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Beijing's American Hustle

How Chinese Grand Strategy Exploits U.S. Power

Matt Pottinger

Although many Americans were slow to realize it, Beijing's enmity for Washington began long before U.S. President Donald Trump's election in 2016 and even prior to Chinese President Xi Jinping's rise to power in 2012. Ever since taking power in 1949, the ruling Chinese Communist Party (CCP) has cast the United States as an antagonist. But three decades ago, at the end of the Cold War, Chinese leaders elevated the United States from just one among many antagonists to their country's primary external adversary—and began quietly revising Chinese grand strategy, embarking on a quest for regional and then global dominance.

The United States and other free societies have belatedly woken up to this contest, and a rare spirit of bipartisanship has emerged on Capitol Hill. But even this new consensus has failed to adequately appreciate one of the most threatening elements of Chinese strategy: the way it exploits vital aspects of American and other free societies and weaponizes them in the service of Chinese ambitions. Important U.S. institutions, especially in finance and technology, cling to self-destructive habits acquired through decades of “engagement,” an approach to China that led Washington to prioritize economic cooperation and trade above all else.

If U.S. policymakers and legislators find the will, however, there is a way to pull Wall Street and Silicon Valley back onside, convert the United States' vulnerabilities into strengths, and mitigate the harmful effects of Beijing's political warfare. That must begin with bolder steps to stem the flow of U.S. capital into China's so-called military-civil fusion enterprises and to frustrate Beijing's aspiration for leader-

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ship in, and even monopoly control of, high-tech industries—starting with semiconductor manufacturing. The United States must also do more to expose and confront Beijing's information warfare, which spews disinformation and sows division by exploiting U.S. social media platforms—platforms that are themselves banned inside China's own borders. And Washington should return the favor by making it easier for the Chinese people to access authentic news from outside China's so-called Great Firewall.

Some have argued that because the CCP's ideology holds little appeal abroad, it poses an insignificant threat to U.S. interests. Yet that ideology hardly appeals to the Chinese people, either, and that hasn't prevented the party from dominating a nation of 1.4 billion people. The problem is not the allure of Leninist totalitarianism but the fact that Leninist totalitarianism—as practiced by the well-resourced and determined rulers of Beijing—has tremendous coercive power. Accordingly, U.S. leaders should not ignore the ideological dimension of this contest; they should emphasize it. American values—liberty, independence, faith, tolerance, human dignity, and democracy—are not just what the United States fights for: they are also among the most potent weapons in the country's arsenal, because they contrast so starkly with the CCP's hollow vision of one-party rule at home and Chinese domination abroad. Washington should embrace those strengths and forcefully remind American institutions that although placating China might help their balance sheets in the short term, their long-term survival depends on the free markets and legal rights that only U.S. leadership can secure.

In past decades, the United States' failure to reckon with the ways that American society and businesses were being weaponized to serve the CCP's long-term agenda might have been chalked up to naiveté or Pollyannaish optimism. Such excuses are no longer plausible. Yet Beijing continues to run this play, turning American money and institutions to its own ends—and making the need for real action from Washington all the greater.

THE ART OF POLITICAL WARFARE

The West's sluggishness in realizing that it has been on the receiving end of China's elaborate, multidecade hostile strategy has a lot to do with the hubris that followed the United States' triumph in the Cold War. U.S. policymakers assumed that the CCP would find it nearly

impossible to resist the tide of liberalization set off by the collapse of the Berlin Wall. According to this line of thought, by helping enrich China, the United States would loosen the party's grip on its economy, people, and politics, setting the conditions for a gradual convergence with the pluralistic West.

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That was, to put it mildly, a miscalculation, and it stemmed in part from the methods the CCP employs to prosecute its grand strategy. With enviable discipline, Beijing has long camouflaged its intention to challenge and overturn the U.S.-led liberal order. Beijing co-opted Western technologies that Americans assumed

would help democratize China and instead used them to surveil and control its people and to target a growing swath of the world's population outside China's borders. The party now systematically cultivates Western corporations and investors that, in turn, pay deference to Chinese policies and even lobby their home capitals in ways that align with the CCP's objectives.

Beijing's methods are all manifestations of "political warfare," the term that the U.S. diplomat George Kennan, the chief architect of the Cold War strategy of containment, used in a 1948 memo to describe "the employment of all the means at a nation's command, short of war, to achieve its national objectives." Kennan credited the Soviet Union with "the most refined and effective" conduct of political warfare. Were he alive today, Kennan would marvel at the ways Beijing has improved on the Kremlin's playbook.

