



University students are joined by thousands of additional cyclists on the main road between Zhengzhou and Kaifeng, China, on 8 November 2024 to make the five-hour journey for steamed dumplings in Kaifeng. These types of trips have become extremely popular in China in recent years, but online commenters warn that these large gatherings, which include a growing number of unemployed, could turn into protests. (Photo from @BeijingLegalWorker via Weibo)

Causing Dysfunction

Dilemma Engineering as a Strategic Deterrence Framework for China



Lt. Col. Thomas Haydock, Washington Army National Guard

Since the Soviet Union's dissolution in 1991, the world has become an increasingly borderless, multicultural, and economically interdependent system—and it has thrived.¹ More than a billion people

escaped extreme poverty, cutting the global destitution rate from 38 percent to 12 percent.² This system has rested on the stable rivalry of its two largest economies: the United States and China (formally, the People's

**Taiwan Invasion
Preparation/Coercion**

- 3000 airspace violations in 2024
- Rehearsals of blockades and amphibious landings
- Cyberattacks on Taiwanese government doubled to over 2.4 million daily in 2024
- Underwater infrastructure attacks (cable cutting and pipeline sabotage)

Faltering Deterrence

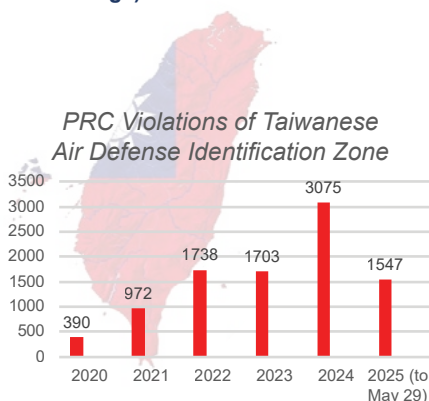


Fiery Cross Reef

Road to 2049 Military Superiority

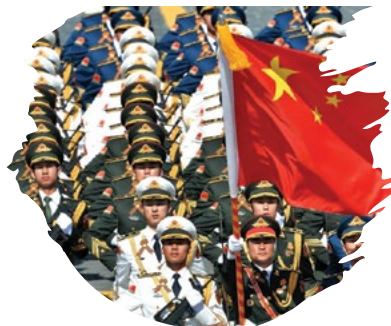
- Estimated to have tripled nuclear weapon stockpile since 2020
- Blistering naval growth

	Chinese Navy	U.S. Navy
2024	370	297
2025	395	287
2030	435	299



Regional Aggression

- Militarization of artificial islands in the South China Sea
- Rammings, boardings, water cannons, and other harassment of Philippine vessels in their internationally recognized waters
- Unannounced live-fire military drills between Australia and New Zealand as coercion



(Figure by author)

Figure 1. Traditional Deterrence Is Faltering

Republic of China [PRC]). However, while China continues to benefit from these interdependencies, it is now the system’s principal threat. By 2027, the PRC intends to be capable of successfully invading democratic Taiwan; by 2049, to field the world’s most powerful military.³ These ambitions are not about preserving the system but reshaping it. America’s greatest security challenge is maintaining a continuous lead in the deterrence “race” with China. Fortunately, maintaining deterrence is more than just military superiority, and our interdependencies can enable strategic advantage.

If this global system were a shared bike trail, all riders would have enjoyed the ride together and grown stronger through participation. Today, China treats it as a head-to-head sprint, signaling its intent to rewrite the rules by force if it makes it to the front. Yet, like other states that overreached—Argentina from the 1930s, and Venezuela more recently—China carries hidden vulnerabilities: rapid demographic breakdown, a fragile financial sector vulnerable to mounting local-government debt, widespread youth disillusionment, and an economic monoculture that ties over 38 percent of gross domestic product (GDP) to industry.⁴

These four tensions—demographic, financial, social, and economic—make the PRC prone to volatility and internal contradiction. This article argues for the United States, underpinned by its Army, to exploit China’s tensions through *dilemma engineering* (DE): a strategy to achieve deterrence by amplifying internal tensions, pressing on dependencies, creating internal dilemmas, forcing a rival to turn inward, and degrading its capacity for external aggression. In our bike race analogy, DE uses internal tensions to put a stick in a competitor’s spokes or nails in their tires (the dilemma) to maintain deterrence (the lead).

DE is needed because traditional deterrence is faltering (see figure 1).⁵ To develop this concept, we first assess China’s leading vulnerabilities using the operational variables (political, military, economic, social, information, infrastructure, physical environment, and time [PMESII-PT]).⁶ Next, we examine two case studies, Argentina and Venezuela, where autocracies’ overuse of state power turned manageable tensions into crisis-prone dilemmas, offering models for nudging China into similar natural autocratic tendencies. Finally, we introduce the DE toolkit, apply it to China,

and outline the Army's role in orchestrating these measures, while addressing counterarguments.

China's Vulnerabilities

China's story since the end of the Civil War in 1949 includes many truly impressive successes. Still those successes have come at deep costs that present internal tensions with the potential to become entrenched dilemmas. The successes are economic, military, scientific, technological, and more. In general, those successes are the result of deliberate state effort.

In seventy-six years, China has transitioned from the ruin of nearly thirty years of continuous war to a world powerhouse. It is a world leader in electric vehicles and a dominant producer in industries from solar panels to rare earth elements and commercial vessels.⁷ Militarily, it manufactures its own fifth-generation fighter jet to rival the F-35, possesses the world's largest navy, and is the preeminent drone manufacturer outside Ukraine and Russia.⁸ Scientifically and technologically, China has produced its own space station, rivals the United States in artificial intelligence (AI) development, and is at the forefront of quantum technology development.⁹ By these measures and many more, China has produced remarkable successes that are the result of state-directed resources in the form of manufacturing subsidies, state-owned enterprises, and directed investment in science and technology. Yet those successes have produced consequences, foreseeable or not, including the previously mentioned demographic collapse, financial fragility, disillusioned youth, and many more.

