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America Needs a Comprehensive Strategy for Countering China's Expanding Perimeter of National Interests

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What do Central Asia, the South China Sea, the Internet, and outer space have in common? All of these are parts of China's expanding perimeter of national interest.

Over the past decade, the People's Republic of China (PRC) has demonstrated a willingness to use its increasing economic influence to pressure neighboring countries in physical geographic disputes and to strong-arm foreign companies wanting to enter the Chinese economy. These efforts are part of a comprehensive, coordinated, and integrated strategy to protect China's national interests through economic, diplomatic, political, and even cultural elements in addition to military means.

The extent to which China executes its strategy successfully is a matter of great concern to the U.S. The U.S. needs to respond with an agenda focused on increasing economic freedom at home and abroad, which will meet China's challenge.

China's Expanding Influence

When outsiders observed China in the early 2000s, the general view was that the PRC was on a course to extend its influence without arousing concerns among its neighbors.¹ One analyst concluded in 2005 that China had embraced a policy of reassuring its neighbors while improving bilateral ties.²

Chinese participation in the inaugural East Asia Summit (EAS) in 2005, coupled with the 2004 Sino-ASEAN free trade agreement, was seen as advancing China's position in Asia, especially in Southeast Asia, while the United States appeared virtually moribund. Compared with President George W. Bush, then-Chinese leader Hu Jintao seemed to be more adept at maintaining current relationships and building new ones while tamping down concerns of "China's rise." "From Indonesia to Brazil," observed Fareed Zakaria, "China is winning new friends."³

A decade later, China's ties with the rest of the world have only expanded and deepened. In 2013, China became the world's largest trading power, with some \$3.87 trillion in imports and exports.⁴ The latest effort is the "One Belt, One Road" program, also known as the "Belt and Road Initiative," with China pushing the development of a "Silk Road Economic Belt" extending from China through Central Asia and the Middle East to Europe and Russia, complemented by the "21st Century Maritime Silk Road," encompassing the sea-lanes from China through the South China Sea and the Indian Ocean to the Mediterranean, as well as the sea-lanes to the South Pacific.⁵

Yet even as China is expanding its economic ties, it has demonstrated a willingness to use economics in support of other goals. In 2009, Chinese tour groups reportedly cancelled visits to Kaohsiung, Taiwan, after the Dalai Lama visited there. In 2012, during the Scarborough Shoal incident, the number of Chinese tourists to the Philippines fell precipitously, while Philippine banana exports to China (less than 2 percent of Philippine exports to China by value but with potentially disproportionate impact on local communities) were subjected to extended customs inspections.⁶ Perhaps

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most conspicuous was the Chinese decision to drastically reduce exports to Japan of rare earth minerals, which are essential for electronics and guidance systems, after the 2010 Senkakus imbroglio.

However, China's exploitation of economic ties to further other interests is not limited to physical geographic disputes. Beijing is also using its market position to demand that foreign companies interested in selling financial software to Chinese banks hand over the source code and requiring foreign telecommunications companies to allow backdoors and hand over encryption keys (to forestall terrorism) before being allowed to operate in China.⁷

New Historic Missions

These moves into the realm of cyberspace reflect a larger Chinese view that their interests now extend far beyond their borders, physical and otherwise. This more expansive view is reflected in the "New Historic Missions" with which Hu Jintao charged the Chinese People's Liberation Army in December 2004, arguably marking the beginning of the end of the Chinese charm offensive. Hu made clear that the PLA's missions included preserving the Chinese

Communist Party's hold on power and maintaining China's interests beyond its borders. These included the maritime, cyberspace, and outer space domains.

In the ensuing decade, China has demonstrated significant advances in all of these areas. The growing capabilities of China's navy have been extensively discussed, most recently in the Office of Naval Intelligence's latest report on the People's Liberation Army Navy (PLAN). Chinese naval forces, the report notes, now regularly exercise in the South China Sea, where China is busily converting various reefs and shoals into full-blown islands through a "Great Wall of Sand." It should not be a surprise to anyone that many of these new "islands" come complete with air strips, fortifications, and military installations.⁸

Meanwhile, a recent FireEye report revealed a decade-long Chinese cyber espionage effort aimed at Southeast Asian states. This report followed on the heels of the 2013 Mandiant report, which outlined similar Chinese efforts by a different unit.⁹ China reportedly has developed an anti-satellite (ASAT) capability that can reach targets in geosynchronous orbit and has demonstrated ASATs against lower orbiting satellites in 2007 and since then.

