about the China challenge. That should give everyone pause before criticizing countries such as Australia, India, and Japan, who were no more laggardly in gaining clarity on this issue than the rest of the world. Indeed, the Quad's rebirth can be seen as one of the first concrete steps on the road to clarity about Beijing's intentions and the need to check them.

The Quad has met twice a year consistently since 2017. It has expanded in various ways, not just survived. It now encompasses maritime security, cyber issues, and regional connectivity.[244] There are also spin-offs, including meetings of Quad ambassadors in South East Asia to chat informally. It is a highly flexible arrangement: it does not just exist as a Quad. There are variable trilateral relations with nations such as Indonesia or the Philippines. It served as a kind of base during the coronavirus crisis, bringing in Association of Southeast Asian Nations countries that China has claimed are being deliberately excluded by Quad members.[245]

The Quad also illustrates a workable combination in which everybody's contribution can be different without causing rancor. Japan, for example, may not bring as much in terms of military heft as India or the United States, but it may take a larger role in funding and investment. Australia may be the smallest economy, but it is the lynchpin resident member in the Asia-Pacific of the Five Eyes—the United States, the United Kingdom, Canada, Australia, and New Zealand—which is itself a useful model of an effective cooperative relationship among democracies in the twenty-first century.

As one well-informed interviewee in the HFX research put it: "The Quad is a coalition of the willing. Perhaps in miniature, it shows what the world's democracies can do on a wider canvas. It is a model of networks of partnerships. You won't see Asia go from hub and spoke to a NATO."

There may well be aspects of the four-nation combination that can be replicated elsewhere, but it is its flexibility and low-key approach to public relations that comprise its most applicable characteristic. There are few bells and whistles, and there don't need to be to make a useful partnership work. Approaches like this could herald a golden age for diplomacy as nations put these new-style partnerships together.

America first, but not alone

As importantly as anything, democracies need to reimagine a democratic alliance and partnership system that works for its natural leader, which will remain the United States.

Across the political spectrum, and among the American public, there is a widespread feeling that the United States has been getting a raw deal from its allies. And, allies who have indeed been giving the United States a raw deal need to put matters right. For their part, America's allies have, in recent years, felt a similar discomfort, sharing a distinct sense that they are neither sufficiently valued nor respected in Washington.

Now is the perfect time for democracies to come together and forge a new deal with the United States. Again, this does not have to be done with bells and whistles. Nor does it have to be especially dramatic. But for the purposes of rebooting the relationship with Washington, allies should begin thinking along the following lines as part of a constructive reappraisal of where they

stand and how they can bring more value to the alliances and partnerships they still want the United States to lead.

In Europe, Brexit poses a challenge to a European Union that has long faltered in the foreign policy sphere. Turning adversity into opportunity, Brexit should be seized as a breakpoint, offering the prospect for a new deal on the basis of more realistic foundations for foreign and security policy in Europe. Many people interviewed in the HFX research, particularly those in Asia, observed that Europe was not only geostrategically irrelevant these days but, worse, risked becoming a geostrategic contested space. That cannot be allowed to happen, and in so far as it is happening, it needs to be reversed. Europe is the largest hub of democracies in the world; it is also home to some of its richest and most militarily and diplomatically significant nations.

Apart from obvious changes to the way some European nations have become overly dependent on Chinese investment and markets, the most significant change needs to be at the top. With this in mind, Britain, France, and Germany might come together as a Group of Three to do the heavy lifting. Amid the lingering, poisonous mists of the Brexit negotiations, such a proposition may seem fanciful. But these mists will dissipate, and all sides should do everything in their power to ensure that happens as swiftly as possible. The United Kingdom is Europe's most formidable military and diplomatic power. It brings the Five Eyes to the table, among many other assets. A U.K.-France-Germany troika should offer to take the lead, or at least an enhanced role alongside the United States, in dealing with Russia, the Middle East, and North Africa. This kind of burden-sharing is exactly the way to rebuild U.S. confidence in its allies. Surprisingly, we encountered significant support for this idea, especially in Germany. Just like the Quad when it started out, it would not be an easy combination to make work. But, despite the best of intentions in Brussels, it is more grounded in the real world than expectations for the kind of coherence in foreign and security policy that has hitherto never really been forthcoming from the EU-27 as a whole. Which is not to say that the European Union does not have a strategic role to play, especially when it can gather the necessary consensus to wield the formidable leverage provided by its enormous single market. But a U.K.-France-Germany troika stands a better chance of becoming a consistently deployable power bloc in the European theater. There is an idea to work with here. It should be explored.

"As importantly as anything, democracies need to reimagine a democratic alliance and partnership system that works for its natural leader, which will remain the United States."

