2024 Global Forecast: A World Dividing

PART I

The China Challenge

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PART I

The China Challenge
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About the 2024 Global Forecast

The last two years have witnessed significant global developments that brought geopolitics back to center stage and exacerbated global divisions. The CSIS 2024 Global Forecast—A World Dividing—offers insights from dozens of our scholars on the most urgent questions in the year ahead around security, technology, geoeconomics, alliances, and regional influence.

This first installment of A World Dividing examines the myriad challenges facing U.S.-China relations in 2024: How can the United States and its allies deter Chinese military activity and counter economic coercion? What will it take for the United States to outcompete China in the tech race? And how can the United States enhance its geopolitical standing as China aggressively expands its global reach?

The issues examined in the next three installments of A World Dividing are of equal importance, with insights on the global economic and technology race; what comes next for the conflicts in Europe and the Middle East; and what areas will define the battle for influence in the Global South.

We invite you to explore the diverse perspectives shared in our 2024 Global Forecast to deepen your thinking on these questions.
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Economic Security
Countering China’s Weaponization of Economic Interdependence

Victor Cha
Senior Vice President for Asia and Korea Chair
China’s weaponization of trade is at the core of its building of an illiberal order. The Biden administration will need to think outside the box in deterring this practice.

While there is rampant speculation about whether Chinese president Xi Jinping will take military action against Taiwan by 2027, there is 100 percent certainty he will use economic coercion against unsuspecting governments and private companies. Over the past 15 years, China has used economic coercion against 18 countries and over 400 companies, causing tens of billions of dollars in damage, according to a unique dataset created at CSIS. This practice, in particular, has heightened under Xi. If Beijing does not like a neighbor’s statement about Taiwan or Xinjiang or wants to press on a territorial dispute, it will leverage its vast market to intimidate and punish. These actions are generally unannounced and not based in any universal trade rule or domestic law. And this bullying, in China’s eyes, has worked. Targeted countries and firms self-censor on issues like Taiwan, Hong Kong, and Xinjiang for fear of economic retaliation—threats which Beijing bandies about regularly like a mafia boss. As the Chinese ambassador to New Zealand noted, “An economic relationship in which China buys nearly a third of the country’s exports shouldn’t be taken for granted.”

China’s weaponization of trade is at the core of its building of an illiberal order. The Biden administration will need to think outside the box in deterring this practice.

A recent case is the Xi regime’s enacting of controls on exports of gallium and germanium—two high-tech metals used for production of everything from semiconductor chips to electric vehicles to satellites. China accounts for almost 100 percent of the world’s production of gallium and almost 70 percent of the world’s refinery production of germanium. Gallium is a by-product of bauxite and zinc ores for which there is no substitute, and germanium is a metal used in the production of fiber optics, for which there are substitute materials like silicon, but they come at the expense of performance.

The world’s response to China’s weaponization of trade, however, has been to play defense. That is, countries respond by reducing supply chain dependence
on China and finding alternative markets—what the Biden administration calls “de-risking.” Regarding gallium and germanium, there are efforts to build resilient supply chains among lower-volume producers, including the United States, Japan, South Korea, Germany, Canada, and Belgium, to blunt the impact of China’s squeeze, even at higher costs. In another case, the United States and Europe have sought to mitigate the impact of China’s sanctions on Lithuania (for having a Taiwan representative office) through directing investment funds to the country, expanding market access for Lithuanian exports, and political support.

The problem with this strategy is that countries cannot stop a bully only by playing defense. “De-risking” tries to lessen the pain inflicted by economic coercion in the moment but does nothing to stop future acts preemptively. The best way to do this in 2024 is to make Beijing understand that it will feel pain if it tries to weaponize trade against others such that it will be deterred. Like-minded countries will need to form a collective economic deterrence pact to promise counter-coercion to end further economic bullying by Xi Jinping. And they have the capabilities to do so.

Together, the G7 countries plus Australia export 395 items with a trade value of over $37 billion to China, upon which Beijing is more than 70 percent dependent as a percentage of its total trade in those goods, and 153 items valued at $7.5 billion that China is over 90 percent dependent on (2022 figures), according to a unique data set compiled at CSIS. Moreover, the second- and third-largest exporters of these high-dependence goods are often like-minded partners. For example, to deter further Chinese economic coercion, Japan and the United States could threaten to curtail the export of silver powder (used for solar panel production) to China, where the two compose over 97 percent of China’s global supply. Australia and Canada could threaten action on exports of nickel powders (used for production of rechargeable batteries), where the two make up almost 80 percent of China’s global supply. Further, Japan and Germany could promise to control alloyed steel ingots to China (used for shipbuilding), as the two countries account for 82 percent of China’s imported supplies and China has no alternative domestic supply. The United States, Canada, France, and Italy could even leverage luxury goods like lobster and champagne, where the four make up nearly 90–100 percent of China’s imports. These trade disruptions would impose costs on China absent large domestic production sources for these high-dependence items. Countries feel they must kowtow to China because of its massive market, but they have enough leverage as a group to shape Beijing’s behavior.

The key, of course, is herding enough partners for a commitment that credibly signals the threat of counter-coercion to China. This will not be easy. Free riding is likely as companies may not want to play ball with a government economic deterrence strategy and others might seek opportunistic backfilling of the Chinese market. But countries should be motivated to join the cause because (1) they no longer want to live under the eternal, brooding shadow of China’s economic predation and (2) they know they are better off dealing with China as a group than alone. G7 leaders appear to have gotten this message in Hiroshima, Japan, in May 2023 with their collective statements about organizing to counter Chinese economic coercion. Meeting in the city of one of China’s most recent targets, Vilnius, Lithuania, in July, NATO leaders—including Japan, South Korea, Australia, and New Zealand as part of the new “Asia-Pacific 4” appendage—made similar statements.

China’s predatory trade actions constitute a serious threat to the global order. Extreme times call for extreme measures. The purpose of a collective economic deterrence pact is not to burn down the liberal trading order through inciting trade wars but to try to salvage it from economic predation by one of its largest players. If China does not bully, then the threat of counter-coercion will never need to be exercised. Without a willingness to fight fire with fire, however, countries will forever be victimized by China’s weaponization of trade.
Technology Will Remain the Heart of U.S.-China Competition in 2024

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Despite the broad budget cuts elsewhere, Chinese government spending for the technology sector is skyrocketing, especially in the semiconductor sector, where U.S. export controls are most painful and threatening.

The year 2023 brought technological competition between the United States and China to its most intense level yet. Will 2024 bring more of the same? Probably. There is little indication that China’s views, goals, or actions will change much.

Start with China’s views. In September 2023, the head of China’s Ministry of State Security, Chen Yixin, published an article describing China’s strategic thinking on technology and national security. In it, Chen writes, “The most important competition is the increasingly fierce competition between great powers in cyberspace. . . . The most prominent [Chinese] shortcoming is that key and core technologies are controlled by others.”

In the context of Chen’s essay, “cyberspace” refers not only to cyberattacks and espionage but also to the broader industrial landscape of digital technology with all of its economic and national security implications. The “key and core technologies” are dozens of Chinese dependencies on critical foreign technologies identified by the Chinese government, seven of which directly relate to the semiconductor industry.

The “others” Chen refers to are, of course, the United States and its allies, who in recent years have sought to restrict China’s access to certain advanced technologies through export controls, especially in semiconductors and artificial intelligence.

A straightforward interpretation of Chen’s remarks is that he views technology as the most important zone of U.S.-China competition. Given Chen’s position as the head of China’s most important intelligence organization and that his speech was drawing heavily from Chinese president Xi Jinping’s latest ideological treatise, it is reasonable to assume his speech reflects the broadly shared views of China’s most senior leaders.

That brings us to China’s goals. China’s most recent five-year economic plan stated China would “make technological self-sufficiency a strategic pillar of national development,” meaning it wants to free itself from foreign technological import dependencies. Many of Xi’s recent speeches have reiterated...
this goal, and the Chinese government is using both carrots and sticks to decouple Chinese firms from Western technology.6

It is easy to see why China would put technology atop its priority list. Technological advancement is among the most important inputs to the other major sources of national power, including economic and military power. In the comparison between the U.S. and Chinese economies, the simplest difference is that China has a population roughly four times larger, but the United States generates roughly six times the amount of economic output per person.7 The United States’ much higher economic productivity is largely due to its much higher level of technology across many more sectors of its economy. If China were to match the United States in technological sophistication, innovation, and widespread adoption, then China’s economic advantage over the United States might resemble its population advantage, meaning China’s economy would be four times larger than that of the United States.

In assessing Chinese strategic priorities, actions speak louder than words, and China’s actions provide considerable evidence that it views technological competition with the United States as its top priority. In the wake of China’s disastrous zero-Covid policy, property market crisis, and slowed economic growth, China’s local governments are facing a debt crisis so severe that some government agencies are unable to pay their employees’ salaries on time.8 Under such circumstances, China might have understandably cut back its investment in technological self-sufficiency. Instead, it did the opposite.

Despite the broad budget cuts elsewhere, Chinese government spending for the technology sector is skyrocketing, especially in the semiconductor sector, where U.S. export controls are most painful and threatening. In 2018, New York Times columnist Li Yuan described the first round of semiconductor export controls under U.S. president Donald Trump’s administration as China’s “Sputnik moment,” making a comparison to the Soviet Union’s 1957 satellite launch, which led the United States to establish the National Aeronautics and Space Administration (NASA) and dramatically increase spending on science and technology.9 Yuan’s comparison was apt. According to data collected by Chinese research firm JW Insights, China’s various local governments collectively spent nearly $65 billion in both 2021 and 2022 to support China’s semiconductor industry.10 If true, that amount would be more than two and a half times what the United States spends on NASA each year.11

In 2023, China not only increased its already massive subsidies but also announced another $41 billion government-backed semiconductor investment fund.12 Amid China’s record youth unemployment, when many in China are calling for economic stimulus, Xi is advising China’s youth to “eat bitterness,” an idiom that means to suffer without complaining.13 Rapidly breaking free from dependence on foreign technology is evidently a much higher priority than reinvigorating economic growth or easing economic pain.