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1. Dali L. Yang, "China in 2002," *Asian Survey*, Vol. 43, No. 1 (January/February 2003), pp. 25-40, <http://olemiss.edu/courses/pol387/yang03.pdf> (accessed April 23, 2015).
 2. Avery Goldstein, "China's Grand Strategy and U.S. Foreign Policy," *American Diplomacy*, September 2005, http://www.unc.edu/depts/diplomat/item/2005/0709/gold/gold_china.html (accessed April 23, 2015).
 3. Fareed Zakaria, "Does the Future Belong to China?" *Newsweek*, May 8, 2005, <http://www.newsweek.com/does-future-belong-china-118925> (accessed April 23, 2015).
 4. Bloomberg, "China Eclipses U.S. as Biggest Trading Nation," February 11, 2013, <http://www.bloomberg.com/news/articles/2013-02-09/china-passes-u-s-to-become-the-world-s-biggest-trading-nation> (accessed April 23, 2015).
 5. Xinhua, "Chronology of China's Belt and Road Initiative," March 28, 2015, http://news.xinhuanet.com/english/2015-03/28/c_134105435.htm (accessed April 23, 2015), and Jacob Stokes, "China's Road Rules," *Foreign Affairs*, April 19, 2015, <http://www.foreignaffairs.com/articles/143709/jacob-stokes/chinas-road-rules> (accessed April 23, 2015).
 6. Andrew Higgins, "In Philippines, Banana Growers Feel Effect of South China Sea Dispute," *The Washington Post*, June 10, 2012, http://www.washingtonpost.com/world/asia_pacific/in-philippines-banana-growers-feel-effect-of-south-china-sea-dispute/2012/06/10/gJQA47WVTV_story.html (accessed April 23, 2015), and Jane Perlez, "Dispute Between China and Philippines over Island Becomes More Heated," *The New York Times*, May 10, 2012, <http://www.nytimes.com/2012/05/11/world/asia/china-philippines-dispute-over-island-gets-more-heated.html> (accessed April 23, 2015).
 7. Paul Mozur and Jane Perlez, "China Halts New Policy on Tech for Banks," *The New York Times*, April 16, 2015, <http://www.nytimes.com/2015/04/17/business/international/china-suspends-rules-on-tech-companies-serving-banks.html> (accessed April 23, 2015), and Chen Qin, "China Anti-Terror Law Worries Foreign Tech Firms," *MarketWatch*, April 2, 2015, <http://www.marketwatch.com/story/china-anti-terror-law-worries-foreign-tech-firms-2015-04-02> (accessed April 23, 2015).
 8. U.S. Navy, Office of Naval Intelligence, "The PLA Navy: New Capabilities and Missions for the 21st Century," April 9, 2015, <http://news.usni.org/2015/04/09/document-office-of-naval-intelligence-2015-assessment-of-chinese-peoples-liberation-army-navy> (accessed April 23, 2015).
 9. Tim Culpan, "Decade-Long Cyberspy Attack Hacked Southeast Asian Targets," *Bloomberg*, April 12, 2015, <http://www.bloomberg.com/news/articles/2015-04-12/decade-long-cyber-spying-campaign-hacked-southeast-asia-targets> (accessed April 23, 2015).

At the same time, China has also demonstrated that, just as it can employ soft power in hard ways, it can apply hard power with a softer touch along the projected paths of the One Belt, One Road. On the eve of Chinese President Xi Jinping's visit to India, a Chinese submarine and submarine tender called on Colombo, Sri Lanka, even as Chinese troops prepared to cross the border into India. The Chinese air force has exercised with its Turkish counterparts, and Beijing has reportedly sold advanced surface-to-air missiles to Ankara.¹⁰ Chinese naval forces have been evacuating citizens of a number of countries from war-torn Yemen while the U.S. State Department argues that any American action, including dispatching forces to evacuate its own citizens, is too risky "given [that] the situation in Yemen is quite dangerous and unpredictable."¹¹

The American Response

China's actions highlight not only China's expanding view of its interests, but also its integrated, holistic view of those interests. For the Chinese leadership, the concept of "comprehensive national power" means that China's security cannot be obtained only—or even predominantly—through military means, but rather requires economic, diplomatic, political, and even cultural elements. Moreover, these are coordinated and integrated, complementing each other by working in tandem.

The extent to which China can pull this off—that is, insofar as it can effectively train these elements on specific national strategic interests and obtain the intended effect—is a matter of great concern for the U.S.