Kennan's memo was meant to disabuse U.S. national security officials of "a popular attachment to the concept of a basic difference between peace and war." He was hopeful that Americans could shed this handicap and learn to fight in the political realm to forestall a potentially catastrophic military conflict with the Soviets. To a great extent, Washington did exactly that, marshaling partners on every continent to contain Soviet influence.

Today, free and open societies are once again coming to terms with the reality of political warfare. This time, however, the campaign is directed by a different kind of communist country—one that possesses not just military power but also economic power derived from its

quasi-marketized version of capitalism and systematic theft of technology. Although there are holdouts—financiers, entertainers, and former officials who benefited from engagement, for example—polls show that the general public in the United States, European countries, and several Asian countries is finally attuned to the malevolent nature of the Chinese regime and its global ambitions. This should come as no surprise, given the way the CCP has conducted itself in recent years: covering up the initial outbreak of COVID-19, attacking Indian troops on the Chinese-Indian border, choking off trade with Australia, crushing the rule of law in Hong Kong, and intensifying a campaign of genocide against Uyghurs and other ethnic minorities in China.

HIDE AND BIDE NO MORE

Those aggressive moves represent merely a new phase of a decades-old strategy. In writing his recent book *The Long Game*, the U.S. scholar Rush Doshi pored over Chinese leaders' speeches, policy documents, and memoirs to document how Beijing came to set its sights on dismantling American influence around the globe. According to Doshi, who now serves on the National Security Council staff as a China director, three events badly rattled CCP leaders: the 1989 pro-democracy protests in Tiananmen Square; the lopsided, U.S.-led victory over the Iraqi dictator Saddam Hussein's forces in early 1991; and the collapse of the Soviet Union that same year. "The Tiananmen Square protests reminded Beijing of the American ideological threat; the swift Gulf War victory reminded it of the American military threat; and loss of the shared Soviet adversary reminded it of the American geopolitical threat," writes Doshi. "In short order, the United States quickly replaced the Soviet Union as China's primary security concern, that in turn led to a new grand strategy, and a thirty-year struggle to displace American power was born."

China's new grand strategy aimed first to dilute U.S. influence in Asia, then to displace American power more overtly from the region, and ultimately to dominate a global order more suited to Beijing's governance model. That model isn't merely authoritarian; it's "neototalitarian," according to Cai Xia, who served for 15 years as a professor in the highest temple of Chinese communist ideology: the Central Party School in Beijing. Cai, who now lives in exile in the United States, recently detailed her falling out with the CCP in these pages and has written elsewhere that the CCP's "fundamental interests and

its basic mentality of using the [United States] while remaining hostile to it have not changed over the past seventy years.”

Xi didn't sire the party's strategy, argues Cai. He merely shifted it to a more overt and aggressive phase. Had observers more carefully pondered the former Chinese leader Deng Xiaoping's precept for China to “hide your capabilities, bide your time,” they would have realized that Deng's approach was always intended as a transitional stage, a placeholder until China was strong enough to openly challenge the United States.

That moment has now arrived, and Beijing is no longer bothering to camouflage its global ambitions. Today, party slogans call for China to “take center stage” in the world and build “a community of common destiny for mankind.” This point was displayed vividly in Alaska in March, during the first face-to-face meeting between senior Biden administration officials and their Chinese counterparts. In their opening statements, the Chinese took advantage of the international TV coverage of the meeting to lecture the Americans. “I don't think the overwhelming majority of countries in the world would recognize that the universal values advocated by the United States or that the opinion of the United States could represent international public opinion,” the senior Chinese diplomat Yang Jiechi said as part of a carefully scripted diatribe. Yang juxtaposed “United States–style democracy” with what he called “Chinese-style democracy.” The latter, he contended, enjoys the “wide support of the Chinese people,” while “many people within the United States actually have little confidence in the democracy of the United States.”

Yang's soliloquy was so arresting that the most consequential implication was easily lost in the majority of the press coverage: Beijing was using its time in front of the cameras to openly declare its bid for world leadership. Yang was following instructions issued by Xi at the 19th Party Congress, in October 2017, when the Chinese leader called on party cadres to increase their ideological “leadership power” and “discourse power” in defense of Beijing's totalitarian brand of socialism, according to the China scholar Matthew Johnson. This process of fighting and winning ideological battles on the global stage was also given a name: the “great struggle.”