Of course, the future of the U.S.-China relationship depends upon the United States, not just China. However, U.S. officials largely agree with China about the importance of technology in the U.S.-China rivalry. In October 2022, U.S. secretary of state Antony Blinken gave a speech in which he said, “We are at an inflection point. The post-Cold War world has come to an end, and there is intense competition underway to shape what comes next. And at the heart of that competition is technology.”14 More recently, U.S. national security adviser Jake Sullivan’s essay in Foreign Affairs made similar points.15

If the United States has the edge in its current technological level, China believes its own advantages may matter more. Xi often touts China’s “remarkable institutional superiority” and “administrative efficiency.” Recent Chinese failures, such as the zero-Covid policy, call such advantages into question, but they also highlight just how stubborn the Chinese leadership can be. In technology competition, China’s strategic focus, extraordinary funding, and stubbornness of policy direction is real and should not be underestimated. The Chinese government’s cheering of a new Huawei smartphone in mid-2023 also shows that it is now willing to openly defy U.S. law and export controls.16
In terms of financial resources, the CHIPS for America fund, one of the largest U.S. industrial policy investments in recent memory, allocated more than $50 billion in semiconductor industry support, but that was spread over a five-year period. It is vastly less than China is spending each year for its own semiconductor industry. Even amid such incredible budgets, comparatively paltry sums needed for core elements of the overall strategy go ignored. As just one example, technology export controls are a key element of the strategy for the administration of U.S. president Joe Biden and a key source of Chinese anxiety. However, the budget for the U.S. Department of Commerce bureau charged with effectively designing, administering, and enforcing them has actually declined in inflation-adjusted terms. Thankfully, Commerce Secretary Gina Raimondo has recently started arguing for the need to rectify this policy incoherence.

In short, there is little to suggest the overall picture will change much in 2024, especially on the Chinese side. Tactics may change, perhaps with a new emphasis on import restrictions, but both the United States and China are likely to continue to desire every advantage in their deepening technological competition.

What might make a difference, though, is an improvement in the United States’ ability to align its many policy choices in pursuit of those desires, including choices that affect the government’s capacity to realistically execute its own policies. That will require policymakers to maintain focus not only on high-profile and politically charged issues but also on the comparatively banal steps needed to significantly improve U.S. government speed and capacity.

Having the right views and goals matters, but ensuring the U.S. government can effectively monitor and analyze key technology developments, as well as design and execute relevant policies, matters just as much.
Evolving Evaluations of China’s Economy: The Bad, the Ugly, and the Mean

Scott Kennedy
Senior Adviser and Trustee Chair in Chinese Business and Economics
Although few multinational companies (MNCs) are outright abandoning China, some are selling off some of their China-based assets and diversifying their places of production and supply chains, and few MNCs are investing in China for the first time.

There is rarely, if ever, a consensus about the state of China’s economy. To some extent, this is the product of ambiguous data. Few trust Chinese official economic growth data, and there is no agreement on what might serve as a suitable proxy to evaluate the economy’s performance. Even if official data were more reliable, the country’s massive size and internal variation create additional opportunities for disagreement. Despite widespread pessimism, inside and outside of China, about the trajectory of the economy, significant differences still persist. Although China is less transparent than ever, a prominent source of disagreement are the initial positions of observers, who inevitably emphasize different elements of the economy. Their contrasting analyses translate into alternative policy implications for the United States and others.

The Good, the Bad, and the Ugly
For most of the past 30 years, evaluations of China’s economy—both inside and outside the country—were divided into three camps, what I’ve previously called “the good, the bad, and the ugly,” inspired by the title of the famous 1966 movie of this name. The “good” perspective has painted a positive picture of rapid growth built on a gradualist approach to guide the economy through multiple transitions—from plan to market, rural to urban, agriculture to industry and services, and investment-led to consumption. In this story, China’s growth has generated opportunities for other countries in what Beijing would likely call a “win-win outcome.”

The “bad” perspective has highlighted a highly inefficient financial system, which has taken savings from households and disproportionately funneled capital to state-owned enterprises (SOEs) and questionable state-led pet projects, creating a buildup of debt that would result in either a gradual sclerosis and anemic growth or a massive financial crisis.

Those holding the “ugly” view have been highly worried about China’s economic trajectory, not because of immovable structural issues such as debt, but because of poor policy choices by China’s lead-
ership that have largely favored expanding state control over supporting market mechanisms. From this perspective, reversing course, in the direction of liberalization, could provide a foundation for greater productivity and continued long-term growth, even if not at the rate of earlier years.

The Bad and the Ugly

In the last five years there has been a fundamental reordering of perspectives. There is almost no one, inside or outside of China, holding up the “good” banner any longer. That is because under the leadership of Xi Jinping, China has largely backtracked on the gradualist “reform and opening” strategy that had yielded success for so long. Internationally, China’s global footprint has grown dramatically, and domestically, the services sector and consumption are larger parts of the economy; but broader liberalization of economic activity and a reduced role for the state are no longer at the center of the agenda.

Instead, the gravity of opinion has shifted in a far more pessimistic direction. A few, consistent with the bad perspective, focus on one or another structural issue, such as debt or demography, or a combination of them. More often, the bad and ugly perspectives are merging, with a criticism of Xi’s highly statist approach and specific policy measures, which observers believe are reducing productivity and undermining China’s growth prospects. Xi may have tinkered with liberalizing reforms early in his tenure, but on the whole he has reversed course across the board. Whenever given a choice between control and markets, Xi has almost always chosen the former. Hence, state intervention to halt the stock market’s fall, a draconian zero-Covid policy, the crackdown on private tech firms, the erosion of independent corporate governance institutions within companies, an emphasis of inequality over growth, and the pursuit of technological independence over integrating into global supply chains. Under Xi, almost every policy now is framed in terms of security: energy security, food security, financial security, technology security, health security and so forth.

The concerns of economists draw heavily on the deep pessimism and, in some cases, outright sense of despondence widespread among China’s broader populace and its business community. Private conversations and interviews yield a wave of criticism of the political and policy environment and the real estate crisis and fall in home values, as well as the fears about possible war and isolation due to increased tensions with the United States. These concerns add up to a profound sense of uncertainty about the future and a loss of confidence in China’s overall direction. This has translated economically into stagnant consumer demand and restrained investment by business, meaning fewer new jobs and slower economic growth.

The global business community is particularly worried about U.S.-China security tensions, but it shares the same worries about China’s overall policy direction. Although few multinational companies (MNCs) are outright abandoning China, some are selling off some of their China-based assets and diversifying their places of production and supply chains, and few MNCs are investing in China for the first time. Excitement about China has waned among foreign private equity firms because of the uncertain prospect that the Chinese companies in which they invest will be able to go public. Hedge funds and other institutional investors are also worried about short- and long-term returns, viewing other options as less risky.

The Mean

Despite the broader pessimistic shift, there is one perspective that is more sanguine about China’s current economic prospects. Techno-nationalists, who believe a country’s economic and military power comes primarily through its ability to dominate advanced technologies, see Chinese industrial policy and all of its tools as a strength of its system. They point to Chinese successes in telecom equipment, high-speed rail, electric vehicles, solar, wind, and AI as evidence of China’s growing strength. And they discount the inefficiencies of China’s economy by...
arguing that the Chinese Communist Party (CCP) has unlimited financial resources, the political power to dictate domestic company behavior and consumer choices, and a large enough domestic market and other resources to withstand and overcome Western restrictions and pressure.

This optimistic view of China’s techno-nationalist approach is challenged by those who point to the very mixed record of Chinese industrial policy initiatives and China’s continued technological dependence on others. Rather than a well-oiled machine, they see mounting internal tensions and policymaking dysfunction that will mean a continued sizeable gap between China’s technology policy ambitions and actual commercial outcomes.

**Policy Implications for the United States**

These contrasting views of China’s economic trajectory come with quite different policy prescriptions for the United States and other advanced market economies.

Although now out of favor, if China were still pursuing, or would return to, a strategy of reduced state intervention at home and greater liberalization internationally, in line with the good perspective, the appropriate response from the United States and others would be an approach of patient integration. Akin to the long-term engagement strategy, the United States would rely on a web of multilateral institutions (such as the World Trade Organization), regional arrangements (such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP), and bilateral agreements to encourage China to move in a market-oriented direction and penalize it in the specific instances where it does not meet its commitments. Given how far China has deviated from this path, the likelihood of restoring a consensus in Washington in favor of such an approach is extremely low. Those hoping for such a return to a “reform and opening” strategy could help identify a series of steps China would need to take to prove its intentions to domestic and international audiences.

Those in the bad and ugly camps, which are now in ascendance, have less faith that China under Xi will accept any significant liberalization of its economy and are concerned about the effect of China’s non-market practices on the rest of the world’s economy as well as the national security and human rights risks that extensive connectivity may pose to the United States and its allies. Hence, they counsel a combination of continuing to take advantage of continuing commercial opportunities, blunting the impact of China’s economic distortions and national security vulnerabilities, and strengthening the United States’ own economic foundations and the international rules-based order. This encapsulates the analysis and approach of the Biden administration, with its emphasis on de-risking (export controls, investment screening, supply chain diversification, etc.); promoting the reinvigoration of manufacturing and technology innovation at home; and developing a bilateral agenda on reducing barriers to China’s market, trying to constrain Chinese industrial policy, and seeking to cooperate in areas of common interest, including public health and climate change.