Playing with it just a little further, consider the Pentagon's most recent report on China's military. It noted that the Chinese Navy is now the largest in the world with 350 ships. The United States has 293. Understandably, this caused a certain consternation, especially set against criticism in some quarters that the United States is having trouble meeting its own 350 ship target.[246] But consider what the above-mentioned Group of Three would do to those calculations. The British Royal Navy as of August 2020 had seventy-seven commissioned ships.[247] The French Navy

had ninety-six, and the German Navy had sixty-five ships.[248,249]

That is 238 ships in all. Some of these, certainly, could be present in Asia, as the French already are, adding materially to the capabilities of the United States, Japan, Australia, and India. Of course, this is back-of-the-envelope thinking, and it is designed to illustrate a point rather than make precise strategic comparisons. But, with that caveat firmly posted, U.S. Naval forces and just three allies in Europe can put together 531 ships, compared with the at-first-sight intimidating 350 from China. The United States has allies that *can* shoulder burdens, *if they pull together with renewed purpose to do so*. It has been a long time since anyone seriously looked again at ideas like a European Group of Three. This is as good a time as any to do exactly that.

India is a vital player that is destined to play a crucial role in global affairs as the twenty-first century proceeds. It has the world's third-largest defense budget, its second-biggest population, and the fifth-biggest economy.[250] In each of those categories, it is on the rise. From discussion with the HFX research pool in Asia, and beyond, one thing became clear above all else: India does not have the slightest interest in being a "balancing power" for anybody apart from India. It may well be emerging as a crucial balancer against Chinese power, and this would be in the interests of the entire democratic world. But it is not minded to do so to bring joy to the hearts of the Washington foreign policy community. India is looking after its own interests, as well it should. Fortunately, India's interests and the rest of the democratic world's converge in many areas. In contrast with the central thesis of *The Thucydides Trap*, a rising India would be very much in U.S. interests, and serious attention to helping India develop should be a top priority for Washington and its allies everywhere.

As part of this, the world's democracies should push for India to become the sixth permanent member of the United Nations Security Council. Should China and Russia resist such a move, it would serve to underline to New Delhi who are its friends and who are not.

In Asia and in the Asia Pacific, Japan may offer to upgrade its capacity across the board, from ballistic-missile assets to submarine capacity and even into space.[251] Taiwan should be brought into U.S. Indo-Pacific Command's military exercises, perhaps only in terms of medical personnel at first, but at least it would be something. South Korea could be encouraged to warm relations with Japan and get talking with a view toward a long-term process of rapprochement. Australia could help in firming up Quad-Plus outreach to fellow Five Eyes partner New Zealand, which joined Quad multilaterals in the wake of the coronavirus in 2020. As suggested above, the Quad itself is one of the most interesting aspects of the global security architecture. It should be encouraged to continue on its current trajectory.

African allies, like their European counterparts, have a job to do in dislodging China as an increasingly troublesome investor, especially in sensitive sectors such as telecoms and digital technology. China is, of course, also heavily involved in the purchase of raw materials, such as copper, zinc, nickel, and others. The establishment of China's first overseas military base in Djibouti in 2017 illustrates Beijing's strategic ambitions on the African continent. That is not all. China has built or funded dozens of ports on Africa's coasts that are now visited by Chinese naval ships on a regular basis.

For the same reasons that a Global NATO is a nonstarter in Asia, the United States and European nations need to be mindful of the colonial past in their dealings with African nations. While it is European nations that are the former colonial powers, the United States has its own troubling history with Africa and is in important respects seen as the successor in the global north to those old colonial powers. Rethinking strategies for releasing African nations from debt and thinking harder about how they might be given more equitable status in immigration policy is a better basis for good and respectful relations than simply admonishing them for joining the One Belt One Road Initiative. Union leaders in the United States also told HFX that U.S. soft power in Africa could be significantly enhanced if U.S. companies operating on the continent offered a better deal to local workers and the communities in which they live. U.S. companies are not often enough seen as better employers than their Chinese counterparts. This needs to change if the United States is to win the battle for hearts and minds. It is a good illustration of how twenty-first-century alliance building needs to take a much more all-of-society approach than nations were used to in the twentieth century. Resetting the relationships in Africa along such lines will provide a helpful basis for mutual trust and respect, and for African nations to bring their own assets to the table in regard to the all-of-world challenge that China poses.

In Latin America, the United States also needs to be mindful of past injustices, while Latin American nations need to show understanding that significant sections of the American public are deeply concerned about illegal migration across their southern border. In important respects, that is already the case. But it is easy to miss the forest for the trees. These matters set the mood music against which the geostrategic discussion in the Americas takes place. In fact, many South American nations depend economically on China but fear its geopolitical ambitions. The United States has, hitherto, largely squandered the obvious opportunity implicit in this. China knows that and is ever ready to play divide and rule where it can.