THE BEST DEFENSE

Kennan considered economic statecraft a vital component of political warfare, and the CCP's assimilation of economic weaponry into its grand

strategy would not have surprised him. Beijing's economic objectives are couched in a policy called "dual circulation," which prioritizes domestic consumption (internal circulation) over dependence on foreign markets (external circulation). A close look, however, shows that this Chinese strategy can really be thought of as "offensive leverage"—an approach designed to decrease China's dependence on high-tech imports (while making the world's technology supply chains increasingly dependent on China), ensure that China can easily substitute imports from one country with the same imports from another, and use China's economic leverage to advance the CCP's political objectives around the globe.

The CCP has tried to spin these moves as defensive. "We must sustain and enhance our superiority across the entire production chain . . . and we must tighten international production chains' dependence on China, forming a powerful countermeasure and deterrent capability against foreigners who would artificially cut off supply [to China]," explained Xi in a seminal speech last year. In practice, however, China is playing offense. In recent years, Beijing has restricted trade and tourism with Canada, Japan, Mongolia, Norway, the Philippines, South Korea, and other countries in an effort to force changes in their laws and internal political and judicial processes.

The most aggressive of these campaigns is the one the CCP launched against Australia. More than a year ago, Australia proposed that the World Health Organization investigate the origins of the COVID-19 pandemic. The idea was supported by nearly all the members of the World Health Assembly, but Beijing decided to punish Canberra for its temerity. China soon began restricting imports of Australian beef, barley, wine, coal, and lobster. Then, the CCP released a list of 14 so-called "disputes" that are, in effect, political demands made of the Australian government—including that Canberra repeal laws designed to counter the CCP's covert influence operations in Australia, muzzle the Australian press by suppressing criticism of Beijing, and make concessions to China's territorial claims in the South China Sea. China targeted Australia with precisely the offensive economic strategy that Xi's speeches and party documents describe. When it comes to grand strategy, at least, Xi is a man of his word.

UNDER THE INFLUENCE

The CCP's campaign of offensive leverage represents the overt manifestation of Beijing's grand strategy. But the strategy also relies on

covert and invisible activities: information warfare and influence operations designed to subvert the social and political institutions of China's rivals. The most important element of those efforts is "United Front" work, an immense range of activities that China's leaders call a "magic weapon" and that has no analog in the world's advanced democracies. The party's 95 million members are required to participate in the system, which has many branches, and the United Front Work Department alone has three times as many cadres as the U.S. State Department has Foreign Service officers. Instead of practicing diplomacy, however, the United Front gathers intelligence about and works to influence private citizens and government officials overseas, with a focus on foreign elites and the organizations they run. Assembling dossiers has always been a feature of Leninist regimes, but Beijing's penetration of digital networks worldwide has taken it to a new level. The party compiles dossiers on millions of foreign citizens around the world, using the material it gathers to influence and intimidate, reward and blackmail, flatter and humiliate, divide and conquer. The political scientist Anne-Marie Brady calls United Front work a tool to corrode and corrupt foreign political systems, "to weaken and divide us against each other, to erode the critical voice of our media, and turn our elites into clients of the Chinese Communist Party, their mouths stuffed with cash."

Newer to the party's arsenal is the exploitation of U.S. social media companies. Over the past several years, Beijing has flooded their platforms with overt and covert propaganda, amplified by proxies and bots, that is increasingly focused not only on promoting whitewashed narratives of Beijing's policies but also on exacerbating social tensions within the United States and other target nations. The Chinese government and its online proxies, for example, have for months promoted content that questions the effectiveness and safety of Western-made COVID-19 vaccines. Research by the Soufan Center has also found indications that China-based influence operations are amplifying online conspiracy theories, including QAnon-related falsehoods. The Soviet Union could never have dreamed of reaching a mass audience in the United States for its agitprop such as the one Beijing reaches daily through the tools provided by Silicon Valley technology giants. "Currently there is no effective path for the [People's Republic of China] to wage effective global information operations and increase its international discourse power that does not run

through American social media platforms like Twitter, YouTube and Facebook,” writes Bill Bishop, the author of the blog *Sinocism* and a close observer of Beijing’s information warfare.

AN AMERICAN COUNTERSTRATEGY

After decades of naiveté and denialism, Washington’s approach to Beijing finally began to adapt to reality and toughen up during the Trump administration, and the Biden administration has largely maintained its predecessor’s policy. The tariffs Trump imposed to punish China’s theft of intellectual property are still in place, and President Joe Biden is fleshing out a Trump-initiated Commerce Department panel meant to keep dangerous Chinese software and equipment out of U.S. domestic telecommunications networks. The current administration is also deepening diplomatic initiatives related to China, such as the Quad—a group of democracies composed of Australia, India, Japan, and the United States.

