

## Managing Strategic Competition with China

by Phillip C. Saunders

### Key Points

Officials in the Obama administration have highlighted the need for a “positive, cooperative, and comprehensive relationship” with China that can help the United States address an array of global challenges. Administration officials have not adopted the “responsible stakeholder” language that characterized recent U.S. China policy, but their overall approach appears compatible with that concept. Initial policy statements have focused on expanding U.S.-China cooperation, with particular emphasis on addressing the global economic crisis and climate change.

This paper focuses on an important but neglected topic: how to address the challenges posed by China’s development of advanced strategic and military capabilities that might threaten U.S. interests within the context of a broader policy emphasizing engagement and cooperation with China. Relations in four strategic areas—nuclear modernization, space and counterspace, cyber warfare, and conventional force modernization—are analyzed, and the potential for competitive dynamics in these areas to affect the stability of the broader U.S.-China bilateral relationship is explored. The paper suggests that China’s approach to nuclear modernization, which has sought to maintain a credible second-strike capability that would induce U.S.

restraint while minimizing economic and political costs, may be a model for its future behavior in other areas. However, specific characteristics of these areas—including the expected costs of competitive behavior and the extent to which deterrence functions effectively—may also influence competitive dynamics.

The prospect of continued U.S.-China strategic competition suggests that nuclear, missile defense, space, and cyber issues will be irritants (and potentially destabilizing factors) in bilateral relations. Perceptions about the likelihood of conflict over Taiwan are likely to intensify or ease competitive dynamics, but competition already goes beyond Taiwan scenarios.

The ultimate impact will depend on whether competition over strategic issues comes to dominate the relationship. The paper suggests four potential means of limiting the impact of competitive dynamics: placing limits on competition that might make both sides worse off; keeping competitive dimensions of relations within the context of a broader, generally cooperative relationship of huge importance to both sides; providing a path for China to pursue its legitimate interests while taking on more responsibility for maintenance of the international system; and actively seeking to expand security cooperation, including bilateral and multilateral cooperation, between the U.S. and Chinese militaries.

In the Obama administration’s first major speech on Asia policy, Secretary of State Hillary Rodham Clinton highlighted the need for a “positive, cooperative relationship” with the People’s Republic of China (PRC) that could help the United States address an array of global challenges. Dismissing the view that a rising China must be an adversary, she argued that “the United States and China can benefit from and contribute to each other’s successes” and stressed the importance of working “to build on areas of common concern and shared opportunities.”<sup>1</sup> Her subsequent remarks in Beijing highlighted the importance of U.S.-China cooperation in addressing the global economic crisis, building a partnership on clean energy and climate change, and working together on a range of shared international security challenges.<sup>2</sup> Deputy Secretary of State James Steinberg later called for building a “positive, cooperative and comprehensive U.S.-China relationship for the 21<sup>st</sup> century.”<sup>3</sup>

These remarks acknowledge the reality that cooperation with China is essential to a range of important U.S. interests and Obama administration policy priorities. They also appear to reflect a determination to avoid the pattern evident in previous U.S. administrations of adopting a hard-line approach toward China during the campaign and early days in office before recognizing the need to build good working

relations with Beijing. It makes good sense to identify areas of common interest and pursue cooperation with China wherever possible. Yet the reality is that even though the United States and China share many important and overlapping interests, there are critical areas where interests and perspectives diverge significantly.

China's size, weight in the world economy, and expanding global interests make Beijing an important player on a range of issues. Consequently, many different actors (inside and outside the government) seek to influence U.S. policy toward China. The Department of the Treasury wants China to continue purchasing U.S. Government securities and to help address the global economic crisis. Some U.S. labor unions and businesses with Chinese competitors complain about the impact of PRC government subsidies and an undervalued Chinese currency on trade. The U.S. Trade Representative seeks expanded market access and better PRC protection of intellectual property rights. Some parts of the Department of State seek to encourage Chinese cooperation on a range of political and security issues, while other offices issue reports that criticize Chinese human rights conditions and impose sanctions on Chinese companies for their proliferation behavior. The Pentagon has responsibility for deterring potential aggressive Chinese actions and reassuring U.S. allies worried about a more capable Chinese military. At the same time, it conducts military-to-military exchanges with China and seeks to reduce mistrust, encourage security cooperation where interests overlap, and manage issues where the United States and China disagree. This mix of interests and cacophony of voices makes articulating and implementing a coherent China policy a difficult challenge for any administration.

