

Employing Economic Statecraft to Meet the China Challenge

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A Chinese coast guard ship (R) blocks a Philippine Bureau of Fisheries and Aquatic Resources' ship (L) in the South China Sea on Sept. 22, 2023. Ted Aljibe/AFP via Getty Images



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Commentary

In 2022, the Biden administration punished the Chinese Communist Party (CCP) for abusing the human rights of Uyghurs in Xinjiang in Northwest China by [declining](#) to send government officials to the Beijing Winter Olympics. This amounted to less than a slap on the wrist for grave transgressions. CCP General Secretary Xi Jinping could bask in the glow of the U.S. Olympians competing alongside graceful young athletes from around the world without having to bother with staid diplomats delivering their predictable mix of prepackaged blandishments and reproaches.



One should not, however, underestimate the complexities of the China challenge.



On the one hand, the Biden administration embraced former Secretary of State Mike Pompeo’s [“Determination of the Secretary of State on Atrocities in Xinjiang.”](#) Issued in January 2021 shortly before Pompeo left office, the document enumerated the CCP’s crimes against humanity. They “are ongoing and include: the arbitrary imprisonment or other severe deprivation of physical liberty of more than one million civilians, forced sterilization, torture of a large number of those arbitrarily detained, forced labor, and the imposition of draconian restrictions on freedom of religion or belief, freedom of expression, and freedom of movement.”

So severe and systematic were the CCP’s atrocities that they constituted “genocide against the predominantly Muslim Uyghurs and other ethnic and religious minority groups in Xinjiang,” stated Pompeo. “The governing authorities of the second most economically, militarily, and politically powerful country on earth have made clear that they are engaged in the forced assimilation and eventual erasure of a vulnerable ethnic and religious minority group, even as they simultaneously assert their country as a global leader and attempt to remold the international system in their image.”

On the other hand, the enormous global influence exercised by the People’s Republic of China greatly complicates the fashioning and implementation of a suitable response to PRC atrocities. As the [“The Elements of the China Challenge”](#)—published by the State

Department's Policy Planning staff in December 2020 while I served as director—lays out, the CCP's ambitions go well beyond hegemony in the Indo-Pacific or even establishing China as the single “most economically, militarily, and politically powerful country on earth.”

Xi has indicated in numerous speeches and writings—consistent with the [ambitions](#) of the party's previous leaders—that the CCP aims to reorient world order around Beijing's authoritarian aims by compelling nations everywhere to depend on trade with China. That very much includes the United States: China is the number three recipient of U.S. exports (after Canada and Mexico), the top source of U.S. imports, and America's overall number three trade partner (also after Canada and Mexico).

How, then, does the United States effectively sanction heinous conduct perpetrated by a great power with whose economy its own economy—like those of its partners, friends, and allies—is deeply entangled?

One approach takes advantage of the Chinese economy's deep entanglement with the American economy, which remains the world's largest. A judicious leveraging of American economic power and deft employment of diplomatic influence would not only impose substantial costs on the CCP for its human rights abuses but also raise the price of Beijing's predatory commercial conduct and counter its quest to bend world order toward authoritarianism.

This way of thinking animates “[Defeating the CCP: A Running Start](#),” published recently by the [China Economic and Strategy Initiative](#). CESI “is a nonprofit research organization that is committed to promoting and advancing the United States' economic and security interests, with a focus on strategic competition with the People's Republic of China.” Randall Schriver (chairman) and Dan Blumenthal (vice chairman) helm the undertaking. Executive Director Josh Young led the research and drafting of the report. Along with estimable colleagues Sheena Chestnut Greitens, Nazak Nikakhtar, and Matt Pottinger, I serve as a commissioner. Intended to assist whoever won the election, the report leaves to others the formidable military dimensions of the China challenge while laying out a comprehensive

strategy to enable the United States to defend American freedom by prevailing in economic competition.