Despite those corrective steps, there are still several areas in which Washington needs to further strengthen its approach, especially by making sure that powerful private interests in the United States stop undercutting the country’s ability to confront China. The realm of finance is the place to start. The retirement savings of millions of Americans currently finance Beijing’s military modernization and support Chinese companies that are complicit in genocide and other crimes against humanity. Even as Beijing was systematically expelling foreign journalists from China and making the country’s investment climate increasingly opaque, stock index providers such as FTSE Russell and MSCI continued to add Chinese companies to their indexes, sometimes under pressure from Beijing. Because many American funds benchmark their investments to those same indexes, billions of U.S. dollars automatically flow to Chinese companies, including those that Washington has sanctioned or subjected to export controls. For Beijing, there simply is no substitute for U.S. capital markets, whose depth and liquidity outpace those of the rest of the world’s capital markets. Few successful Chinese technology companies exist that were not launched with money and expertise from Silicon Valley venture capital firms. Both Alibaba and Baidu were seeded with U.S. capital.

Although executive orders issued by the Trump and Biden administrations already prohibit U.S. investment in 59 named Chinese companies involved in the Chinese military’s modernization or hu-

man rights atrocities, the Treasury Department needs to expand that list by at least an order of magnitude to better encompass the galaxy of Chinese companies developing so-called dual-use technologies—those with both civilian and military or surveillance applications. The Biden administration should also enforce a ban on the purchase of debt instruments from blacklisted companies and clarify that their subsidiaries are off-limits to U.S. investors, as well. The European Union should adopt a similar investment blacklist and permanently abandon the trade agreement it recently negotiated with Beijing. The deal is already on ice after Beijing sanctioned European parliamentarians and think tanks for highlighting Chinese human rights abuses. The EU should now withdraw once and for all.

The United States and European countries should also challenge the naked hypocrisy of some firms that tout investment products they claim will further “environmental, social, and governance” goals. Some money managers who offer such options eschew investing in Western companies that don’t meet a particular set of criteria (called “ESG criteria”) but happily invest in Chinese companies that feature atrocious records in all three categories. There are U.S. university endowments, for instance, that could deliberately decide to invest in only ESG-compliant companies in the United States but simultaneously invest in a raft of Chinese firms that flout all accepted standards of corporate governance and environmental stewardship. Chinese firms contribute more to greenhouse gas emissions, ocean plastic pollution, and illegal fishing than do the companies of any other country on earth. As for social responsibility, a wide variety of Chinese companies—from leading technology firms to manufacturers that export globally—work with Beijing’s security apparatus to track, incarcerate, and extract forced labor from ethnic Uyghur and Kazakh Muslims. With respect to corporate governance, CCP cells, operating mostly in secret, wield significant and often decisive control over Chinese companies—making a mockery of Western standards of corporate transparency and independence.

The U.S. Securities and Exchange Commission needs to fulfill its legal obligations under the Holding Foreign Companies Accountable

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Act of 2020, which prescribes an overly generous three-year grace period before Chinese companies are to be delisted from U.S. exchanges if they fail to meet U.S. accounting standards. The SEC has yet even to start the clock on the three-year countdown for noncompliant firms. Having judged the U.S. law hollow, Chinese companies continue to launch initial public offerings in the United States.

Washington also needs to do more to stymie Beijing's plans to dominate semiconductor manufacturing. Chinese leaders are well aware that most twenty-first-century technologies—including 5G telecommunications, synthetic biology, and machine learning—are built around advanced semiconductors. Accordingly, those leaders have poured more than \$100 billion in subsidies into building Chinese chip foundries, with mixed results.

Most of the world's cutting-edge chips are produced by the Taiwan Semiconductor Manufacturing Company. The CCP has many ideological and strategic reasons to consider invading Taiwan; its quest for control of the market for chips represents an economic incentive to do so. Of course, a war could seriously damage Taiwan's foundries, which, in any case, would struggle to maintain production without Western chip designs and equipment. And such a shock to chip supplies would affect millions of downstream jobs in China, not just those in other large economies. Even so, Beijing might believe that China could recover from a crisis more quickly than the United States. That is precisely the lesson Beijing drew from the COVID-19 pandemic, which has taken a far greater toll on China's adversaries than on China itself. To be sure, Beijing would not take the fateful step of attacking Taiwan and risking war with the United States based on semiconductor inventories alone. The point is that Chinese leaders may not view the disruption of semiconductor supply chains as an inhibitor to launching a war.