Washington and the capitals of Latin American democracies need a noble cause around which to unite—a success that can reenergize relations. They should come together with renewed purpose to pressure the Maduro regime in Venezuela. But, in a partnership fit for the twenty-first century, it should not stop at seeing Juan Guaido assume his rightful place as Venezuela's president. A new social contract for the people of Venezuela, backed by U.S. and regional investment to rival the Marshall Plan, could be a major confidence-building measure for Latin American peoples long made cynical by empty rhetoric and debt-driven development strategies. It could also serve as a meaningful retort to Beijing's claim that it offers the twenty-first century's best model of development.

In North America itself, Canada is already America's closest ally, especially when one considers the unique mix of geographical proximity, history, trade agreements, common membership in alliances such as NATO, and directly experienced strategic challenges such as the future of the Arctic. The United States already benefits from exceptionally close cooperation with Canada's military, whose formidable capabilities would still benefit from increased expenditure, especially to meet the 2 percent of GDP threshold set out as a guideline by NATO. Most NATO countries fall short of that target, but if Canada were to meet it, this would have strong symbolic value, going far beyond U.S.-Canada relations in reassuring the American public that its allies are pulling their weight. Canada, as host nation to the annual Halifax International Security Forum, has also demonstrated by that very fact that it has a natural place as a convener of international strategic dialogue between the United States and its democratic allies around the world. In addition to Canada's impressive hard-power capabilities, this is a soft-power asset that could be extended across many fronts and in many domains. Canada is better placed than any other democracy in the world to fulfill that role.

Mexico is also unique as a U.S. ally. It overlaps as both a North American and a Latin American partner at the same time. Both the United States and Mexico need to reduce tensions surrounding their border; doing so would have the added merit of opening up the space in the public domain for a better appreciation of the value that Mexico already provides to U.S. national security. If there would be a public-relations premium attached to greater defense spending by America's northern neighbor, enhanced efforts in the security sphere by Mexico might be especially reassuring to the American public. Mexico's defense architecture is currently limited by a defense budget that is a mere 0.5 percent of GDP.[252] A mix of support to develop state capacity and a staged plan to raise defense expenditure, particularly in terms of the capacity to fight drug- and human-trafficking syndicates, would be good in itself and would demonstrate goodwill to the American people.

Famously good allies

Generally speaking, all democracies can come together with America either individually or in combination with others (not necessarily *all* others) on technology sharing, and preferential trading relationships. As its very first policy recommendation, the United States House of Representatives Armed Services Future of Defense Task Force Report 2020 urged the United States, and Congress and the Pentagon in particular, to "undertake and win" the race for artificial intelligence (AI) including specific steps such as requiring "every

Major Defense Acquisition Program to evaluate at least one AI or autonomous alternative prior to funding," and requiring all such Programs "to be AI ready and nest with existing and planned joint all-domain command and control networks."[253]

HFX endorses that recommendation, but further suggests that *all* departments of defense across the democratic world not only do likewise but work with the Pentagon to pool resources and find synergies where possible and also, more generally, to share knowledge and innovative ideas in AI and all other tech-related areas. As a complement to this, HFX both endorses and urges all other democracies to emulate a related Task Force recommendation for the United States to commit to spending at least one percent of gross domestic product on government-supported research and development.

Space is a similarly tech-dominated area where democracies could do a better job of pooling resources and increasing investment in a coordinated way. It is an increasingly contested domain and China is making significant progress in related research and development as well as launching satellites.

In order to preserve the benefits of international trade while reducing consumer and corporate supply chain dependence on China, the world's democracies, under U.S. leadership, should make it a long-term ambition to a establish a global free-trade zone for democracies. The United States-Mexico-Canada Agreement and the European Union's single market are natural building blocks for the eventual creation of such a global, democratic free-trade club. This should be extended to include the United Kingdom, India, Japan, South Korea, Australia and all other Indo-Pacific democracies, as well as democracies in Africa and Central and South America.

From such a position of strength, democracies should then coordinate policy and investment decisions related to consumer and supply chain dependence. This is an ambition fraught with obstacles from domestic interest groups. However, the great visionary leaders of the twentieth century were able to overcome such obstacles to meet the challenges of their time. The leaders of the twenty-first century must rise to the challenges of today showing similar courage and conviction.

"In order to preserve the benefits of international trade while reducing consumer and corporate supply chain dependence on China, the world's democracies, under U.S. leadership, should make it a long term ambition to establish a global free-trade zone for democracies."