The consequences of state-directed development have created tensions that span PMESII-PT. China's most profound tensions cut across operational variables, particularly social and economic ones. The most significant is its well-known demographic crisis of a rapidly graying population with too few births exacerbated by an imbalance between the sexes that has resulted in significantly more men than women. This crisis is the result of its "one-child policy," in place from 1980 to 2016, that limited parents to a single child. Notably, even the enactment of the pronatalist "three-child policy," as of 2023, has not halted the birthrate collapse to about 1.0 children per woman, far below the standard 2.1 replacement rate.¹⁰ As of 2025, China has an old-age dependency ratio of 21 percent, meaning

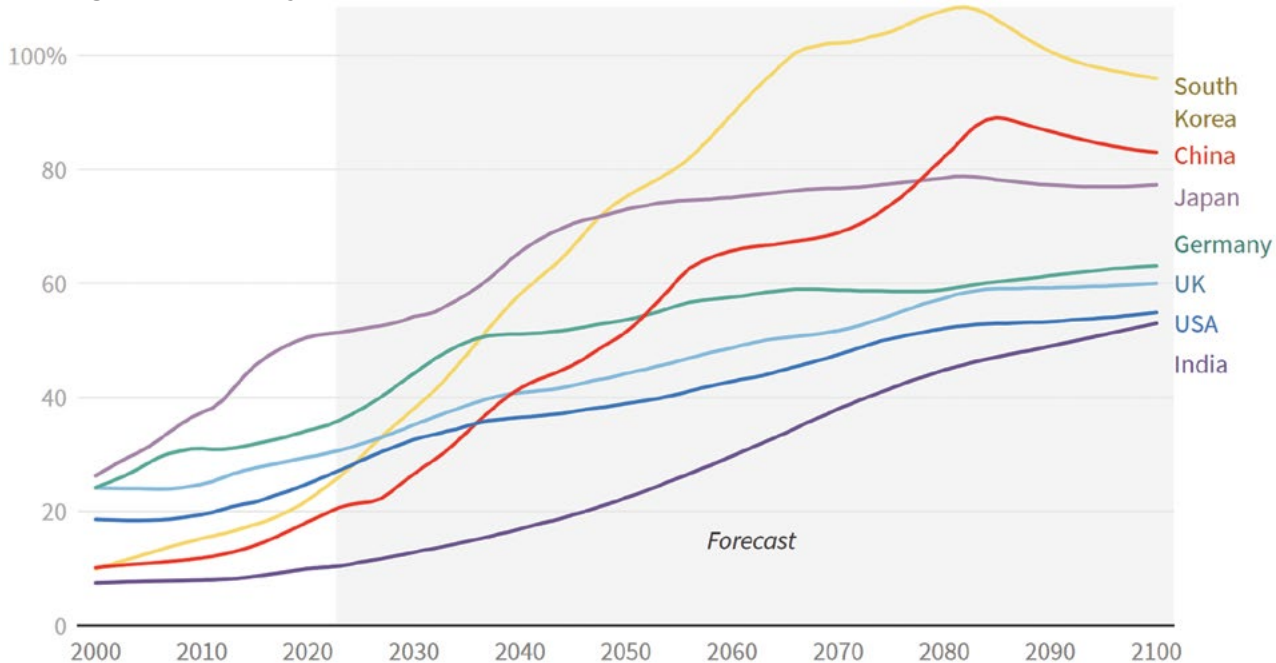
that the retirement age population was 21 percent the size of the working age population. However, this will rise to 40 percent by 2040 and 51 percent in 2050 (figure 2), translating into only two working-age people for every retiree by 2050.¹¹ This rapid graying will produce tremendous government and private financial tensions.

The implications are severe: a dwindling working population will be forced to sustain a ballooning elderly population, creating immense fiscal burdens on the state and severely destabilizing China's real estate market, which accounts for nearly 70 percent of household wealth.¹² Already, the collapse of China Evergrande, which defaulted on over \$300 billion in liabilities, has left entire regions littered with unfinished homes and angry investors.¹³ Local governments, which derive over 27 percent of their revenue from land sales, are increasingly unable to sustain debt or social spending, resulting in high-profile scandals of local governments selling themselves land that raises no money.¹⁴ All of this creates a looming temptation for the Chinese Communist Party (CCP) to raid state-owned enterprise banks like a piggy bank, redirecting or effectively seizing personal savings to stabilize the sector. This was foreshadowed by the 2022 Henan rural bank crisis, in which depositors were unable to withdraw funds, sparking rare public protests.¹⁵ Such measures would erode public trust and accelerate systemic instability—an outcome that could be deliberately amplified through DE campaigns targeting financial and demographic fault lines.

Further economic tensions include China's transformation into the industrial version of a petrostate (an economy overly dependent on petroleum exports like Venezuela or Russia) with the imperative to keep factories churning. State direction has driven

Lt. Col. Thomas Haydock, Washington Army National Guard, is an infantry officer assigned as the G-5 (strategic plans and policy officer) for the Washington Army National Guard. He is a 2024 graduate of the Advanced Military Studies Program at the School of Advanced Military Studies. His career aspirations are to help Army Transformation and Training Command develop warfighting concepts so that the U.S. Army remains the world standard, command a division, and continually enhance the profession.

Old-Age Dependency Ratio of Select Countries



(Figure from ChinaPower, “How Severe Are China’s Demographic Challenges,” Center for Strategic and International Studies, updated 31 January 2024, <https://chinapower.csis.org/china-demographics-challenges/>)

Figure 2. China’s Rapidly Graying Population

industrial output to exceed that of the nine next-largest manufacturers combined, making manufacturing (and its raw-material and logistics supply chain) account for 38 percent of China’s economy—more than double the United States’ share of 18 percent.¹⁶ This industrial juggernaut has lifted 800 million Chinese from poverty and underpins the CCP’s social contract, but it also concentrates risk.¹⁷