Given this complex and multifaceted relationship, there are at least three ways in which U.S. policy could misfire. One would be to overemphasize cooperation with Beijing and ignore potential challenges posed by

China's increasing military capabilities and political influence. If these challenges are not addressed, U.S. efforts to cooperate with China could alarm regional allies and leave the administration vulnerable to domestic criticism for neglecting U.S. security interests. A second pitfall would be to overemphasize conflicting interests and potential challenges and allow concerns about

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unlikely contingencies to aggravate mutual suspicions and limit cooperation on issues important to both countries. A sustainable policy must address both cooperative and competitive aspects of relations with China, even if it leans in the direction of expanding cooperation. This highlights a third danger: the potential for insufficient coordination to allow those elements of the U.S. Government responsible for addressing competitive aspects of relations with China and those seeking to build trust and cooperation with Beijing to work at cross purposes. Consistent high-level leadership and effective interagency coordination are necessary to articulate and implement a China policy that effectively addresses the full range of common and conflicting interests.

An important but neglected topic is how to address the challenges posed by China's development of advanced strategic and military capabilities that might threaten U.S. interests within the context of a broader policy emphasizing engagement

and cooperation with China. A number of analysts have written about the possibility of a militarily powerful and aggressive China that directly challenges U.S. interests and threatens stability in the Asia-Pacific region.<sup>4</sup> Relatively little attention has been devoted to the more likely case of a China that builds military capabilities of concern while exercising restraint in the use of force and military threats. The United States should actively encourage cooperative and responsible Chinese behavior, but it must also recognize and prepare for the policy challenges that advanced Chinese nuclear and conventional capabilities that increase U.S. military vulnerabilities will raise for U.S. foreign and defense policy.

## **Evolution of U.S. Strategy**

China has defied the predictions of many analysts who expected its communist system to collapse in the aftermath of the 1989 Tiananmen crackdown and the breakup of the Soviet Union. Instead, a brief period of political retrenchment was followed by continuing economic reforms that have produced rapid and sustained economic growth. China's export-led growth strategy has resulted in deeper integration into the global economy, which has increased its international influence as well as its vulnerability to external economic and strategic developments. Despite limited experiments with elections in the countryside and significant relaxation of efforts to control the lives of citizens, PRC leaders remain committed to communist party rule and opposed to the emergence of multiparty democracy. The Chinese government continues to control the media, limit political speech, and suppress the emergence of any organized groups that might threaten its hold on power. Incremental political liberalization may occur over time, but U.S. policymakers must be prepared to deal with an authoritarian government in Beijing.

From 1994 to 1996, Beijing's seizure of Mischief Reef in the disputed South China Sea and its use of military exercises to intimidate Taiwan stoked regional fears of a hostile and expansionist China. Worried

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that “China threat” rhetoric might lead the United States and other countries to pursue containment, Chinese leaders sought to address regional concerns through a combination of military restraint, friendly bilateral diplomacy, active participation in multilateral and regional organizations, and commercial diplomacy that offered others the chance to benefit from China’s rapid growth.<sup>5</sup> At the same time, Beijing accelerated its military modernization (funded by double-digit real defense budget increases) and has expanded its influence within Asia and in other regions such as Africa and the Middle East. China’s restrained international behavior over the last decade has limited the willingness of its neighbors to balance against rising Chinese power overtly, but has not eliminated regional concerns about how a stronger China might behave in the future.<sup>6</sup>

Awareness of China’s power potential and uncertainty about its long-term political and military evolution have been key considerations in U.S. strategy toward China since the mid-1990s. Instead of defining it

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clearly as an ally or an adversary, the United States has sought to reap the economic and security benefits of cooperation while hedging against China’s potential emergence as a threat. U.S. strategy has had two elements. The first emphasizes the role of cooperation and integration into global institutions (including the global economy)

as a means of influencing Chinese behavior and shaping China’s future evolution in positive directions. The second emphasizes maintenance of U.S. military capabilities and alliances as a hedge against the possibility of a future China that becomes aggressive or threatening. Ideally, U.S. alliances and military capabilities should discourage aggressive Chinese actions and encourage Beijing to pursue its goals through peaceful means. The implementation challenge is to keep the two elements in proper balance, so that overemphasis on cooperation does not leave the United States in an unfavorable strategic position and overemphasis on the military dimension does not stimulate Chinese threat perceptions and push it toward confrontation.