Building greater flexibility, as well as depth, into the culture of alliance and partnership formation in the twenty-first century naturally means not asking countries to make black and white choices, for example between Beijing and Washington on trade, especially in today's absence of the kind of global free trade area just referred to.

While there are certain, obvious areas of cooperation that democracies should be devoting much time to developing, there are also pitfalls that need to be avoided. Seductive as it sounds, for example, democracies should be wary of emulating China's One Belt One Road Initiative by throwing good money

after bad on infrastructure projects that often have uncertain economic value, and risk perpetuating corruption. If infrastructure projects in poorer countries are economically viable, each should be financed by commercial loans, including those offered at subsidized interest rates by global financial institutions. In conditions of extreme poverty or reconstruction after natural disaster or war, financing for infrastructure projects should be offered free of charge under foreign aid programs, the necessary due diligence regarding corruption, respect for workers' rights, and environmental and other standards being a non-negotiable prerequisite. In other cases, neither American nor other democracies' taxpayers should be asked to fund a race to the bottom with Beijing on behalf of countries that are ready to sell off their allegiance and sovereignty to the highest bidder.

While the China challenge is indeed an all-of-government and all-of-society challenge, it is nonetheless a strategic challenge first and foremost. There is an immediate need for significantly enhanced coordination between departments of defense across the democratic world in all areas related to the challenge posed by China. While the creation of a new supranational organization would be time consuming and bureaucratic, HFX has more than a decade of experience in its unique mission to strengthen strategic cooperation among the world's democracies. In line with suggestions put to HFX in the course of research for this handbook, defense departments should formalize their relationship with HFX as a ready-made hub for the sharing of best practices and innovative ideas in a race to the top to meet the challenge from China.

The key point to grasp from all that has been laid out in this handbook is that democracies need, above all else, to be absolutely clear about the nature and reality of the challenge that Xi's China poses to the free world today. The policy mistakes of the past came about precisely because collective thinking was constructed on the sandy beaches of wishful thinking, and flawed analysis. On the firmer foundations of a realistic appraisal of what democracies are up against, good policy and reinvigorated alliances amongst democracies will suggest themselves naturally. That does not mean that careful, considered policy formulation is easy. But it does mean that the democratic community of nations maximizes its chances of getting there when the nature of what it is dealing with has first been laid out for all to see.

Beijing pushed the world's democracies to the brink of a confrontation that the world's democracies and their peoples did not want. If the Chinese leadership is prepared to soberly reassess its objectives, and reconfigure the ambitions of the CCP, confrontation can still be avoided. If China chooses not to reassess and not to reconfigure, then calmly, yet decisively, democracies can and will come together to meet the challenge of this century's Greatest Game.

HFX
CHINA PRINCIPLES

The democratic world pledges to defend itself from the following practices that undermine its values and way of life:

- **IGNORING CHINA'S ATTEMPTS TO INTERFERE IN DEMOCRATIC SOCIETIES;**
- **SUBMITTING TO, COLLABORATING WITH, OR PARTICIPATING IN ANY CENSORSHIP OR SELF-CENSORSHIP OF IDEAS, WRITINGS, ARTISTIC ENDEAVORS, OR STATEMENTS RELATED TO THE PEOPLE'S REPUBLIC OF CHINA;**
- **PARTICIPATING IN ANY BUSINESS OR TECHNOLOGY-RELATED PRACTICES OR EXCHANGES THAT AID AND ABET CHINESE COMMUNIST PARTY OPPRESSION OF ITS OWN PEOPLE;**
- **NEGLECTING TO OPPOSE ATTEMPTS BY THE PEOPLE'S REPUBLIC OF CHINA TO BRING GLOBAL GOVERNANCE OF THE INTERNET AND TECHNOLOGICAL STANDARDS INTO ALIGNMENT WITH ITS OWN AUTHORITARIAN VALUES AND AMBITIONS;**
- **SUPPORTING OR ENGAGING IN ANY KIND OF PUNISHMENT OR SANCTION OF ANYONE FOR ENGAGING IN CRITICISM OF CHINA;**
- **FAILING TO SUPPORT DEMOCRATICALLY-MINDED PEOPLE AND GOVERNMENTS ACROSS THE WORLD WHO FACE PRESSURE OR INTIMIDATION BY THE PEOPLE'S REPUBLIC OF CHINA;**
- **KNOWINGLY BUYING OR TRADING IN CHINESE PRODUCTS OR SERVICES MADE WITH FORCED LABOR, OR THAT ARE THE RESULT OF CRIMINAL ACTIVITIES LIKE COUNTERFEITING OR INTELLECTUAL PROPERTY THEFT.**

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Chapter 2: Democracies in the Crosshairs

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