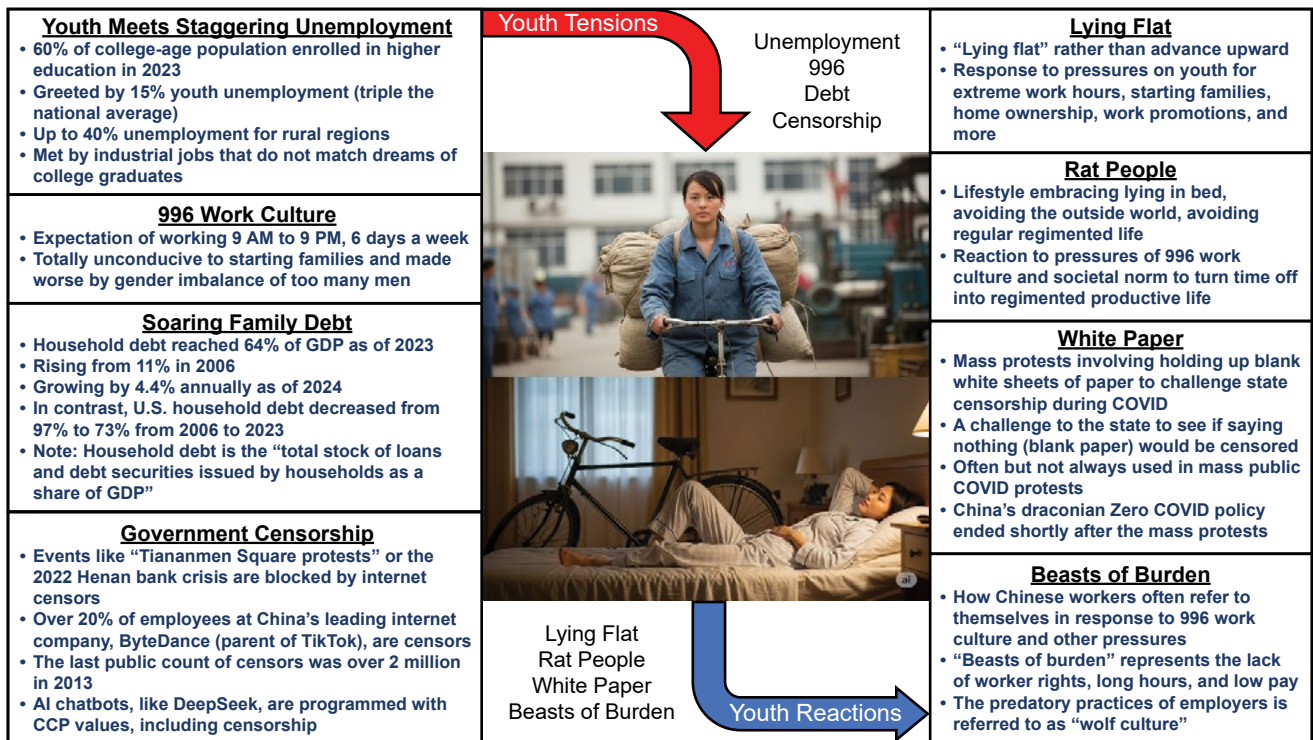
That risk is twofold. First, rival manufacturing powers like India and Indonesia can undercut China on labor costs without bearing the stigma of being America’s “pacing threat,” prompting major policies such as the 2022 U.S. CHIPS and Science Act and the 2023 EU Critical Raw Materials Act to derisk supply chains from China.¹⁸ Second, China cannot easily pivot this export-oriented model to a domestic consumption model of buying its own goods. Despite decades of effort, China’s household consumption has dropped from 64 percent of GDP in 2000 to 53 percent in 2022.¹⁹ Additionally, China’s chronic overcapacity fuels global dumping that draws retaliatory tariffs and trade disputes.

In a future of accelerated trade decoupling or technology-denial regimes, China faces an “industrial

Achilles’ heel”: it must preserve global market access to sustain growth, even as strategic distrust mounts and isolation deepens. Too many eggs in one industrial basket risks turning China’s greatest success into its most dangerous vulnerability.

Given the above tensions of a financial house of cards, a looming monster tax burden for elderly care, and a high probability of being forced into industrial jobs, it is not surprising that Chinese youth are remarkably disillusioned, and those are not their only troubles (see figure 3).²⁰ This sentiment manifests in social phenomena like the “lying flat” movement, where young people resist societal pressure to start families, advance careers, and own homes, choosing instead to “lie flat” rather than advance upward. Other reactions and forms of resistance include the “rat people” movement, to lay in bed rather than be active, white paper protests during COVID-19, and Chinese workers referring to themselves as “beasts of burden” for the burdens placed on them.

China’s transformative successes stem from assertive state direction. Yet when state power is the default solution to tensions, overreach is common and dilemmas can bloom, as case studies demonstrate. The



(Figure by author)

Figure 3. Youth Tensions, Reactions, and Resistance in China

development of DE will exploit this tendency to insert nails into bike tires.

Argentina and Venezuela: How Authoritarians Mismanaged Internal Tensions and Created Internal Dilemmas

China’s current trajectory closely mirrors two of the most instructive examples of authoritarian overreach, Argentina and Venezuela. Faced with mounting tensions like China today, overusing state power to solve societal problems inadvertently turned manageable tensions into self-reinforcing dilemmas. For both, world-envied economies have become cautionary tales of dysfunction. Argentina followed a slow path, marked by state mismanagement. Its decline unfolding more gradually due to largely being left alone by major powers. In contrast, Venezuela’s entanglement with the United States accelerated its undoing as a petro-superpower. This section examines how both states hollowed themselves out through the very tools meant to ensure stability. It does so to illustrate how the United States and aligned friendly nations might apply DE to compel

China inward, restoring strategic deterrence while managing escalation risk.

Argentina: State overreach amid social and economic tensions. In the early twentieth century, Argentina was among the top ten wealthiest nations per capita, boasting a diversified economy and a burgeoning middle class.²¹ However, beginning in the 1930s, a series of authoritarian regimes increasingly relied on state intervention to manage internal tensions. As the intervention worsened problems, more intervention was applied in a destructive feedback loop, setting the stage for internal dilemmas that led to prolonged economic decline.

The 1930 military coup initiated the “Infamous Decade,” characterized by electoral fraud and conservative authoritarianism.²² That period set a precedent for state overreach with governments manipulating institutions to maintain power. The rise of Juan Perón in the 1940s further entrenched authoritarian practices. Perón’s administration implemented sweeping labor protections, nationalized major industries, and expanded social welfare programs. While these measures temporarily alleviated worker dissatisfaction, they also dramatically

increased state expenditures and created a bloated public sector that wrecked state fiscal solvency.²³

In attempting to integrate working-class and youth populations into the Peronist project, the regime expanded access to education and state employment. But the underlying economy failed to diversify sufficiently. The result was educated youths with limited private sector opportunities, leading to frustration and disillusionment. This pattern repeated for decades: Argentine governments attempted to buy social stability through public employment and subsidies while failing to build a flexible, competitive economy.²⁴

Peronist industrial policy also generated an economic monoculture centered on protected manufacturing and agricultural exports. State subsidies for industrial development were meant to promote self-reliance by replacing imports. However, they had the opposite effect—discouraging productivity and innovation while locking Argentina into dependency on commodity cycles and inflation-prone fiscal policy. Protectionist tariffs, state subsidies, and inefficient public enterprises became long-term features of the economy, eroding global competitiveness.²⁵