If past is prologue, the various schools of thought about China’s economy will continue to contend with...
Although an intense debate on China during an election year could produce a substantial amount of heat, if carried out thoughtfully, it could produce much-needed light as well.

each other without an ultimate resolution to their disagreement. But the debate is likely to become even more contentious in 2024, in part because China’s economy is likely to rebound over the course of the year and in part because of the 2024 U.S. election season. Rather than be forlorn over a potentially heated yet inconclusive period of attacks and counterattacks, Washington (and other Western capitals) could use this year as a chance to finally push the contending views to not talk past each other and clearly evaluate their relative merits.

To do so, analysts should collectively answer three interrelated questions. First, what are the strengths and weaknesses of China’s economy and how should credit and blame be apportioned? For example, where there are successes (such as in mobile phones and electric vehicles), are these the result of wise industrial policies or market liberalization?

Second, how does China’s economic behavior and performance affect the United States and the rest of the world? The policy community still does not have sufficient understanding of the overall effect on the American economy, in part because there is not agreement about which metrics should be used or which sources of data are reliable. At the same time, analysts and policymakers need to carry out a comprehensive discussion of the risks and benefits of extensive commercial ties and interdependence for the United States’ national security. The risks are increasingly obvious, but the benefits of connectivity—for improving American innovation, creating lines of communication, and increasing the costs of Chinese aggression—deserve renewed evaluation.

Having analyzed China’s economy and the effects on the United States, Washington needs to answer one final question: What are the costs and benefits of the de-risking approach the Biden administration has taken over the past few years, and what are the potential results of the alternative strategies of a return to engagement or a comprehensive strategy aimed at decoupling? To date, no overall assessment has been done of what the current approach has achieved and whether it makes sense to continue forward or move in a different direction.
Defense
Built in China: Beijing’s Defense Industrial Base and Implications for the United States

Seth G. Jones
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China is rapidly developing a robust defense industrial base to deter, fight, and win a war against the United States.

Over the past decade, China has ramped up its defense industrial base in several ways. One is an improvement in the process of how China researches, develops, and produces advanced weapons systems. Under Secretary of Defense for Acquisition and Sustainment William LaPlante called China “really impressive” in discussing China’s defense industrial base at the Center for Strategic and International Studies. He also remarked:

“They’ve developed . . . really good high-end capability in numbers. So they’ve done the development and the development has been pretty continuous and not just one thing. They place multiple bets. We don’t do that. . . . We very rarely will place multiple bets and . . . [have] three different development activities going on. We used to do that. We don’t do that.”

These efforts have improved Chinese air, land, naval, space, and cyber capabilities. For example, the People’s Liberation Army (PLA) is developing
and producing a significant number of medium- and long-range missiles that can strike U.S. and allied land, air, and sea bases across the Indo-Pacific region. The PLA is also constructing and deploying integrated air defense systems to challenge U.S. forces attempting to operate near such areas as the Taiwan Strait. China now boasts three of the world’s 10 largest defense companies.\(^5\) Aviation Industry Corporation of China, China North Industries Group Corporation Limited, and China South Industries Group Corporation now rival such U.S. behemoths as RTX (formerly Raytheon), Northrup Grumman, Boeing, and General Dynamics.

Chinese capabilities are particularly robust in shipbuilding. China’s ability to rapidly build large numbers of ships represents a strategic advantage in a prolonged war. China is now the world’s largest shipbuilder. It has a shipbuilding capacity that is over 230 times greater than the United States.\(^6\) According to Carlos Del Toro, secretary of the Navy, one of China’s shipyards has more capacity than all U.S. shipyards combined. “That presents a real threat,” Del Toro acknowledged.\(^7\)

While these efforts are impressive, China still faces challenges. For example, the Chinese defense industry relies on foreign parts in several areas, such as engines and engine parts for diesel submarines and advanced aircraft.\(^8\) In addition, China struggles in such areas as designing specialized sound-absorbing coatings, dealing with vibration suppression issues created by steam turbines, and decreasing the sonar signature of its hull designs.\(^9\) Finally, China’s defense industrial base—and the Chinese Communist Party and PLA more broadly—suffer from extensive graft and corruption, which likely affects the quality of military systems.\(^10\)

Despite these challenges, China is getting better. But the United States is lagging in several areas of its defense industrial base, weakening the prospect of deterrence and warfighting. For instance, the United States faces a serious shortfall of munitions—especially long-range precision munitions—and other weapons systems for a protracted war in such areas as the Indo-Pacific. In addition, Congress has dragged its feet in fixing contracting problems, such as multiyear procurement. Supply chain challenges remain serious, including an insufficient supply of solid rocket motors, ball bearings, microelectronics, and seekers for munitions. Today’s workforce is also inadequate to meet the demands of the defense industrial base, and the U.S. labor market struggles to provide enough workers with the right skills to meet defense demands.

Thankfully, all is not lost. Far from it. The United States has made progress in some areas of the industrial base. For example, the Department of Defense has ramped up production lines for some weapons systems, such as 155-millimeter rounds, Stinger air defense systems, the Javelin anti-tank weapons system, and Patriot Advanced Capability–3 (PAC-3) air defense systems.\(^11\) In addition, the U.S. private sector is the most innovative in the world, and the United States has a strong track record of eventually ramping up its defense industrial base during periods of crisis, such as World War II, the Korean War, and the buildup under President Ronald Reagan at the height of the Cold War.

Today, the United States needs to take several steps to revitalize its defense industrial base.

First, the Department of Defense and Congress need to expand the use of multiyear contracts to create sustained demand signals that will promote investment in the industrial base. Multiyear contracts have typically been reserved for only the most expensive acquisition platforms and systems, such as large navy ships. Yet multiyear procurement is important for munitions critical for deterrence and warfighting in the Indo-Pacific, such as the Long Range Anti-Ship Missile (LRASM), Joint Air-to-Surface Standoff Missile (JASSM), PAC-3, Standard Missile–6 (SM-6), and AIM-120 Advanced Medium-Range Air-to-Air Missiles (AMRAAMS).

Second, the Department of Defense and Congress should allocate additional funding for contracts and other incentives, such as tax incentives, regulatory relief, and long-term contracts, to build and maintain spare production capacity. This funding can be used to modernize and expand facilities and develop flexible production. The Department of Defense maintains stockpiles of key munitions, minerals, chemicals, technology, and medical supplies, but it
needs to better manage inventory and stockpile planning to decrease near-term risk.

Third, the United States needs to diversify the supplier base for the defense industry and invest in new production methods. The Department of Defense should look for opportunities to assist companies with upskilling and reskilling workers by offering incentives, such as expanding investments in the Manufacturing Innovation Institutes and in programs designed to support the talent necessary for defense-related manufacturing and science, technology, engineering, and mathematics jobs.

These steps are important to strengthen the U.S. defense industrial base to deter China and prepare for contingencies in case deterrence fails. President Franklin Delano Roosevelt in his victory speech in December 1940, one year before the attack on Pearl Harbor, implored the nation to revitalize its defense industry. It is a message that is just as relevant today:

We must be the great arsenal of democracy. For us this is an emergency as serious as war itself. We must apply ourselves to our task with the same resolution, the same sense of urgency, the same spirit of patriotism and sacrifice as we would show were we at war.12
2024: The Year That Launched China’s Commercial Space Sector?

Kari A. Bingen
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and Senior Fellow, International Security Program
China’s space capabilities are rapidly growing in quantity and quality, accelerated by clear political will, government prioritization, and large state and private investments.

The People’s Republic of China (PRC) is intent on surpassing the United States in space. President Xi Jinping has articulated a “space dream” for China to be the leading space power by 2049. While much has been made about the space developments by the People’s Liberation Army (PLA), less attention has been paid to China’s commercial space activities. This new dimension of strategic competition will challenge the United States diplomatically, economically, technologically, and militarily, and is one to watch in 2024.

China’s space capabilities are rapidly growing in quantity and quality, accelerated by clear political will, government prioritization, and large state and private investments. Aerospace was designated a top priority in Beijing’s Made in China 2025 strategic initiative, aimed at achieving technological breakthroughs and boosting its innovation base. China broke its launch record in 2023 and has over 800 operational satellites in orbit, marking one of the swiftest climbs in the history of any modern space program. China is now second only to the United States in its total number of in-orbit satellites.

In particular, China’s commercial space sector has flourished, enabled by policy changes and fueled by private and state investments. In 2014, the Chinese government modified a restrictive policy to open select space sectors to private investment. According to a 2021 European market assessment, China is now leading the world in terms of number of commercial space companies established, and it has surpassed all but the United States in the number of space startups receiving funding. Further, according to a 2023 U.S. space investment report, China is second to the United States in space companies receiving private capital, drawing 28 percent of cumulative private market equity investment since 2014 (compared to 48 percent for U.S. companies).

The year 2023 was a breakthrough for China’s commercial space launch activities. In April 2023, its first commercial space launch occurred with the Tianlong-2 medium launch vehicle built by Beijing Tianbing Technology, also known as Space Pioneer. In July 2023, another private Chinese company, LandSpace, launched the world’s first methane-liquid oxygen
rocket, significant in its increased performance, efficiency, and handling.\(^7\) No less than seven Chinese commercial companies conducted or were planning to conduct space launches in 2023, with the pace expected to pick up in 2024.\(^8\) Beijing is expanding its space launch sites to accommodate this commercial growth, including plans to further develop the Wenchang Satellite Launch Center on Hainan island as a commercial spaceport.\(^9\)

Chinese commercial space companies are progressing in other areas as well. In a 2021 presentation from the National Geospatial-Intelligence Agency, China was assessed as the global leader in three of nine categories of commercial space-based imagery capabilities, matching U.S. commercial providers, which maintained the lead in only three categories. Chinese entities have plans to rival U.S. commercial low Earth orbit (LEO) broadband constellations.\(^10\) A 13,000-satellite network (GuoWang) would be the country’s answer to SpaceX’s Starlink, with large deployments anticipated to start in 2024. Another 12,000-satellite constellation (GEO Starlink) is also in the works.