However, the U.S. cannot address the challenge by mirroring the Chinese model. Beyond the obvious diplomatic and political differences, emphasizing state "guidance" and direction of comprehensive national power is not something the U.S. can or should do. America's greatest economic assets are private. They cannot be dictated by the government toward national political objectives. To attempt to do so would lead to industrial policy, mercantilism, inefficiency, waste of government resources,

and economic underperformance, as well as fundamentally jeopardizing American political and economic liberties.

The U.S. can counter China's economic moves by vigorously pressing an agenda focused on economic freedom, including opening markets abroad and at home, in order to maximize opportunity for all players. If American or other investors choose to take advantage of the opportunities presented by expanded liberal markets, which they will, the political influence that China derives from its economic investments—which are often fixated on growth rather than benefiting the population—will be diluted and limited.

More specifically, the U.S. should:

- **Encourage regional trade liberalization.** China's ability to influence its neighbors begins from its economic position, not its military posture. Yet the United States, not the PRC, remains the world's largest economy by a still-substantial margin. The U.S. can be a powerful force for economic freedom. This entails breaking down trade barriers not only for the United States, but across the region from India to Chile. However, this would be an act of inclusion, not exclusion. Establishing a genuine free trade zone would reduce tariff barriers, subsidies, and non-tariff barriers for all players, benefiting the entire region and establishing mutually agreed-upon rules that all players would follow. There is no inherent reason that the PRC could not eventually join such a region, but only if it were willing to play by the same rules.
- **Improve interagency coordination.** The United States has a vast portfolio of interactions with the nations of the Indo-Pacific region. Many are private, ranging from academic exchanges to business dealings. The U.S. government has little role to play in these dealings and should not interfere, but some efforts—such as law enforcement operations against human trafficking, drug trafficking, and intellectual property violations—are

10. Jim Wolf, "China Mounts Air Exercise with Turkey, U.S. Says," Reuters, October 8, 2010, <http://www.reuters.com/article/2010/10/08/us-china-turkey-usa-idUSTRE6975HC20101008> (accessed April 23, 2015), and Peng Yining, "Chinese Missile Sale to Turkey Confirmed," AsiaOne, March 19, 2015, <http://news.asiaone.com/news/asia/chinese-missile-sale-turkey-confirmed> (accessed April 23, 2015).

11. Nima Elbagir, "Stranded Americans Fend for Themselves in War-Torn Yemen," CNN, April 20, 2015, <http://www.cnn.com/2015/04/20/middleeast/yemen-american-citizens-escape/> (accessed April 23, 2015).

within the purview of government, and government needs to improve internal coordination in these areas.¹² A good starting point might be for Congress to request a complete compendium of *non*-military U.S. government interactions with the various states in the region and a regular (perhaps biennially updated) report on how those efforts are being coordinated and how successful they have been. In addition to a country-by-country survey, the report needs to include a broader assessment of how the U.S. government's efforts affect the region as a whole. Myopic focus on bilateral relations neglects the potential for broader synergies.

- **Strengthen defense ties.** The Department of Defense, through Pacific Command (PACOM), arguably has the most holistic view of the region west of Hawaii and east of Islamabad. The U.S. military has a network of bases and conducts a variety of bilateral exercises with nations in the region. This combination of the “presence” mission and multilateral exercises, such as the Rim of the Pacific (RIMPAC) international maritime exercise, affords it an opportunity to maintain a wider field of vision on a day-to-day basis while maintaining granularity. The intentions underlying the “pivot to Asia” recognized the importance of the defense component, but resources have been lacking due to a combination of shrinking defense budgets and sequestration.

Conclusion

As China makes clear its competitive bent, it is essential for the U.S. to respond with deeper engagement and more extensive, expanded engagement, including in the security arena. This should include strengthening ties with key allies such as Japan and Australia and with friendly nations such as India. Restarting the Quadrilateral security dialogue among these four nations, which was suspended after one official meeting in 2007, would be a step in this direction.

Whether it is the regionally aligned forces that the Army is discussing, additional forward basing of Navy and Marine Corps forces, or a more extensive exercise regimen (such as inviting Taiwan to the Air Force's Red Flag exercises), it is essential that the United States demonstrate that, as fully committed as it may be to liberalization, it is also prepared to wield hard power if needed.

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12. Lisa Curtis and Olivia Enos, “Combating Human Trafficking in Asia Requires U.S. Leadership,” Heritage Foundation *Backgrounder* No. 2995, February 26, 2015, <http://www.heritage.org/research/reports/2015/02/combating-human-trafficking-in-asia-requires-us-leadership>.