The report begins with the forthright assessment that “The United States is locked in a new cold war with the Chinese Communist Party (CCP)—not the people of China.” Like the Soviet Union in the 20th-century cold war, the CCP in the 21st-century cold war seeks preeminence in world affairs by subordinating free nations to its authoritarian norms and practices. In contrast to the Soviet Union, which primarily maintained its empire through military force while suffering from a rickety economy, the CCP relies heavily on schemes of economic cooptation and coercion—anchored in its enormous population, vast productive capacities, and grand commercial undertakings—to bring countries around the globe under its dominion. A one-party repressive dictatorship, the CCP “has become adept at weaponizing China’s position in the global economy in order to gain economic leverage, fuel its military modernization, fund its global illicit activities, and wage all-out economic warfare on the United States.”

To secure freedom at home, counsels the CESI report, “America must now deploy a new global economic strategy, led by the president, that safeguards the American economy and workforce, degrades the CCP, builds new global economic power centers free from the CCP’s authoritarian influence, and preserves U.S. economic dominance.” This won’t be easy: “The deep economic integration shared by the U.S. and the PRC, along with the global economic footprint of both nations, makes the scope and scale of this challenge immense.”

Because of the two great powers’ “deep economic integration,” even the most carefully calibrated economic statecraft will run substantial risks for the United States. Nevertheless, contends the CESI report, “the sacrifice and cost of not addressing the threat from the CCP, a cost that America has already begun to feel, will be far greater than the sacrifice that will be imposed from executing a strategy to combat this present and growing threat.”

The report centers around, and develops in considerable detail, “seven presidential actions” that form the core of such a strategy.

First, the president must reconfigure the National Security Council by establishing a new position, “strategic competition coordinator.” The SCC, who will also serve as a deputy national security advisor, will “lead a team whose sole focus is to execute the president’s policy for strategic economic competition with China.”

Second, the president must issue a National Security Decision Directive to guide economic statecraft. The directive should lay out lines of effort designed to protect the American economy from China’s exploitative commercial practices and thwart Chinese endeavors to work around, defy, and undermine international law.

Third, the president must build a team to manage complex interagency relations. The team will draw on personnel from the Departments of State, Defense, Treasury, Commerce, and Justice as well as from the Office of the U.S. Trade Representative.

Fourth, the president must promptly implement targeted measures against CCP efforts to control supply chains, dominate key industries, steal intellectual property, corrupt international law, and subvert the norms of fairness and reciprocity that should govern commercial relations between free and independent nation-states.

For starters, according to the CESI report, Washington should reduce U.S. reliance on China in critical minerals, biopharmaceuticals, and semiconductors. It should curtail CCP meddling in U.S. markets by restricting Chinese investment in the United States and access to American capital. It should mobilize the legal system to sanction China’s IP theft, illicit support of Russia and Iran, facilitation of the fentanyl crisis, and perpetration of atrocities against the Uyghurs. It should fashion tariffs to protect sectors vital to U.S. national security. And it should game out, and develop robust plans to address, likely CCP retaliation against America’s economic statecraft.

Fifth, the president must “forge new global coalitions” to reverse China’s concerted efforts over decades to extend its international influence; induce dependence, particularly among developing nations; and revise the international system to favor the CCP and its authoritarian ways. With these coalitions, the White House must coordinate and refine export controls, foreign investment, and trade agreements.

Sixth, the president must join forces with Capitol Hill. The success of economic statecraft depends in significant measure on Congress because of its role “in appropriating funds, approving trade, and providing the president the policy tools necessary to compete against the PRC.”

Seventh, the president must clearly communicate to the American people the urgency and magnitude of the economic dimensions of the China challenge. He must publicly outline his plan for defending the U.S. economy and reversing the damage that China has done to international commerce, and he must level with the American people about the inevitable sacrifices his plan entails.

Such economic statecraft is not a replacement for, but rather an essential supplement to, the diplomatic and military dimensions of the strategy that the United States must adopt to meet the China challenge.

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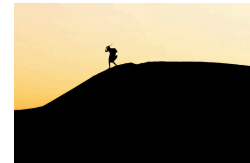
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