In 2024, as China pursues the same economic, security, and prestige benefits that other space powers have long enjoyed, it will be competing globally with the United States across these areas for influence, market share, and international norm setting.\(^11\) If the United States does not win this competition, there are both economic and national security consequences.

Taking a play from its 5G playbook, such space-based information, communications, and terrestrial infrastructure are natural offerings in Beijing’s Belt and Road Initiative but come at a price. The proliferation of Chinese LEO broadband services could boost Beijing’s presence in foreign terrestrial networks, providing it with greater control over international data flows, allowing it to spread techno-authoritarian norms, and granting it extensive intelligence and coercive powers.\(^12\) Chinese satellite imagery companies could provide imagery of U.S. and partner forces to those seeking to harm U.S. interests. A prime example is Spacety China, a commercial company sanctioned by the U.S. Treasury Department in early 2023 for selling imagery collected over Ukraine to enable Wagner Group combat operations.\(^13\)

One could question whether these activities are truly commercial. In many cases, these commercial entities maintain ties to state-owned enterprises (SOEs) as subsidiaries or spin-offs, receive top-down support from the Chinese Communist Party (CCP), and enjoy large tracts of funding, municipal government support, and regulatory leeway. They offer a pathway for innovation and technological advancement outside of China’s SOEs and a way to reduce reliance on international companies or suppliers.

However, the CCP has made clear that technological advancements made by civil and commercial entities must also aid the military. Beijing’s military-civilian fusion (MCF) policy facilitates the transfer of technology and investments from the commercial sector to the military.\(^14\) Its 2017 National Intelligence Law requires that “any organization or citizen shall support, assist, and cooperate with state intelligence work” and keep the work a secret.\(^15\)

How does the United States compete? It starts with taking a more strategic view of the commercial space sector. U.S. industry still leads in advanced space technology and private capital, though that lead is eroding. A strong space industrial base, deep bench of technical talent, and vibrant innovation ecosystem comprised of space start-ups and traditional aerospace companies with diversified revenue bases are in the nation’s economic and security interest.

However, the approach to space commerce and space diplomacy will need to evolve. Space capabilities are a form of soft power. Allies and partners are expanding their space programs and budgets, creating greater opportunities for closer cooperation, from Australia and the United Kingdom to Japan, South Korea, and India, as well as partners in the Middle East and Latin America. U.S. commercial space capabilities are a tool in the international cooperation tool kit.

Further, with the rise of China’s space industry and global diffusion of space technology and capital, international partners have an array of options. As a matter of U.S. policy and economics, it is far preferred that U.S. space entities be their partner of choice, not Chinese ones. But U.S. export policies must be modernized to enable such cooperation on space
technology, which has long been subject to the same constraints as missile and munitions technology.

Finally, maintaining U.S. technological leadership means not just preventing the transfer of technology to the PRC but also setting the conditions for the U.S. commercial space sector to prosper and stay ahead of the competition. The year 2024 extends the period of rapid technological change, with the private sector leading in many areas of technological innovation. The government should seek greater adoption and integration of commercial technologies to support mission needs, taking advantage of their speed and agility and the private capital being invested in them.

China’s commercial space sector is just getting started. There is no time to waste to position the U.S. space industry in the most competitive position possible.
Nuclear Credibility and How to Deter China

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To demonstrate resolve, the United States must rely on both military and political tools. . . . Reduced reliance on nuclear weapons could signal that U.S. leadership lacks the stomach to uphold security commitments.

The 2023 bipartisan Strategic Posture Commission calls for a change to the United States’ nuclear deterrence policy, concluding “the fundamentals of America’s deterrence strategy remain sound, but the application of that strategy must change to address the 2027-2035 threat environment.”1 China’s nuclear buildup over the past decade was one of the drivers of the commission’s conclusion that the United States needs to make “adjustments” in U.S. nuclear capabilities to effectively deter Beijing. To be sure, capabilities are a crucial part of a deterrence strategy. But an equally important tool is the credibility of U.S. commitments. The United States needs to ensure demonstrating resolve is part of any deterrence strategy in the face of a determined and patient adversary.

Over the past decade, China has significantly expanded its strategic capabilities. The Department of Defense’s 2023 China military power report concluded, “Compared to the PLA’s [People’s Liberation Army] nuclear modernization efforts a decade ago, current efforts dwarf previous attempts in both scale and complexity.”2 Additionally, Chinese president Xi Jinping has ordered the military to prepare for an invasion of Taiwan by 2027, though Chinese leadership has since denied this.3

Deterrence is a combination of capabilities, credibility, and communication. Successful deterrence requires understanding what an adversary values most and holding it at risk in order to impose an unacceptable cost. China’s nuclear expansion presents a new set of deterrence challenges in regard to targeting, posture, and allies.

The Strategic Posture Commission recommends “holding at risk key elements of their [Chinese and Russian] leadership, the security structure maintaining the leadership in power, their nuclear and conventional forces, and their war supporting industry.”4 Such action may require expanding or changing the makeup of the U.S. arsenal. Some experts, however, have argued that the United States simply needs the ability to “inflict catastrophic damage against both China and Russia.”5 On the surface, this approach
would seem to lack the tailoring necessary for effective deterrence and assumes a one-size-fits-all approach. For any targeting strategy, improved understanding of what adversaries value will be necessary.

The administration under U.S. president Joe Biden has yet to clarify a strategy for deterring two peer competitors, including China. There are at least two important points of debate about such a strategy, as captured in a recent CSIS report. The first point of debate is about the nuclear force posture and the required mix of capabilities. Some experts argue the United States will need to expand its nuclear arsenal, such as by uploading warheads, but will not need to match Russia and China in combined numbers. Others suggest the United States should shift investment away from nuclear weapons toward advanced conventional weapons and new technologies while also strengthening resilience in nuclear command and control.

A second area of debate is how to extend deterrence and assure U.S. allies. One side of the debate focuses on the value of capabilities, such as a new sea-launched cruise missile, in demonstrating commitment to allies, deterring regional aggression, and buttressing existing conventional capabilities. Others argue that allies should take on greater responsibility for their own security but through close consultation and communication with the United States, and that any U.S. deployments could provoke escalation.

But to see these debates as a binary between more or less capabilities misses important nuance about the political motives behind a deterrence strategy. Specifically, the debates miss a key question for U.S. political and military leaders: Does the United States have the resolve to defend its interests and allies? U.S. resolve has come into question in recent years following the failure to respond to Syrian chemical weapons attacks, the withdrawal from Afghanistan, and ongoing domestic debates about military aid to Ukraine.

Resolve is about both stakes and stomach. Seemingly, the stakes in a Taiwan crisis, for example, are greater for China than for the United States, just as they appear to be for Russia in the current war in Ukraine. At the same time, the consequences for U.S. global leadership and allies’ confidence in U.S. security guarantees hinge on the U.S. response to an attack on an ally or partner. But even in scenarios where the stakes are evenly matched, there is a question of whether or not the U.S. public has the stomach to commit to military intervention.

To demonstrate resolve, the United States must rely on both military and political tools. The aforementioned debate about the right mix of capabilities must account for how allies and adversaries alike could perceive a shift to conventional forces. Reduced reliance on nuclear weapons could signal that U.S. leadership lacks the stomach to uphold security commitments. This does not mean the United States should massively expand its arsenal; rather it can take steps to signal resolve, such as more unambiguous statements about commitment to allies’ security, exercising, and consultation. The Biden administration has already pursued some of these measures, but delays in budget approvals and lack of visibility for nuclear issues could undermine such efforts.

Resolve is also a political exercise. U.S. adversaries and allies know of U.S. domestic political polarization. Russian president Vladimir Putin seems to be content with a temporary stalemate in Ukraine while he waits in hopes of former U.S. president Donald Trump’s reelection. Xi may similarly be waiting for a change in administration that will see many of Biden’s regional initiatives overturned, such as AUKUS and the Nuclear Consultative Group dialogue with South Korea.

As the United States works to deter China, assure U.S. allies in the Indo-Pacific region, and demonstrate resolve vis-à-vis Beijing, it will need to ensure its efforts do not come at the cost of credibility with European allies. Security for Seoul should not come at the expense of credibility with Warsaw. Capabilities will play an important role in demonstrating resolve in both theaters, though U.S. domestic politics, ultimately, have become a problem for nuclear deterrence.
From Mud to Space: Adapting Missile Defenses to the China Threat

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Both of the Pentagon’s last two National Defense Strategy documents have identified China as a strategic and pacing threat to the United States and its allies. Within the military dimension of that strategic competition, an increasingly diverse, numerous, and sophisticated spectrum of aerial and missile threats has assumed an outsized importance. Once regarded as a niche or boutique problem, these missile threats have now become weapons of choice. The surge in the global supply and demand for both a spectrum of long-range standoff capabilities and the means to contend with them is a defining feature of a new missile age.

For decades, missile defense efforts have largely been directed at rogue state ballistic missile threats, especially from those armed with weapons of mass destruction. The threat from major powers represents a far more complex problem. U.S. air and missile defense efforts require considerably more adaptation than that which has been undertaken to date to contend with the scale and urgency of this threat.

At least five areas of improvement are worth consideration to adapt U.S. air and missile defenses to better contend with the military competition with major powers.

The first is that of policy. Not so long ago, it seemed in many quarters unthinkable to put Russia or China in the same sentence as missile defense. Over the past two years, the successful engagement of Kinzhals and hundreds of other high-end missiles in Ukraine have decisively chipped away at the idea that such threats are unstoppable. Now it should be unthinkable not to contemplate active defense. While still relying upon nuclear forces to deter large-scale, strategic nuclear attacks, the specter of nonnuclear strategic attacks makes such defensive measures indispensable.