To maintain middle-class support, Argentine leaders repeatedly turned to real estate as a wealth-generation tool. Public sector salaries, subsidized credit, and development incentives fueled speculative housing booms. But recurring inflation—often exceeding 20 percent annually—eroded the value of household savings and made housing increasingly unaffordable for younger generations. The state's efforts to shield citizens from these pressures through wage controls, capital restrictions, and currency pegs only worsened systemic fragility.²⁶

The result was a recurring cycle of crisis: inflationary surges, foreign debt accumulation, currency devaluations, and periodic defaults. By the time of Argentina's 2001 default, history's largest at the time, the country had endured decades of stagnation and social fragmentation. And still, the same playbook persisted—more subsidies, more money printing, and more state power to solve society's tensions. Crucially, Argentina experienced this unraveling largely in the absence of external coercion or sustained international pressure. The slow collapse was self-inflicted, driven by the persistent overuse of state power in an attempt to suppress or sidestep underlying demographic, social, and economic tensions.²⁷

Argentina's story is not one of sudden collapse but gradual hollowing. Over nearly a century, it shows how authoritarian impulses—when repeatedly applied to patch over internal tensions—can calcify into systemic dysfunction. Crucially, Argentina's downward trajectory became apparent within a decade of Perón's rise to power, as state overreach during his first term (1946–1952) triggered inflation, capital flight, and the early erosion of institutional independence.²⁸ Though the country would lurch forward for decades through cycles of recovery and relapse, the foundational damage was done early.

In Argentina's case, a succession of regimes stumbled on, largely unopposed by foreign powers, converting what were initially acute crises into chronic dysfunction. Created by state overreach, those dilemmas spanned the PMESII-PT operational variables (see table). Tellingly, stumbling approaches to dilemmas resulted in nine defaults on state debt since 1951 (see figure 4).²⁹ It also created a colossal private and public sector imbalance: in 2019, only 20 percent of the workforce operated in the private sector to support the remaining 80 percent living off the government.³⁰ China today faces many of the same vulnerabilities: a looming imbalance between workers and social spending, disillusioned youth, financial fragility, and an overreliance on a single economic engine. The critical difference is that China's aggressive transformation of a cooperative system into a high-stakes race means it may not be left alone. Venezuela is a case study of how similar internal weaknesses can rapidly be escalated into an open crisis by external powers.

Venezuela: Rapid collapse under internal mismanagement and external pressure. Venezuela's dissent into dysfunction ranks among the most rapid of a modern state—not just an economic failure but a systemic unraveling across the PMESII-PT variables. Spanning political repression and economic decay to institutional erosion and social collapse, the country imploded in a single decade, set off by mounting internal pressures, authoritarian overreach, and intensifying external constraints.

Amid widespread frustration with corruption, inequality, and elite dominance, Hugo Chávez won the presidency in 1998. Although Venezuela possessed the world's largest oil deposits, its wealth rested in too few hands, and citizens had lost confidence in democratic institutions.³¹ Chávez's populist movement capitalized on these tensions. After rewriting the constitution in 1999

Table. Argentina's PMESII-PT Dilemmas

Operational Variable	Argentine Internal Tension	Argentina Internal Dilemma
Political	Rise of Peronism centralized state power and weakened democratic institutions	Efforts to ensure loyalty through political patronage created a bloated public sector and entrenched elite control, undermining accountability
Military	Periodic military coups destabilized governance and weakened civilian control	Military saw itself as guardian of the nation, leading to cycles of intervention that stifled democratic consolidation
Economic	Dependency on agricultural exports and protected manufacturing	Import substitution and excessive subsidiaries created economic stagnation and inflation, locking the economy into underperformance
Social	Youth expectations rose with expanded education and public sector hiring	State failed to deliver meaningful private-sector opportunities, creating educated but underemployed and disillusioned youth
Information	State propaganda used to maintain Peronist legitimacy	Suppression of dissenting media and narratives fostered disillusionment and polarization, weakening national cohesion
Infrastructure	Urban migration strained housing and service delivery	Politicized infrastructure spending fueled inequality and housing shortages, especially in growing urban centers
Physical Environment	N/A	N/A
Time	Persistent short-term fixes (e.g., currency pegs, wage controls) delayed structural reform	Delayed reforms deepened long-term vulnerabilities, making each crisis more severe and less manageable

(Table by author)

to expand executive power, he dismantled checks and balances and concentrated authority in the presidency.

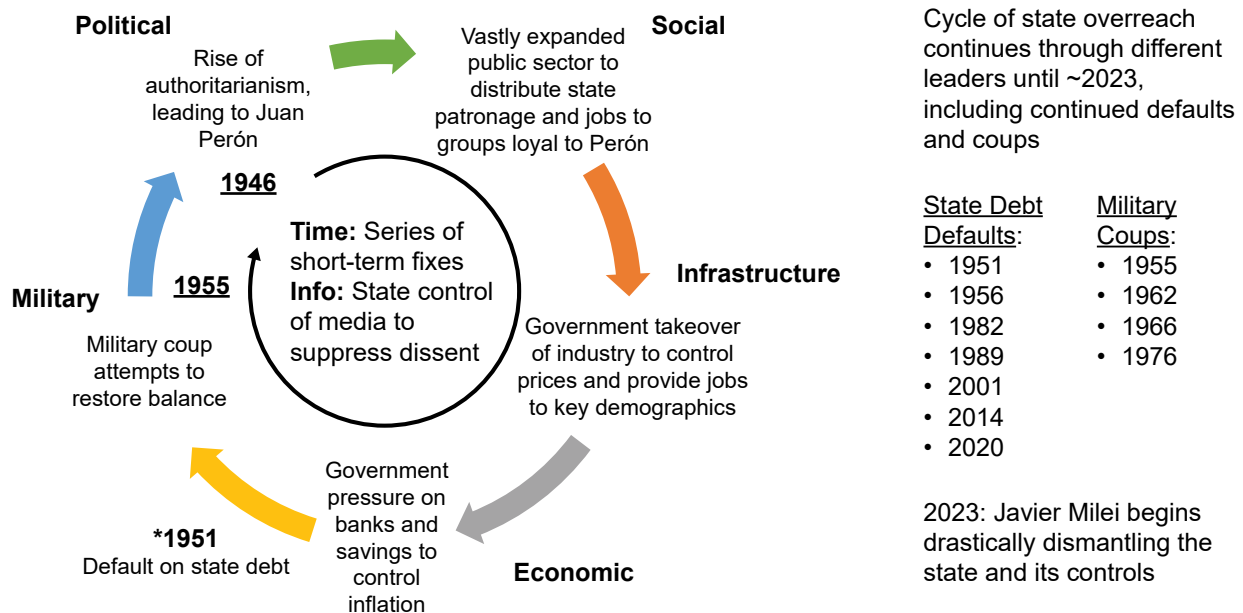
Chávez then harnessed an oil windfall—nearly \$900 billion between 1999 and 2015—to launch sweeping social programs and swell public employment.³² These efforts addressed inequality in the short term but entrenched dependency and state patronage as social spending increased from 28 percent to over 40 percent of GDP, dwarfing peer countries.³³ When social expectations outpaced the economy's capacity, Chávez nationalized more than five thousand firms ranging from banking to agriculture and utilities, undermining private enterprise and poisoning the productive base.³⁴