Within this context, the George W. Bush administration increased cooperation with China on a range of important economic and security issues, including energy security, nonproliferation, and counterterrorism. It also tried to influence Beijing’s thinking about its own long-term interests by proposing the vision of China as a “responsible stakeholder” that both benefits from and plays an important role in maintaining the current international system. This concept, elaborated in a 2005 speech by then–Deputy Secretary of State Robert Zoellick, recognizes China’s increasing impact on the international system and seeks to obtain Chinese support in sustaining the global institutions and norms that have helped enable its remarkable economic success.<sup>7</sup> It sought to expand the scope of U.S. and Chinese common interests and to place potential conflicts of interests within a larger framework of cooperation.<sup>8</sup>

The Obama administration has not employed the responsible stakeholder language, but its focus on expanding the areas of U.S.–China cooperation and encouraging China to take on more responsibility in addressing global challenges appears compatible with this approach. Deputy Assistant Secretary of Defense David Sedney recently testified that “the United States welcomes the rise of a stable, peaceful, and prosperous China, and continues to encourage China to participate responsibly in the international

system by supporting, strengthening and stabilizing the global security architecture that it has benefitted from during its economic rise.”<sup>9</sup> In public statements, administration officials have emphasized the importance of actively engaging China to strengthen cooperation while also working to narrow or address differences. As Deputy Assistant Secretary of State John Norris put it, “Where we have differences, we will continue to make our viewpoint on such matters clear to the PRC, and we of course will defend our interests. But we cannot define our bilateral relationship on our differences to the detriment of possible progress on key U.S. priorities.”<sup>10</sup>

**China’s Military Challenge**

The Obama administration’s initial policy statements on China suggest increased efforts to expand cooperation in areas of common interests and to manage differences in a nonconfrontational but firm manner. This approach makes sense. However, U.S. policymakers may not have fully considered the complex policy challenges likely to be posed by a China that behaves with restraint and cooperates in some areas while simultaneously developing military capabilities that might threaten U.S. interests. China’s efforts to develop advanced strategic and military capabilities are part of a broader long-term effort to build its comprehensive national power. Chinese military planners—like those in other advanced militaries—are interested in developing new technologies and capabilities that can increase military effectiveness. This interest does not make China uniquely aggressive, but it does raise questions about how a stronger China might use these capabilities in the future. U.S. policymakers need to consider how to respond to a China that cooperates in some important areas and that competes in other areas.

China is modernizing its forces and developing new capabilities to deal with a range of internal and external contingencies. Taiwan has been the key driver of Chinese military modernization since the mid-1990s, when Beijing

became increasingly concerned about the possibility of Taiwan independence. Taiwan President Ma Ying-jeou's adoption of a less confrontational policy toward China has reduced cross-strait tensions significantly, but the potential for Beijing's heightened expectations for closer relations with Taiwan to be disappointed means that a crisis over the situation remains a possibility. China is also laying the foundations for long-term military capabilities that can address other missions such as protection of its territorial claims and sea lanes of communication.<sup>11</sup> China's modernization is focused both on reshaping its military to take advantage of the opportunities provided by advanced command, control, communications, computers, intelligence, surveillance, and reconnaissance and precision-strike capabilities and on limiting the ability of potential adversaries to use these capabilities against China. Areas of particular U.S. concern in China's military buildup include modernization of its nuclear arsenal and efforts to develop advanced space and counterspace, cyber warfare, and conventional force capabilities that may limit U.S. military access to the western Pacific. In many of these areas, China appears to be pursuing asymmetric approaches that seek to exploit or create U.S. military vulnerabilities.<sup>12</sup>