The second area, the principal effort to realize the defense of nonnuclear strategic attack, is the collection of efforts to provide air and missile defense for the island of Guam. Besides being U.S. sovereign territory and homeland of Americans, the principal reason for defensive investments for Guam has every-
thing to do with the military forces dependent upon the island for power projection and deterrence. While passive defense measures should be maximized fully, some things that cannot be moved or hidden must be defended. Doing so will require every tool in the toolbox of today’s air defenders and the development of new ones. To defend against the full spectrum of threats from a near-peer in their backyard will require integration among several air and missile defense systems, not just to create a common air picture but to achieve integrated fire control to optimize and deconflict engagements.

A third capability area is the specific area of cruise missile defense, relevant not just to Guam but to bases throughout the United States Indo-Pacific Command (INDOPACOM) and beyond. Garden-variety cruise missiles represent one of the most underappreciated, high-capacity, and near-term threats to U.S. forces and the homeland. The U.S. Army’s efforts for cruise missile defense will need to be kept on schedule and expanded. Since being named the lead service for air and cruise missile defense of the homeland, the U.S. Air Force is advancing critical work on domain awareness and over-the-horizon radars. Further work will be required to increase cruise missile intercept capacity both in the homeland and in the Pacific, much of which will likely need to be ground-based.

At the lower end of the aerial threat spectrum is the need to counter the seemingly humble but increasingly ubiquitous category of systems called unmanned aerial systems (UAS). Despite receiving their own category, UAS threats might be conceived as the next generation of the categories previously dubbed fixed wing, rotary wing, and cruise missiles. As the next chapter of air defense, counter-UAS (C-UAS) will require organizational and training changes, not just for dedicated air defenders but across the entire Joint Force.

The United States does not get to pick which parts of the air and missile threat spectrum China will mix and match to hold U.S. forces at risk. The fifth and final category is, therefore, not optional. The ability to defeat high-speed maneuvering threats, or various kinds of so-called hypersonic missiles, represents a necessary capability to counter significant Chinese investments in the area. These include boost glide vehicles, scramjet powered cruise missiles, orbital bombardment, and space planes.

Important progress has been made so far for the first component, space-based sensors capable of tracking unpredictable missiles from birth to death—but the capability is still far from being realized. Questions remain about schedule and fire control requirements for these forthcoming sensor layers. A second component, the kinetic or non-kinetic means to defeat these threats, must also be developed with all deliberate speed. Past aversions to space-based capability must likewise be overcome. Although the implications of embracing space as a warfighting domain have yet to be fully internalized, advanced capabilities in and from space will be critical to the future of missile defense and defeat.

We do not get to choose which sort of threats China will pose. The specter of complex, structured, and integrated missile attacks requires attention to the full spectrum of defenses, from mud to space.
Taiwan
Beijing’s More Coercive Approach toward Taiwan in 2024 and Beyond

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Overall, 2024 is likely to be a determining year for cross-strait relations. If the survey results reflect Beijing’s calculus, China is likely to further escalate coercion and demonstrate its displeasure against Taiwan beyond what it has done during the Tsai administration.

The year 2024 will be critical for determining cross-strait dynamics for at least the next four years, if not longer. Current Taiwan president Tsai Ing-wen, a member of the Democratic Progressive Party (DPP) who has served for two terms, is stepping down. The election of current Taiwan vice president and DPP candidate William Lai on January 13, 2024, will shift cross-strait dynamics.

Beijing’s Approach toward Taiwan Will Become More Coercive

In December 2023, prior to the Taiwan elections, the CSIS China Power team conducted a survey of leading U.S. and Taiwan experts to help forecast what to expect in 2024. The survey showed that over 80 percent of leading thinkers in both regions believed that China would not maintain its current approach toward Taiwan after the elections. Instead, they believed Beijing was approaching a fork in the road, where it could adopt starkly different ways of dealing with the island depending on if China views the winning Taiwan leader as more pro-China or pro-independence.

The surveyed experts believed that a candidate who was more preferred by the People’s Republic of China (PRC)—such as Kuomintang (KMT) leader Hou Yu-ih or Taiwan People’s Party (TPP) leader Ko Wen-je—and was willing to affirm support for the 1992 Consensus in one form or another could encourage Beijing to improve ties with the island. This could come in the form of more PRC political or economic “carrots” or reduction in the use of “sticks” or coercion against Taiwan.

Interestingly, 46 percent of Taiwan experts were optimistic, believing that China would unilaterally improve ties with the island if one of its more preferred candidates won. This contrasted with 46 percent of U.S. experts who assessed that the newly elected Taiwan president would need to showcase goodwill first before China would take a positive step.

Respondents were less certain how Beijing would respond if its least preferred candidate, William Lai,
won the Taiwan presidency. China views Lai as significantly more provocative and pro-independence than Tsai. Here, the results from the CSIS China Power survey were mixed. Half of U.S. and Taiwan experts believed that China would escalate against the island in the event of a Lai presidency, regardless of what the new Taiwan president does—indicating that China’s anxieties and deep-seated animosity toward Lai likely clouds and shapes PRC thinking.

If this logic holds, it is possible that China may react more negatively and strongly to Lai even if he embraces the exact same actions as Tsai. Similarly, China could react more negatively toward U.S. support to Lai, including against high-level congressional visits to Taiwan as well as U.S. arms sales to the island.

**Wide-Ranging Views on How China Could Escalate**

In terms of how Beijing could respond to Lai’s victory, the majority of U.S. and Taiwan experts believed that China would reserve its most escalatory measures until at least after Lai is inaugurated on May 20, 2024 (or even later, after he has implemented significant policy changes). China had already increased pressure on Taiwan in the lead-up to the elections, and this buildup could continue post-election. Over a third of Taiwan experts, however, were worried that China would embrace its most escalatory response against Taiwan after the election but before the inauguration.

At the same time, even in the event of Lai’s victory, 60 percent of U.S. experts believed that the most escalatory option that China would take in 2024 is a large-scale military exercise encircling Taiwan (achieving temporary blockade-like effects). A handful of U.S. experts believe that if dynamics worsen, there is a possibility that China could quarantine, blockade, or even invade Taiwan in 2024.

Taiwan experts were less pessimistic. Forty-nine percent assessed that China will maximize non-military coercion of Taiwan. This could include China’s efforts to undermine and stir chaos within Taiwan’s democracy, PRC economic coercion of the island, as well as China’s attempts to squeeze the island’s international space. This is more than the 43 percent of Taiwan participants who think China will launch a large-scale military exercise. A handful of Taiwan experts believed that China could quarantine Taiwan, but none assessed that China would blockade or invade the island.

**What to Expect in 2024**

Overall, 2024 is likely to be a determining year for cross-strait relations. If the survey results reflect Beijing’s calculus, China is likely to further escalate coercion and demonstrate its displeasure against Taiwan beyond what it has done during the Tsai administration.

The discrepancy in the survey between U.S. and Taiwan expert views showcases how difficult it is to forecast potential PRC courses of action given the wide range of political, economic, and military tools that Beijing could leverage against Taipei. Whereas U.S. experts tend to focus on PRC military activities as most escalatory and problematic, Taiwan experts are slightly more worried about other types of PRC actions in the political, economic, and information domains.

In reality, Beijing is likely to embrace whatever political, economic, or military measures it believes will best assert its control over Taiwan and allow Beijing to make “progress” on unification. Beijing will likely use a combination of different and wide-ranging measures against the island. In addition, China’s willingness to escalate large-scale military exercises around Taiwan in August 2022 and April 2023 suggest that Xi is willing to push forward on Taiwan even if such actions could trigger potential costs and international blowback.

There has also been much speculation on whether internal PRC conditions, such as the state of China’s economy, will significantly dampen or elevate Beijing’s appetite to take risk vis-à-vis Taiwan. The CSIS China Power survey finds that 50 percent of leading U.S. experts assess that a sharp, prolonged PRC economic downturn will not impact potential PRC use of force against Taiwan. A dominant reasoning is that strategic and political factors will determine whether China decides to use significant military force against Taiwan.
Taiwan experts, however, were more divided and believed China’s economic conditions mattered more. Thirty-seven percent did not believe China’s domestic economic troubles impacted PRC use of force against the island; 34 percent believed they would decrease PRC use of force; and 29 percent believe they would increase the likelihood of use of force.

It is important to carefully monitor conditions within the PRC, but for now, the main determinant of China’s approach to Taiwan in 2024 and beyond is likely to be how China perceives Lai’s words and actions, particularly after he assumes the Taiwan presidency in late May 2024.
Deterring Xi Jinping’s Taiwan Ambitions

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Precisely because a direct attack on Taiwan brings unacceptable risk to Beijing, Xi is therefore likely disposed to ramp up coercive actions that seek to demoralize the Taiwan people and, crucially, create scenarios where the U.S. commitment to Taiwan is clearly and publicly tested.

While it is certain that Chinese leader Xi Jinping seeks Taiwan’s de jure absorption or annexation into the People’s Republic of China (PRC), there remain vexing ambiguities and uncertainties about how he is seeking to achieve this goal, how much risk he is willing to accept, and what cost—diplomatic, economic, reputational, military—he is willing to absorb in the pursuit of his objectives.