Next, Chávez imposed price controls and a rigid exchange rate to shield citizens from inflation. But those gutted supply chains encouraged black markets and accelerated capital flight.³⁵ By the time of his death in 2013, his government had centralized the economy, saddled it with debt, and focused it overwhelmingly on oil exports.

Nicolás Maduro inherited these tensions as oil prices collapsed in 2014. With an undiversified economy and no fiscal cushion, his regime responded by printing money, unleashing hyperinflation. By 2018, annual inflation exceeded 130,000 percent.³⁶ Maduro relied increasingly on the military, granting generals control over oil exports and food distribution, further entrenching corruption and factionalism.³⁷ From 2013 to 2021, the GDP contracted by 75 percent.³⁸ Basic goods vanished, and state institutions crumbled.

In 2017, Maduro dissolved the opposition-led legislature, triggering condemnation abroad.³⁹ In response to electoral manipulation and human rights abuses, the United States and like-minded nations sanctioned Venezuela's oil sector and financial institutions.⁴⁰ These sanctions—though not the cause of collapse—intensified shortages, choked off credit, and blocked critical imports. Services collapsed, protests were suppressed, and censorship and digital surveillance replaced public dialogue. Under Maduro, tensions had expanded into

Argentina's Cycle of State Overreach: PMESII-PT Analysis



(Figure by author)

Figure 4. How the Argentine State Caused Its Own Dysfunction

dilemmas, and the people responded: nearly eight million Venezuelans fled between 2015 and 2025.⁴¹

Venezuela's dysfunction shows how deepening inequality, institutional decay, and overreliance on a single export can morph into an intractable dilemma under authoritarian rule. The lesson is clear: autocracies that suppress tension with overreach establish conditions for internal dilemmas that can erode state power from within. External sanctions then multiply those effects, accelerating the collapse far swifter than Argentina's slow burn. China today shares many of the same preconditions—social strain, economic concentration, youth disaffection—which can be amplified in pursuit of deterring China's malicious aspirations.

Dilemma Engineering Across Time Horizons

By causing it to turn inward (forcing the rider to dismount and fix the bike), DE aims to deter the PRC from invading Taiwan or otherwise forcefully endangering the world. With external pressure as an accelerant, its own autocratic tendencies cause internal tensions to bloom into engineered internal dilemmas. However,

engineering comes with risks, and DE needs to be calibrated to be short of a revolution (replacing the rider), which is inherently unpredictable. This section unpacks DE across two time horizons to quickly buy time (stick in the spokes) while deliberately cultivating later dilemma (nails in the tire that cause it to slowly go flat) that can cause systemic dysfunction later.

Acute crisis (0–2 years): Sticks and nails. China poses its greatest danger as its power peaks and engineered dilemmas start to bite. Historically, regimes under domestic strain have sought external distractions—Argentina's 1982 Falklands gambit and Venezuela's saber-rattling at Guyana are telling examples.⁴² Our goals in this phase are twofold: prevent Beijing from choosing military adventurism, and lay the foundation of deeper, self-inflicted crises. In our bike race analogy, this phase is about quickly and stealthily inserting a stick in China's spokes to buy time while laying unavoidable nails at choke points to produce the flat tire dilemma in the next phase.

First, we must shatter the confidence of Xi Jinping, China's president, in the People's Liberation Army (PLA) leadership. U.S. cyber operations, backed by



Stemming from earlier trends like “lying flat,” young Chinese people are embracing a life of minimal work and ambition, calling themselves “rat people.” These rat people are rejecting the productivity model that has guided China through its economic boom to an economy that is now stalling with a saturated job market, stagnating wages, and inaccessible cities. (Graphic by Beth Warrington, *Military Review*; photos from Adobe Stock)

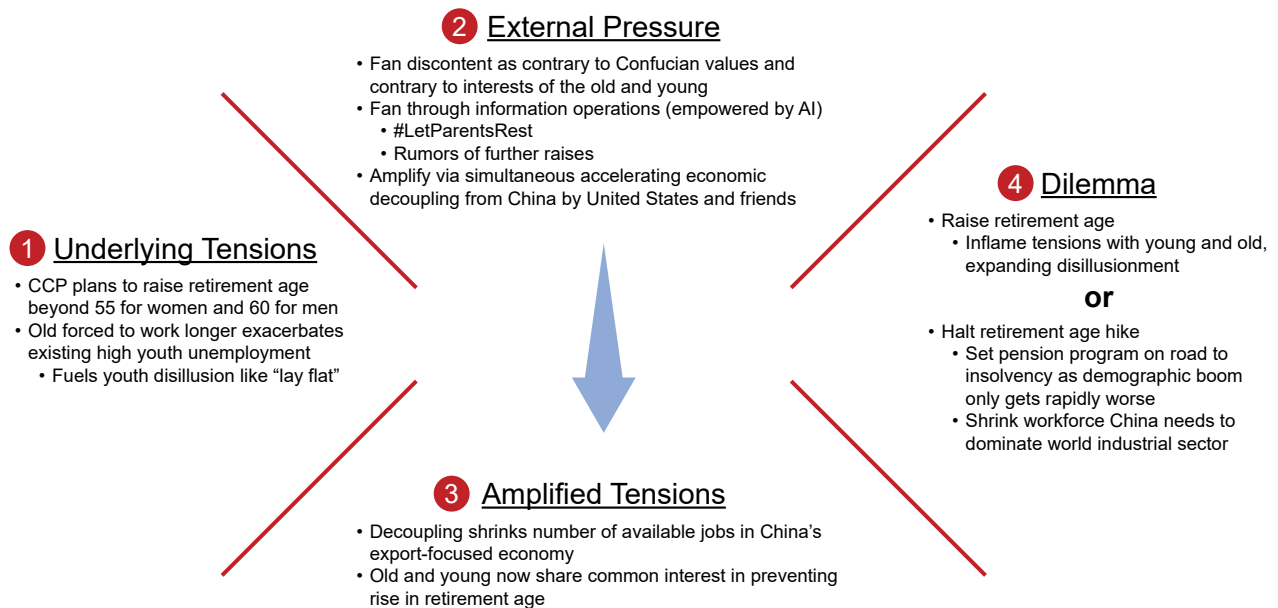
allied intelligence and private-sector forensics, surface authentic—or exquisitely fabricated—evidence of corruption and incompetence among senior PLA leaders. We then cascade those revelations across China’s social media spectrum, through strategic leaks to sympathetic foreign press and diaspora-run platforms. They could also be rigged for discovery by rival PLA factions or foreign intelligence services eager to share with Xi, like Pakistan’s or Russia’s. These exposés force Xi to choose between purging his best commanders and pushing back invasion timelines or standing by them and eroding his antigraft credentials while doubts concerning the PLA fester.