Regardless of Beijing's calculus, Washington should seek to eliminate any potential Chinese advantage in semiconductors by subsidizing new chip foundries in the United States—something the 2020 CHIPS Act and the 2021 U.S. Innovation and Competition Act seek to do. The U.S. Commerce Department must also slow Beijing's efforts to scale up its foundries by applying sharper restrictions on the export of U.S.-made equipment used to manufacture semiconductors—not just for cutting-edge chips but also for those that are a couple of generations older.

Finally, Washington needs to do more to address Beijing's information warfare. One of the weirder ironies of our time is the fact that U.S. citizens are sometimes censored and even deplatformed for political speech by the same American social media giants that channel CCP disinformation and agitprop to millions of people worldwide. U.S. companies, Congress, and the courts should act to address both of these phenomena—supporting the free speech of U.S. citizens while exposing the ways in which Beijing boosts its messaging. This can and should be done while still upholding the letter and spirit of the First Amendment. The idea is not to censor Beijing's statements but to expose government-orchestrated efforts to camouflage propaganda as organic discourse among private citizens through fake accounts and covert schemes. Washington's best partners in this effort should be the Silicon Valley social media giants themselves. Because they have the means to detect Beijing's proxies, these firms can take a leading role in tamping down the sheer amplitude of Chinese government influence operations online.

At the same time, free and open societies—and the companies that flourish in them—must make it easier for Chinese citizens to access information from outside China's Great Firewall, and to communicate with one another away from the watchful eye of Beijing's digital panopticon. The Great Firewall is formidable but less technologically advanced than many observers often assume. In contrast to the CCP's information warfare, U.S. efforts need not involve manufacturing disinformation or even generating much content at all. Washington needs only to provide the Chinese people with safer means to exchange news, opinions, history, films, and satire with their fellow citizens and others around the world.

One good place to start would be with the Chinese diaspora. There are very few Chinese-language news outlets left that resist toeing the CCP's line. Under a new national security law imposed by Beijing, authorities in Hong Kong recently arrested the owner and editors of one of the few that remained: the now-defunct *Apple Daily*. The U.S. government can help by offering grants to promising private outlets and reenergizing federally funded media such as Radio Free Asia. U.S. universities should also hand a second smartphone to every Chinese national who comes to study in the United States—one free from Chinese apps such as WeChat, which monitor users' activity and censor their news feeds.

DEMOCRACY VS. TYRANNY

During a visit to Beijing in 1995, the U.S. democracy activist Dimon Liu met with a former Chinese official sympathetic to democratic reform. He provided Liu with an insight into U.S.-Chinese relations that she never forgot: “If the contest is based on interests, tyranny wins. If the contest is based on values, democracy wins.”

The failure of Beijing’s recent attempt to coerce Australia into compliance with Chinese policy illustrates this point nicely. CCP leaders gambled that Australian businesses, suffering from a targeted trade embargo, would lobby their government to make political concessions to Beijing. But the Australian people—business leaders and exporters included—understood that accepting China’s ultimatum would mean submitting to a dangerous new order. Australian businesses absorbed the losses, weathered the embargo, and found new markets. Australians decided that their sovereignty was more important than lobster sales—no doubt confounding those in Beijing who had assumed that Canberra would put Australia’s economic interests ahead of its foundational values. The CCP, having played this card, will not be able to do so again with much effect in Australia or elsewhere, so long as democracies remain alert to what is at stake.

The CCP has made perfectly clear its desire for global preeminence, and officials in Washington have finally stopped pretending otherwise. Americans, Europeans, and people the world over are now increasingly clear-eyed about Beijing’s intentions and the sources of its hostile behavior. Elected leaders must now take the next step: applying their tough new line not just to Beijing but also to elite institutions in their own societies that need to join the fight against the CCP. Because companies are economic actors, not political ones, it is the government’s responsibility to establish guidelines for engaging with adversaries. With strict new parameters, Washington can level the playing field for all U.S. firms—refreshing their commitment to the United States’ 245-year-old experiment with democracy instead of bowing to the Chinese government’s experiment with neo-totalitarianism. Without such guidelines, however, U.S. firms, money, and institutions will continue to be coerced into serving Beijing’s ends instead of democratic principles. 🌐