While some analysts argue that Xi represents a clear break with Beijing’s long-standing approach to cross-strait issues, the evidence does not support this conclusion. Xi’s rhetoric on Taiwan is largely consistent with that of his predecessors in Beijing. Deng Xiaoping stated in 1983, “We shall complete the unfinished task of reunification left to us by our predecessors,” an early formulation of Xi’s later urging that the Taiwan issue should not “be passed down from generation to the next.” Deng’s immediate successor, Jiang Zemin, declared that “reunification” was China’s “sacred mission.” Hu Jintao oversaw the passage of the 2005 “anti-secession law,” which stipulated—albeit vaguely—the circumstances under which Beijing would use military force to compel “reunification.” The substance of Xi’s approach to cross-strait relations has also been largely consistent with the long-standing admixture of coercive cudgels and attempted economic inducements. Individuals and actors who adhere to Beijing’s “one China principle” are rewarded and favored, while those who push for Taiwan’s expanded autonomy and security are demonized and punished.

What has changed is the intensity of Beijing’s coercion and intimidation, and the expansion and increasing sophistication of the tool kit it can bring to bear. Where for much of the past 75 years, Chinese leaders were forced to contend with a vastly superior U.S. military, over the last two decades, the People’s Liberation Army (PLA) has undergone an unprecedented military modernization and buildup. While it may not yet be able to vie with the United States for its ability to project power globally, the capabilities it can now focus on the waters in and around the Taiwan Strait are extraordinary, to say nothing of the invest-
ments it is currently making in future capabilities that will further complicate U.S. calculations. Although the PLA is evolving to play a more global role, the core focus of its efforts remains on having the capability to seize Taiwan and repel a counter-invasion coalition led by the United States.

For Beijing, a credible threat of invasion remains the bedrock of its political deterrence strategy. Without it, Beijing fears that Taiwan would move rapidly toward de facto or de jure independence, expand diplomatic relations with international partners and its role in international institutions, and seek to forge an even stronger security relationship with the United States, Beijing’s chief rival. Ensuring that the PLA’s military threat is seen as credible therefore requires regular demonstrations of power and capability, from military exercises to calculated rhetorical pressure and warnings. Beijing also believes that Taipei and Washington (and increasingly third countries like Japan, Singapore, and the Philippines) must believe that Beijing has more “skin in the game” and is willing to risk more than anyone else to ensure Taiwan’s annexation. Thus, the recent uptick in what the U.S. Department of Defense calls “coercive and risky intercepts” of U.S. and allied aircraft by the PLA is not incidental or accidental but rather essential to a strategy of demonstrating that Beijing will go to war and risk everything to protect “territorial sovereignty.” Added to this military campaign is the significant political, informational, economic, and diplomatic pressure Beijing leverages in an attempt to deter the United States and third countries from strengthening relations with Taipei and, relatedly, convince the Taiwan people that they are isolated and alone.7

Yet just because Beijing has a better tool kit doesn’t mean it has a better strategy. Indeed, in many ways, Beijing’s cross-strait approach stands at an inflection point. The policy of economic inducement pursued during the Ma Ying-jeou era (2008–2016) collapsed under the weight of domestic political opposition in the form of the Sunflower Movement. China’s continued and widespread use of economic coercion against Taiwan and a growing number of countries further undercuts Beijing’s faith in the efficacy of economic carrots. The full cutoff of relations with Taipei after the 2016 election of Tsai Ing-wen hasn’t yielded a Taiwan population that is more compliant with Beijing or more interested in “reunification.” In fact, the situation is quite the opposite, with polling data showing that fewer and fewer Taiwan people see a future in unification with the PRC.8 And Beijing’s campaign of repression in Hong Kong and its active support for Russia’s war on Ukraine have only strengthened Taiwan domestic solidarity against rule by Beijing.

When looking at unfolding events and dynamics in the Taiwan Strait, the United States faces a quandary. On the one hand, Chinese leaders likely still see a direct military assault on Taiwan, or a blockade of the waters around it, as prohibitively risky.9 Even while recognizing that events of the past several years have shattered the illusion that geopolitics is foreseeable, or that dictators follow a predictable straight line, in the absence of a significant deterioration in the U.S.-China relationship or some other exogenous change, the prospect of a Chinese invasion or blockade of Taiwan (an act of war under international law) remains low. As it stands, Xi Jinping is more conservative and cautious than his strategic ally, Vladimir Putin.

But precisely because a direct attack on Taiwan brings unacceptable risk to Beijing, Xi is therefore likely disposed to ramp up coercive actions that seek to demoralize the Taiwan people and, crucially, create scenarios where the U.S. commitment to Taiwan is clearly and publicly tested. Many such efforts will undoubtedly fail on their own terms, instead further galvanizing the Taiwan people and highlighting the importance of Taiwan to the international community. Yet others will undoubtedly succeed. Some will discourage international actors from taking a bolder stance on Taiwan’s security through the use of direct or indirect threats. Other actions will create or leverage domestic divisions within Taiwan. And, consequentially, Beijing will look for space to probe or outright challenge the United States’ long-standing commitment to Taiwan.

There are critical steps the United States can take to meet this challenge.

First, the discussion in Washington should be reoriented away from a narrow focus on still unlikely
scenarios, like an invasion or blockade, and instead focus on combating the daily campaign of political, economic, diplomatic, and military pressure that Beijing is directing toward Taipei. The more the United States makes the Taiwan issue strictly about invasions, the more hesitant medium and small powers will be to draw closer to Taiwan and support U.S. efforts in the region. Beijing won’t need to invade Taiwan if it can successfully isolate and intimidate the island. U.S. partners and allies should find their own ways to credibly signal to Beijing that it would pay a price (economically, diplomatically, and militarily) for disrupting peace in the Taiwan Strait. Signaling this cost will demand that countries be willing to accept some additional friction with Beijing, but unless and until Xi understands the isolation China would face as a result of aggression, conflict is more, not less, likely.

The United States should also dramatically step up its efforts to bring radical transparency to the PRC’s actions and behavior in the Taiwan Strait and throughout the South China Sea. The Department of Defense has recently taken steps to highlight the PLA’s growing belligerence in the air and at sea, and such efforts should widen to include not just military domains but also the diplomatic, economic, and political space. Beijing operates best in the shadows.

Finally, as the United States works to build Taiwan’s and its own defense capabilities, political rhetoric back in Washington is undermining the perceived credibility of its commitments. The Taiwan issue has exploded in importance over the past several years, with policymakers in both parties making public statements on a range of related issues. Some of these signal to Beijing that Taiwan’s prosperity and resiliency are supported by a strong bipartisan coalition, and thus, U.S. commitment will continue indefinitely. Yet other comments unintentionally reinforce Xi Jinping’s view that the United States is looking to pare down its global responsibilities, leading to a U.S. resolve that is weakening, wavering, or fundamentally retreating. Clear, consistent, and sensible comments and actions by policymakers and political leaders in support of Taiwan’s security and prosperity would be the best deterrent to future Chinese aggression.
Allies
Sustaining Deterrence in 2024: The Critical Role of Allies

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Key to sustaining deterrence in the Indo-Pacific during a period of potential American distraction—by politics at home and wars in Ukraine and the Middle East—is the role of U.S. allies.

The headlines in early January this year were filled with rumors of corruption and incompetence in the People’s Liberation Army (PLA)—but these reports should not serve as an excuse for complacency. In fact, China’s military modernization continues to accelerate, and Xi’s purge of PLA leaders is an indication of the strength of his determination to pursue it. Around the region, Beijing is increasingly aggressive in seeking to coerce its neighbors through a mix of economic, military, and paramilitary tools. The results of the Taiwan election in mid-January will spur Beijing to pressure the new Taiwan government, at a minimum raising the risk of an incident that could easily spiral into conflict. Moreover, China’s maritime coercion in the South and East China Seas shows no signs of diminishing; indeed, there are indications China is planning a 365-day Coast Guard presence in the waters around the Senkaku Islands in 2024. Beijing’s cooperation with Moscow, and the deepening linkages between North Korea and Russia pose further challenges.

Key to sustaining deterrence in the Indo-Pacific during a period of potential American distraction—by politics at home and wars in Ukraine and the Middle East—is the role of U.S. allies. As 2024 begins, the picture here is good, but it’s critical to sustain the momentum. The last few years have witnessed a remarkable, and nearly simultaneous, strengthening of U.S. alliances across the region—for the first time in decades. This is a foundation to build upon.

The strengthening is nevertheless fragile, and in some cases easily reversed. Although presidential election years are often resistant to major new alliance initiatives—as allies hedge, seeking to gauge the likelihood of continuity in a new administration—important progress remains possible, and it’s critical to sustain momentum even as November 2024 approaches. Washington should focus on a few concrete steps in its bilateral alliances while sustaining work to build a minilateral security architecture, centered on the U.S.-Japan-Republic of Korea and U.S.-Japan-Australia trilateral groupings. U.S. allies themselves have a key role to play in this consolidation—by demonstrating their own commitment to
follow-through and investments at home, they can underscore the importance of continuity in U.S. policy and reinforce deterrence against the rapidly growing challenge from China, while at the same time helping to inoculate themselves from criticism in the United States related to burden sharing.

**The Cornerstone Bilateral Relationships**

**The United States and Japan**
The U.S.-Japan alliance enters 2024 on exceptionally firm footing, and this year will bring multiple opportunities to showcase its strength—including a state visit to Washington by Japan’s prime minister this spring and a “2+2” meeting later in year. Japan is entering the second year of a historic defense buildup and so far is moving quickly on key elements of implementation—including the acquisition of long-range “counterstrike” capabilities, establishment of a new joint operational headquarters, and major investments in enhanced readiness for the Self-Defense Force. These moves complement U.S. moves to reinforce deterrence in the western Pacific through force posture enhancements, including formally establishing a Marine Littoral Regiment on Okinawa in November 2023.

This year the focus for Washington and Tokyo should be on solidifying these announcements with concrete steps to build a more integrated and operational alliance—steps that will move the relationship in the direction of a more operationally ready alliance and enhance its credibility.