Simultaneously, we must render China’s conventional build up irrelevant by helping Taiwan emulate Ukraine’s maritime asymmetry. Ukraine has shown that a nation with no navy can render its opponent’s irrelevant through land-based fires and attritable drone systems: two areas the U.S. Army intends to dominate by 2027.⁴³ A rapid shift to asymmetry, combined with the conventional capability of the United States, Japan, and others, will mean a PLA dilemma as it becomes forced to respond to the full spectrum of threats in its invasion preparations. This would further inflame Xi’s growing lack of trust in the PLA and incentivize

him not to risk his legacy on an invasion likely to fail. This confidence crisis buys time while the information, social, and economic nails are planted.

Finally, we ignite popular discontent by turning the CCP’s own censors against its messaging apparatus. China’s roughly two million censors have already been unleashed on important projects like removing comparisons of Xi to Winnie the Pooh.⁴⁴ With well-planned mockery, a torrent of sharp memes and short-form videos mock official slogans and link them to ineptitude and failures, inverting censors into an “immune response” that attacks effective state narratives while sparing weak ones. Censors may remove content fast, but you cannot unsee things; and AI-powered information operations (IO) can post, repost, spread, and learn to navigate around censors. Importantly for the next phase, IO efforts include mockery in minority languages like Cantonese so that censorship appears more targeted, renewing grievances against the Mandarin majority. Beijing’s dilemma: impose draconian platform restrictions—disrupting daily life and planting resentment in the people—or let ridicule spread, amplifying youth movements like “lie flat.”

Concurrently, IO exploits the nexus of economic, social, and information tensions: CCP plans to raise



(Figure by author)

Figure 5. Engineering a Retirement Age Dilemma

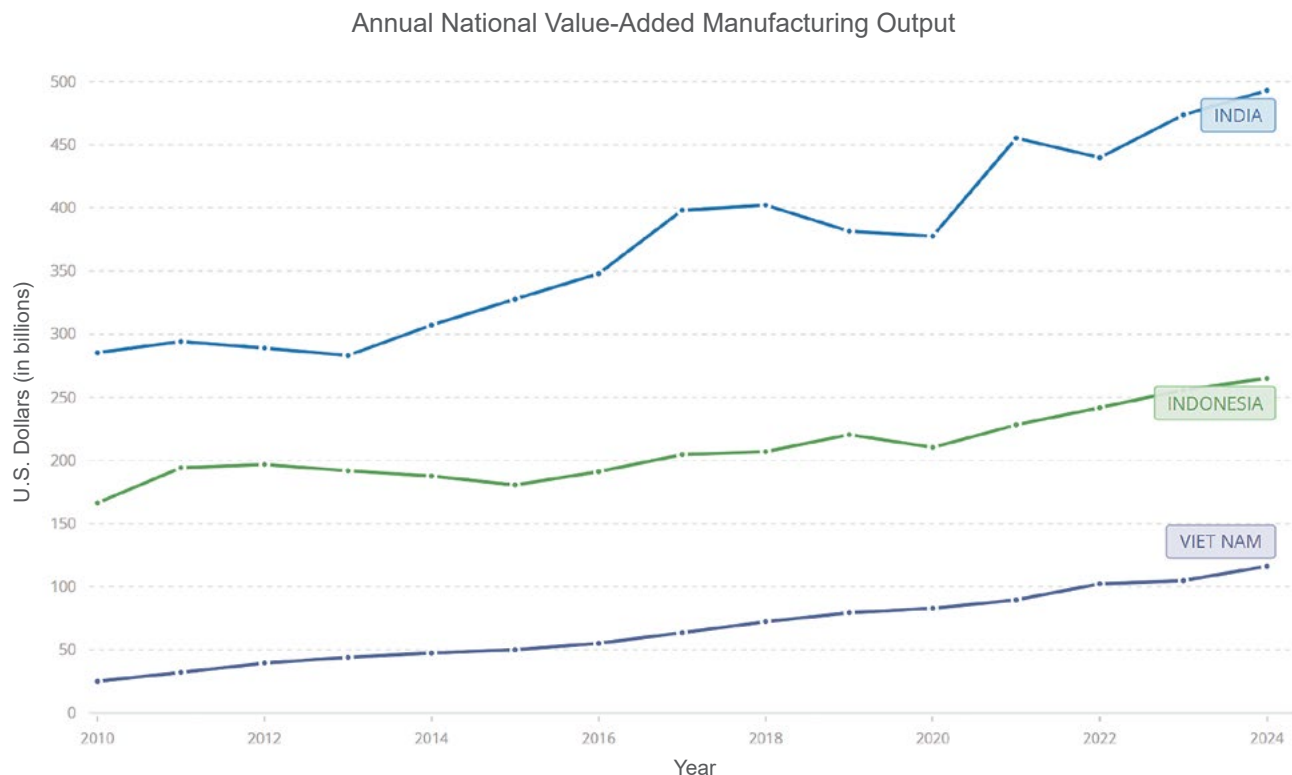
the retirement age. By 2035, 32.7 percent of the populace will be over sixty, threatening pension insolvency.⁴⁵ Raising men’s retirement past sixty or women’s past fifty-five clashes with deep-rooted Confucian filial-piety norms. A blitz of real and manufactured posts, including #LetParentsRest, amplified by “leaked” provincial memos calling for a seven-year delay spreads outrage at the speed of AI.⁴⁶ The United States and like-minded nations can amplify this pressure by accelerating economic decoupling from China (see figure 5). This decoupling, at a rate faster than China can adapt to, will add further pressure to remove older people from the workforce to protect jobs for younger people. Beijing then confronts a stark choice: impose another hike—fueling youth disillusionment—or keep current thresholds and watch the workforce shrink as pension costs explode.

By the end of this phase, these engineered dilemmas—civil-military distrust, social mockery, and pension unrest—will have bought time by creating multiple acute crises (inserting the stick), while simultaneously creating conditions for chronic dysfunction (laying the nails).

Chronic dysfunction (2+ years). China’s principal source of power is its export-oriented industrial might. Inflicting Argentine- or Venezuelan-style chronic dysfunction on the CCP will require the United States and like-minded nations to remain committed to that

economic decoupling and to continue the ongoing buildup of nations to supplant China’s industrial prowess. This is easier said than done, which is why only partial decoupling has occurred as of 2025. However, building on those initial decoupling steps, the previous section’s dilemmas, and further DE can create the right conditions to keep China turned inward: the choice between riding a bike as the tires slowly go flat and the nails could bend the wheel, or dismounting to change a tire.

Initial decoupling from China has already been tremendously beneficial to India, Indonesia, Vietnam, and others, and they want more. This decoupling began roughly in 2018, resulting in a drop of U.S. imports from China by approximately \$100 billion, and a corresponding increase in trade with the rest of the world.⁴⁷ This has included prominent developments like Apple establishing iPhone production in India, and Vietnam now producing 50 percent of Nike’s shoes.⁴⁸ As figure 6 shows, all three nations have rapidly developed into true manufacturing powerhouses, ranking fifth, twelfth, and twenty-third, respectively in the world.⁴⁹ Further, all three nations firmly want more industrialization, perfectly aligning with helping the United States and others find China alternatives.⁵⁰ The timing for this will line up well for this phase, as American trade agreements



(Figure from World Bank)

Figure 6. Growth in Indian, Indonesian, and Vietnamese Manufacturing from 2010 to 2023

average eighteen months of negotiation and forty-five months to come into force.⁵¹ Hence agreements currently being negotiated by the Trump administration and new ones from the acute phase will cascade into effect in this phase. These alternatives, combined with internal efforts to reinvigorate American manufacturing, will further the decoupling and combine with tensions in China to unleash dilemmas.⁵²

Here is how decoupling can unfold in China if executed faster than China can adapt and while China remains beset by earlier dilemmas. With export orders diverted abroad, factories reduce shifts rather than shutter outright. Urban unemployment among migrant workers from rural China rises sharply. With the economy contracting, idle private-sector capital—which includes, as of February 2025, roughly \$900 billion in U.S. foreign-exchange plus trillions in Chinese household and corporate savings—seeks higher returns.⁵³ Capital flight ensues, sending private money to Vietnam and others, further depressing China's investment climate while powering its rivals.

Human capital follows financial capital. Each year China turns out well over a million engineering and technology graduates, but domestic demand will collapse as factories idle.⁵⁴ With far fewer high-tech roles available at home, a growing share of these engineers follow the jobs. This brain-drain strips China's innovation centers and industrial parks of both talent and the startup ventures they spawn, further hollowing out local economies.

These dynamics feed directly into the already teetering real-estate market, which underpins roughly 60 percent of Chinese household wealth.⁵⁵ With fewer buyers and rising unemployment, property sales slump and developers pause new projects. Inventory accumulates, and prices fall—shaving municipal land-sale revenues and weakening household balance sheets. In turn, more capital flees abroad as homeowners seek stability, creating a self-reinforcing cycle of decline.

To accelerate and reinforce these effects, information operations amplify true stories, deploy more targeted mockery, and employ misinformation. The

intent is to bolster the reinforcing cycle of capital flight and real estate weakness, disillusionment, and societal loss of confidence in the CCP. Even as state censors remove online content, it does not matter because AI can replace it in a game of IO whack-a-mole. Stories of families ruined by unemployment or real-estate collapse get circulated to the point where they become memes and catchphrases. Narratives of the CCP or local governments raiding private savings to plug budget holes are intensely promoted. Misinformation can turn victims of the trillion-dollar global fraud industry, which has historically targeted Chinese due to intricate links to Chinese organized crime, into victims of CCP obligations to too many retirees.⁵⁶ Particular attention gets paid to make minorities like Cantonese speakers appear to be especially afflicted by troubles and targets of an indifferent state, all to help catalyze resistance in more demographics.

Beijing's crisis-response options mirror Argentina and Venezuela and will deepen its bind. First, printing money to prop up real-estate prices and cover local government gaps accelerates inflation, driving further capital flight and eroding public confidence in the yuan. Second, if the CCP imposes capital controls or freezes bank accounts to stem outflows, that legitimizes widespread fury; "state steals your future" narratives go viral and further poison trust. Alternatively, the CCP may attempt to extract revenue from Belt and Road Initiative partner states by invoking punitive debt repayment clauses—an act likely to reinforce international perceptions of the Belt and Road Initiative as predatory and accelerate global resistance to Chinese influence.

These cumulative pressures crystallize into chronic dysfunction. Provincial budgets become consumed by pension and bailout obligations, leaving no funds for genuine growth initiatives. Factional infighting among Politburo blocs—between hard-liners demanding austerity and pragmatists urging stimulus—produces policy gridlock. The PLA, a likely budget victim due to the prior civil-military relations crisis converging with the new state finances crisis, lacks the capability to mount external operations. Meanwhile, the social contract unravels as retirees demand unrecoverable benefits and youth movements are now entrenched.

China thus remains intact yet inert—its strategic ambitions curtailed, its political cohesion frayed, and its economy locked into a low-growth trap. In effect,

the PRC has run over nails in the deterrence race: removing the nails deflates a tire immediately but leaving them deflates it later; in both cases, the rider must dismount and turn inward. The chronic dysfunction we have engineered endures, achieving our goal of deterrence without open conflict.