Specifically, Washington and Tokyo should announce plans to modernize the command structure of the alliance. Washington should begin taking steps to transform U.S. Forces Japan into a truly joint operational command, subordinate to the United States Indo-Pacific Command, to serve as the day-to-day counterpart for Japan’s new permanent joint operational headquarters. The two sides should explore opportunities for co-location of command personnel, perhaps by embedding U.S. liaison officers at Japan’s new headquarters. For its part, Tokyo should prioritize new efforts to strengthen information security and to enhance Japan’s cybersecurity, to include authorizing active cyber defense capabilities. New legislation in these areas is critical to enabling deeper U.S.-Japan operational cooperation and should not be delayed.

**The United States and Australia**
The U.S.-Australian alliance is in remarkably strong condition, having advanced the diplomatic, defense, economic, and climate and clean energy agendas this past year. Washington and Canberra have aligned their diplomatic agendas across the Pacific Islands, taken substantive steps forward toward realizing AUKUS and readying a U.S. rotational submarine presence in western Australia by 2027, broken down barriers to collaborating on advanced technologies, begun building the infrastructure necessary to support more robust force posture in northern Australia, and created mechanisms for increasing cooperation on critical minerals and clean energy. Ambition, then, is not the challenge for the U.S.-Australian alliance. In a year likely to see disruption around the region, and much political churn inside of both Australia and the United States, moving projects into the execution stage will prove key to locking in U.S.-Australian cooperation in and beyond 2024.

Specifically, as Australia and the United States scale up force posture initiatives, Washington and Canberra should determine which coordination mechanisms best allow them to set appropriate defense guidelines and build out joint infrastructure. While the priority should be ensuring the readiness of Submarine Rotational Force–West (SRF-West) to host increased numbers of U.S. submarines and U.S. military personnel by 2027, a larger coordination mechanism would aid in the support of increasing numbers of American personnel operating out of an expanding number of Australian bases. The United States and Australia should also increase their ability to produce more capabilities and more munitions, specifically by making further progress on AUKUS Pillar Two initiatives, advancing legislative and regulatory guidelines supportive of lowering barriers to collaboration, and supporting Australian efforts to start producing a greater number and more varied types of munitions by its Guided Weapons and Explosive Ordnance Enterprise (GWEO).
Reinforcing Minilateralism

The last few years have witnessed a proliferation of minilateral groupings, but two in particular should be the focus of U.S. policy in 2024: the U.S.-Japan-Republic of Korea and U.S.-Japan-Australia groupings. For the former, locking in the gains of Camp David should be a priority through another stand-alone trilateral leaders’ meeting, an expanded military exercise program, and deepening dialogue on economic security. Japan and South Korea should take steps to fully normalize their own bilateral defense relationship and announce a framework for cooperation moving forward. For the latter, the three governments should build on Japan’s deployment of F-35 aircraft to Australia to expand trilateral training. A particular opportunity could be defense industrial cooperation; the three countries should define concrete cooperation in developing uncrewed systems. Australia’s Guided Weapons and Explosive Ordnance effort could also be a platform for trilateral cooperation in manufacturing critical munitions and matériel.

Sustaining Momentum in 2024

There are other critical steps Washington can take to ensure that deterrence holds in this election year. It should sustain a strong diplomatic calendar in the Indo-Pacific to the degree possible. Presidential travel will be limited, but there should be ample opportunity to host visiting leaders at the White House. Congress should seek opportunities to highlight the increasingly strong bipartisan consensus on China policy and issues in the Indo-Pacific; a joint resolution on the U.S. commitment to allies and partners, and support for a free and open Indo-Pacific, would send a powerful signal of continuity in U.S. policy. A host of other policy efforts related to economic security—including promoting supply chain diversification, strengthening export controls, and advancing cooperation with key allies on advanced and emerging technologies—should remain a major focus.

The U.S. election in November will be an important moment for the Indo-Pacific, but the campaign season need not distract from the focus on sustaining deterrence in this vital part of the world.
The Will to Fight: Japan’s Strategy to Strengthen Deterrence

Nicholas Szechenyi
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The greatest variable in this endeavor is time, which Japan cannot afford to waste if it is to keep pace with China’s rapidly advancing capabilities. This necessitates tough decisions to ensure effective implementation of the defense strategy, including avenues for enhancing security cooperation with the United States.

As a nation on the front lines of the China challenge, Japan has pursued a nuanced approach toward Beijing, balancing elements of competition and cooperation to reflect concerns about China’s strategic ambitions while recognizing a degree of economic interdependence and encouraging stability via diplomatic ties. But in light of China’s rapidly advancing military capabilities and recent pattern of coercive activities in the East China Sea and across the Taiwan Strait, Japan resolved to bolster the deterrence side of the equation.

The new defense strategy is designed to strengthen Japan’s deterrence posture. The government pledged to increase defense spending 60 percent over five years and approved a record $56 billion defense budget for 2024 to acquire a range of advanced defense capabilities. Examples include so-called counterstrike or long-range precision weapons, such as Tomahawk missiles; investments across the cyber, space, and electromagnetic domains; unmanned systems; and counter-hypersonic capabilities, including plans to

At the end of 2022, Japan introduced a new national security strategy in response to what it considers the most severe and complex global security environment since the end of World War II. The strategy identifies China as the greatest strategic challenge to the peace and security of Japan, the international community, and the international order based on the rule of law. In response, Japan committed to employ all the tools of statecraft—what it dubbed comprehensive national power—to underwrite stability and prosperity in collaboration with like-minded countries. Foundational to this project is a new national defense strategy and procurement plan to acquire advanced defense capabilities and strengthen deterrence in Northeast Asia. Parallel advances in security cooperation with the United States under the rubric of the U.S.-Japan alliance, the cornerstone of Japanese security policy, constitute an important pillar of the new defense strategy. Japan and the United States should urgently address the operational implications for alliance cooperation to maximize the impact of this ambitious blueprint for enhancing deterrence in the region.
jointly develop a Glide Phase Interceptor with the United States. The defense strategy also supports new deployments across the Nansei (“Southwest”) Islands to bolster homeland defense and intelligence, surveillance, and reconnaissance capabilities, an urgent priority amid heightened concerns about the implications of a Taiwan contingency for Japan’s national security. These investments build on defense policy reforms instituted in 2015 based on a reinterpretation of the war-renouncing clause in Japan’s constitution allowing Japan to activate the right to collective self-defense, or the ability to defend the United States or allies and engage in joint operations outside Japan. In short, Japan seeks to enhance its capacity to deter Chinese aggression and strengthen interoperability with like-minded partners.

The greatest variable in this endeavor is time, which Japan cannot afford to waste if it is to keep pace with China’s rapidly advancing capabilities. This necessitates tough decisions to ensure effective implementation of the defense strategy, including avenues for enhancing security cooperation with the United States. For example, Japan’s military needs to maximize opportunities for training, including joint exercises with U.S. forces, which will prove critical to defending areas such as the Nansei Islands but are too often constrained by sensitivities in local politics. Command and control structures also merit urgent attention. Japan’s Ministry of Defense will set up a new joint operations command by spring 2025 to expedite internal decisionmaking and coordination with the U.S. military. This has prompted debate about whether the United States Indo-Pacific Command, based in Hawaii, should remain the counterpart for managing bilateral operations in an increasingly complex security environment that requires rapid response capabilities. The two governments could also tackle basic operational challenges such as munitions stockpiles, identified as one of seven priority areas in Japan’s defense strategy and a deficiency for the United States that seemingly favors increased emphasis on the co-production of munitions. Neither government should allow bureaucratic resistance to obstruct attempts at reform in these and other areas that could bolster alliance interoperability.

Potential implementation challenges notwithstanding, Japan has established momentum for strengthening its defense capabilities and sending deterrent signals to China. In August 2023, Taro Aso, former Japanese prime minister and vice president of the ruling Liberal Democratic Party or LDP, visited Taiwan and stated in a speech that Japan and its allies and partners should deter China by conveying “the will to fight.” Japan is ambiguous about how it might respond in a Taiwan contingency, with potential options including, but not necessarily limited to, homeland defense, defending sea lanes, or providing non-combat support for U.S. operations. But signaling the will to fight complicates Chinese planning, and that itself constitutes a critical element of deterrence. Japan’s decision to lean forward on defense is one of the most significant strategic developments in Asia in decades, with the potential to transform its leadership role in the international security order. It is still early days, but the trend line favors a sustained commitment to deterring aggression in partnership with the United States as a foundation for regional stability and future prosperity in the world’s most dynamic region.
Global South
Leader, Model, and Commercial Partner: China’s Strategy in the Global South

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Another thrust of China’s diplomacy involves playing to lingering mistrust of Western intentions and prescriptions in many capitals across the Global South, emphasizing a sense of shared grievance about the uneven distribution of power and wealth in the international system.

While U.S.-China competition over the future global order makes headlines, middle and smaller powers will play a pivotal role in determining the shape of this order. Many of these countries are members of what some call the “Global South,” a term used to describe middle- and low-income states largely concentrated in Latin America, the Middle East, Africa, and Asia. While many of these states sought power in the mid-twentieth century as members of the Non-Aligned Movement or the “third world,” the Global South has become an increasingly serious player on the world stage in recent years. These countries’ rising profile is reflective of their growing wealth, population, and power and the important role they will play on a widening array of global issues. Yet while the United States and other G7 capitals have embraced a new era of strategic competition and have sharpened their focus on China and, secondarily, Russia as top national security threats, countries of the Global South—which often count China and Russia as like-minded states—are more interested in preserving space for their own economic development and strategic agency. To build its influence, China skillfully plays to these concerns by touting its three-decade history of double-digit economic growth as a model for its partners and by contrasting its own form of unconditional engagement and noninterference in domestic affairs with the conditionality and broad engagement of the West.¹

Over the past decade, Beijing has directed substantial financial and diplomatic resources toward building up its influence in and cultivating its image as a member (and leader) of the Global South. The primary thrust of China’s diplomacy has been commercial. The Belt and Road Initiative (BRI), launched in 2013, aims to deepen bilateral partnerships and build markets for Chinese goods and services. By one estimate, total BRI transactions summed to around $1 trillion from 2013 to 2022.² Beijing frequently frames the BRI as a key pillar of its value proposition to the Global South, a signal of commitment to deliver development opportunities beyond its borders.³ Beijing has also institutionalized cooperation with many states in the Global South by creating special forums

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for diplomatic interaction and a wide range of educational and cultural exchange programs.