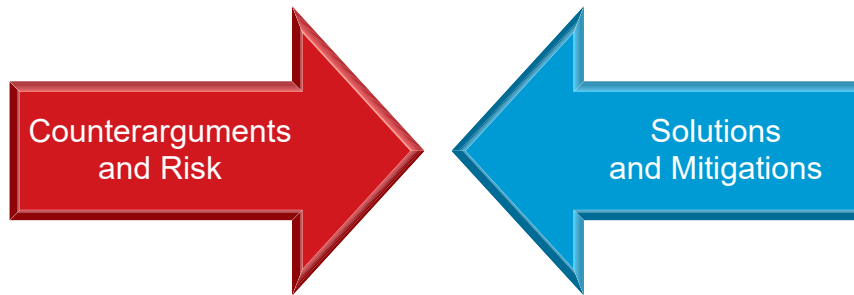
Conclusion

Traditional deterrence against the PRC is clearly faltering. Dilemma engineering does more than kick the problem down the road—it is a deterrence strategy to erode China from the inside so that it loses the capacity to win a shooting war. As we look ahead, three elements deserve emphasis: the unique contributions of the U.S. Army, the principal counterarguments and risks, and a concise synthesis of our findings.

Army contributions. At a minimum, DE must be whole-of-government to work across the PMESII-PT variables properly; ideally, it will be silently supported across the free world to limit China's options further. The Army's role in DE will be outsized for three principal reasons: its expertise in campaigning, deep expertise in information operations, and reemerging excellence in using the land domain to dominate the air and sea littorals. While the Army typically thinks of campaigning as a military operation, the intellectual capacity translates beyond. Sequencing operations, designating efforts and arranging them for mutual support, anticipating the actions of opponents, resolving friction, and building interoperability are vital for DE. The Army can "lead from below," using its campaigning expertise to help the National Security Council integrate disparate parts into a coherent whole.

The Army's mature IO capabilities will also play a special role. With capabilities spanning tactical units to theater-level headquarters, the Army can craft and deliver targeted narratives—whether through psychological operations, cyber reachback, or partner-nation capacity building—that bypass traditional censorship and exploit cultural fault lines. Further, recruiting keeps the Army highly practiced in the essential process of building compelling narratives to individual demographics, something that can be adapted for building tensions with specific Chinese groups.

Land-based capabilities can produce asymmetries that dominate the air and maritime littorals, keeping PLA invasion planners up at night and driving Xi's



Can		Will	
Can external pressure be effective on China akin to how it was in Venezuela?	Yes. As discussed, China is deeply challenged by internal tensions and state direction is already the preferred tool for societal issues. China has the ingredients for overreach to produce dilemmas. Key to this strategy is imposing dilemmas faster than China can respond and making the most of interdependencies with the outside world.	Will this backfire, including potentially spurring China into conflict?	Maybe. No strategy is free of risk. Potential backfires include: 1) Cause a revolution, with an unpredictable outcome, or mass outward migrations; mitigation requires continuous assessment to prevent the CCP from losing control. 2) China escalates to war to relieve internal tensions (like Argentina in the Falklands). As previously discussed, deterrence is faltering; if it fails, it is far better to face an adversary plagued with internal dilemmas. 3) Lastly, dilemma engineering (DE) could cause China to respond in kind by increasing interference inside the US or other nations. This is already happening, as in the fentanyl crisis enabled by Chinese precursor chemical production. The best mitigation is to be better at DE, robbing China of strength, while making DE an undeclared policy.
Can the United States and partners maintain commitment, especially in the face of constituencies that gain from relations with China?	Yes. Certain elements, like economic decoupling, have already begun, and as it continues, other constituencies will gain. Further, while decoupling will definitely hurt, war will hurt more. Lastly, if DE is an undeclared policy, it will be easier for decision makers to support a strategy they can publicly deny. Similar arguments apply to American partners with similar interests.	Will this be enough?	No. Firstly, this paper is just a primer on the concept of DE, and there are many more tensions and possible dilemmas to consider. Secondly, DE is only part of a deterrence strategy which needs an accompanying plan to increase American capability. For the bike race analogy, the United States can maintain the lead (deterrence) by putting sticks in China's wheel, or by hitting the gym, bike upgrades, and changing gears.

(Figure by author)

Figure 7. Counterarguments

mistrust, which grows into contempt, for his PLA. As mentioned, the U.S. Army intends to dominate the air and maritime littoral by 2027. This includes land-based fires that can hide in tropical and urban jungles and do not require escort destroyers or the limitations of time on station, as well as unmanned systems. Proliferating this ability to Taiwan and other allies is a requirement to create early dilemmas for the PLA, buying time by rendering it inadequate.

Critically, the U.S. Army can support DE without major changes to defense programming and can continue to support it in the event of budget cuts. Army contributions are principally its intellectual talent, and supporting DE across PMESII-PT is a natural extension of the multidomain operations imperative

of “impose multiple dilemmas on the enemy.”⁵⁷ Finally, as we are already working toward achieving dilemma-imposing asymmetries from ground-based fires and unmanned systems, sharing these with friends will only build interoperability.

Counterarguments. There are several possible counterarguments and/or risks to the approaches in this article, and they chiefly come down to questions of *can*, *will*, and *should*. Can external pressure be effective on a superpower like it was for Venezuela? Can the United States and partners maintain commitment, especially in the face of constituencies that gain from relations with China? Will this backfire, including potentially spurring China into conflict, and will this be enough? Figure 7 addresses these arguments.⁵⁸ The

most important question not in the figure is, “Should the United States and partners engineer dilemmas in China?” The truth is that DE is not nice and is no way for friends to treat each other. But the PRC is no friend and has clearly set its sights on ending freedom and democracy in Taiwan, potentially by force. It is menacing to other neighbors as well and wants to achieve military superiority over the United States by 2049. As shown previously, our deterrence strategy is faltering, and DE is a tool to prevent war by removing the freedom of maneuver of an autocratic dictatorship.

Summary. In an era when conventional deterrence strains under China’s rapid military modernization and economic heft, DE offers a force multiplier that plays to the advantages of America and its friends. By sowing distrust and using our interdependencies to create structural economic woes and letting those stresses

calcify into chronic dysfunction, we create a China that remains powerful on paper but inert in practice—unable to invade Taiwan or otherwise destabilize its neighbors.

This approach neither seeks revolution nor open conflict; instead, it exploits China’s own overreach and interdependencies, both internal and external, to deliver a silent, systemic defeat. The Army’s expertise in campaigning, IO, and its emerging ability to dominate the air and maritime littorals with ground-based asymmetries can provide an indispensable underpinning for a whole-of-government, free-world-supported campaign to deter Beijing by steering it into dilemmas that undermines its core strengths from within to preserve global stability and U.S. interests. Or, if deterrence fails, it can fatally weaken China from the equivalent of internal bleeding. ■

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