Many lower-income states cannot afford to pass up an opportunity to deepen trade, aid, and investment ties with the world’s second-largest economy. To build influence in the Global South, China casts itself as a partner in technological upgrading as well as economic development and diversification. Another thrust of China’s diplomacy involves playing to lingering mistrust of Western intentions and prescriptions in many capitals across the Global South, emphasizing a sense of shared grievance about the uneven distribution of power and wealth in the international system. Beijing frequently frames itself as a member of the Global South and a champion for a bigger voice for developing countries in international affairs.

Beijing’s engagement with the Global South advances its interests in at least three ways. For one, many developing countries offer both markets and resources key to China’s infrastructure and export-driven growth model. It is no surprise that much of the initial overseas foreign direct investment (FDI) from China, once Beijing began encouraging state-owned enterprises to invest overseas as part of its “go out” initiative in the early 2000s, was concentrated in resource-rich developing countries. Countries in the Middle East offer valuable partnerships for China as a major oil and gas consumer, and state-backed Chinese firms have invested billions in Africa to mine and refine critical minerals pivotal to leadership in clean energy technologies of the future. As ties with advanced economies sour and China’s growth slows, Beijing has intensified efforts to reorient its global trade position, find new markets for its exports, and ensure the sustainable supply of key raw materials.

Beyond this, Beijing sees countries of the Global South as useful partners in leveraging international institutions to serve and protect China’s core interests. By expanding its network of partners, Beijing aims to grow the number of countries it can count on to support—or at least not criticize or oppose—its positions on sensitive issues such as Taiwan, Xinjiang, and the South China Sea in multilateral venues such as the United Nations and on the bilateral level. Research suggests that Beijing has swayed developing countries to amplify its voice in the UN General Assembly, prevent Taiwan’s meaningful participation in international bodies, and deter criticism of its human rights record. Beijing peddles norms of governance, security, and interstate behavior that serve its interests as protecting the interests of developing countries more broadly.

Third, deepening ties with developing economies allows Beijing to undermine Western efforts to build a global order that advances Western interests at the expense of China. In recent years, Washington and advanced industrial economies from Europe to Asia have adjusted their economic and security policies to address China’s assertive turn abroad and repressive turn at home—a development Xi has framed as “all-around containment, blockade, and suppression by Western countries led by the United States.” Countries of the Global South are central to Beijing’s ambitions to expand its partnership network, or—as Xi put it in June 2021—“enlarge the circle of friends who understand China.” In his speech at the 2018 Central Conference on Work Relating to Foreign Affairs, Xi stated that “developing countries are our natural allies in international affairs.”

Looking ahead, recent developments in Beijing’s engagement with the Global South portend a more targeted, assertive, and normative approach—one more colored by U.S.-China competition than in the past. For one, Xi has signaled the BRI will become smaller and greener (“small but beautiful,” as Xi put it at the initiative’s 2023 forum). Most analysts agree that while its top-line dollar value may fall as the country’s willingness to lend has declined, recipient countries are less able to acquire additional debt, and high-profile projects have run into issues, the BRI is not going away. Projects going forward will be smaller but more strategically targeted and more focused on technology and digital infrastructure.

Meanwhile, Beijing has stepped up efforts to expand its normative influence through a range of global initiatives largely aimed at the Global South, including the Global Development Initiative (GDI, introduced September 2021), Global Security Initiative (GSI, introduced April 2022), and Global Civilizational Initiative (GCI, introduced March 2023).
Through these initiatives, which largely repackage existing Chinese foreign policy rhetoric under sleek banners, Beijing seeks to advance its image as a provider of global solutions that attend to common needs and priorities within the Global South—at a time when retreats from globalization and rising geopolitical competition throw development trajectories for many of these states into jeopardy.15

Finally, Beijing is seeking to temper U.S. global influence by expanding the membership and interoperability of the multilateral groupings in which it holds a central role. For several years, Beijing has pushed for the enlargement of BRICS, which recently welcomed Saudi Arabia, Egypt, the United Arab Emirates, Argentina, Iran, and Ethiopia to its ranks. Saudi Arabia also recently joined the Shanghai Cooperation Organization (SCO), a move discussed during Xi’s state visit to the kingdom in December 2022. These groups offer platforms for Chinese leaders to interact directly with partners from the Global South, as occurred during the BRICS summit in September, and they are seen as critical counterweights to tightening ties between the world’s most advanced economies, diluting U.S. global influence. Beijing appears committed to continuing to expand such arrangements in the years ahead.
The U.S. Global South Soft Power Tool Kit Needs to Outcompete China

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The United States has a problem in the Global South: China does not follow traditional rules of development, commercial diplomacy, or debt diplomacy. Compounding the problem is the lack of a positive, forward-looking U.S. agenda that speaks to the hopes and aspirations of countries in the region that would offer a clear advantage over China in the eyes of these bustling economies. Many of the offers the Chinese Communist Party (CCP) provides are appealing, quickly deployed, and relevant to the interests of partners in the Global South. Conversely, the tool kit the United States set up after World War II for soft power, or economic and cultural influence, needs an update. The U.S. approach today is marked by excessive caution and indecisiveness, which stands to benefit the United States’ greatest competitor by driving developing countries to take their partnerships, allegiances (including UN votes and alliances in the multilateral system), technology standards, and commercial ties to China and like-minded countries.

China’s lack of standards and rules has created an uneven playing field, allowing the country to take actions it could not imagine a decade ago: it can develop Covid-19 vaccines, offer price- and quality-competitive tech solutions through Huawei, and build roads and provide power through the Belt and Road Initiative. As a result, China has become the number one trading partner to more than 100 countries and is often the number one creditor to developing countries. All of these areas and more are the building blocks of a system of rules, commerce, and finance. China and its illiberal partners, including Russia and Iran, would like to create an alternative to the system that the United States has led and built for the past eight decades. The United States and the West need to make changes or they could lose to China and other authoritarian regimes that seek to further their goal of overturning this rules-based system and, in turn, dictating the global geopolitical landscape.

The following are a few examples of how the United States should recalibrate its soft power strategy to counter China’s aggressive power grab in the Global South.
Cheap and High-Quality Tech Offering

As the CCP spreads its digital wings across the Global South, the security and artificial intelligence (AI) implications are profound. Huawei, ZTE, and AliPay are the “unholy trinity” of the CCP’s tech backbone for the Global South. They pose serious threats to the democratic world as they create a high risk of unauthorized data collection, which, in turn, leads to major security challenges, including espionage and public opinion meddling. The bad news for the United States is that what China offers is good enough in terms of quality and price. As the United States confronts this challenge, it is not enough to say, “Don’t take the Huawei offer.” Instead, U.S. leaders must enable an alternative coalition of Western countries to provide a competitive price and quality solution.

Building a Mineral and Mining Strategy

Mining and minerals will be the “new oil” under a carbon transition. At the same time, the United States and the West are not going to move from partial dependence on a series of countries that control large amounts of oil and gas to dependence on China, which controls the majority of mines and mineral processing globally. Many of the world’s minerals are located in the Global South: for example, the Democratic Republic of the Congo accounts for around 70 percent of the world’s cobalt, and Indonesia has close to 40 percent of the world’s nickel. Importantly, critical minerals are almost completely processed in China, and the supply chains are heavily concentrated in China as well. Meanwhile, China is making investments to control 30–40 percent of the global supply of rare earth element production. All of this significantly complicates the West’s efforts in its energy transition from hydrocarbons and its ability to exert geopolitical influence in this realm as these minerals are critical for the production of electric vehicles and other green energy technologies.

Removing Bureaucratic Barriers to Success

Building lasting partnerships in the Global South
demands a positive, forward-looking agenda that adjusts the U.S. way of operating in the region to meet the moment.

A good start is for the United States to streamline its bureaucracy to a decisive strategy and remove any red tape. The petty bureaucratic infighting adds to the indecision and costs time. China knows this and uses internal U.S. tensions as an effective weapon. The United States should not be doing business as usual with China, and this means it does not have the luxury of time. Instead, the United States should be on a war footing: the CCP clearly understands this, so why doesn’t the United States?

The United States also needs to provide “one-stop shopping” by clearly marketing to countries in the Global South a palette of services free of bureaucratic formalities. Perhaps a way to unclog this financing is for the U.S. government to remove interagency barriers and streamline interagency work so that, for example, the U.S. International Development Finance Corporation, USAID, and the U.S. Trade and Development Agency all work in a more unified way.

At the moment, the United States is playing from behind in the Global South. Given the uneven terms of the competition, it must pursue an overhaul of its tool kit and approach. The steps outlined here should be at the forefront of U.S. and Western strategy for enhancing competitiveness in a region that will be a primary factor for prosperity and security in the twenty-first century.
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10 Author’s translation. See “习近平在看望参加政协会议的民建工商联界委员时强调 正确引导民营经济健康发展高质量发展” [Xi Jinping emphasized correctly guiding the healthy and high-quality development of the private economy when he visited members of the Democratic Construction Industry and Commerce Association (DAB) sector attending a meeting of the Chinese People’s Political Consultative Conference (CPPCC)], News.cn, March 6, 2023, http://www.news.cn/politics/leaders/2023-03/06/c_1129417096.htm.
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