One potential U.S. response might involve efforts to dissuade China from acquiring advanced military capabilities. Dissuasion was a prominent theme in Bush administration strategic documents such as the 2001 and 2006 Quadrennial Defense Reviews and the 2005 National Defense Strategy.<sup>13</sup> U.S. strategic documents do not single out China as an object of dissuasion, but several analysts have examined dissuasion's potential applicability to the China case.<sup>14</sup> Successful dissuasion requires persuading the other state that it will not derive the hoped-for benefits from investments in strategic capabilities or that the direct and indirect costs of pursuing advanced capabilities will outweigh the potential gains. Three main avenues have been explored: pursuing competitive strategies that invite China to engage in costly arms competi-

tions that it cannot win; raising the political and economic costs of Chinese efforts to develop and deploy advanced strategic capabilities; and linking U.S. economic and strategic cooperation with China to restraint in its strategic development programs. All three approaches are problematic and unlikely to prevent China from developing some additional advanced strategic capabilities.

The competitive strategies approach involves fostering competition in strategic areas where U.S. technological and financial advantages make it difficult for China to compete successfully. Some believe U.S. investments in stealth technology, nuclear missiles, and ballistic missile defenses forced the Soviet Union to realize that it could no

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longer afford to compete militarily with the United States. This approach has several limitations when applied to China. First, Chinese leaders have taken lessons from the collapse of the Soviet Union and are determined not to be drawn into an expensive, all-out arms race. China gives every indication of not intending to match U.S. capabilities in a race for dominance. Instead, its focus is on creating a degree of U.S. vulnerability that will raise the costs and risks of military conflict in scenarios where U.S. strategic interests are limited. Second, China's growing economy is increasing the resources available for military modernization. Chinese leaders can reasonably expect to be in a better position to fund the higher costs of deploying advanced systems once they are developed. Third, China is also exploring asymmetrical ways of responding to advanced U.S. capabilities that may be effective but much less expensive than symmetrical responses. China may also be able to exploit synergies between relatively inexpensive asymmetrical responses. Finally, an approach that emphasizes overt strate-

gic competition with China is at odds with a broader U.S. strategy of increasing political and security cooperation with Beijing. These considerations greatly complicate competitive strategies approaches.

A second approach is to try to increase the international political and economic costs of Chinese development of advanced strategic capabilities. This approach focuses on raising the costs of Chinese development of capabilities of concern rather than on the U.S. ability to outcompete China. International criticism following China's January 2007 test of a direct-ascent anti-satellite weapon that created considerable space debris illustrates how PRC military actions and lack of transparency can produce international pressure.<sup>15</sup> China's neighbors and other international actors are likely to be concerned about the implications of advanced Chinese strategic capabilities for their own security and about the impact on the overall strategic environment. China's actions can stimulate the military modernization efforts of its neighbors. Concerns about negative international reactions may create some constraints on Chinese strategic modernization efforts. However, pressure on China has been most effective when international norms are strongly established and China is isolated (as in the cases of nuclear nonproliferation and pressure on China to sign the Comprehensive Test Ban Treaty). If the United States is pursuing advanced strategic capabilities itself and is unwilling to accept restrictions on its own efforts, it will be difficult to impose international costs on China for doing the same—particularly if China pursues limited capabilities rather than trying to achieve parity or superiority.

A third approach is to try to link continued U.S. economic and security cooperation with restraint in Chinese strategic modernization efforts. This would involve using U.S. bilateral leverage to play on Beijing's need for continued rapid economic growth to maintain domestic stability. By threatening to curtail access to the U.S. market and U.S. technologies, Washington could attempt to force China not to develop certain strategic capabilities. Such an approach would impose considerable direct costs on American businesses and

consumers, invite Chinese retaliation, and be incompatible with current international economic rules and norms. It would also be badly out of sync with current U.S. efforts to encourage cooperative approaches to the global economic crisis and to increase China's stake in the international system. U.S. friends and allies are unlikely to participate in such efforts, which would greatly limit their effectiveness. Although China's dependence on the United States is greater than U.S. dependence on China, Beijing can already impose considerable costs on the United States through retaliation and by withholding cooperation. Moreover, if China's economy continues to grow rapidly, Beijing's relative economic leverage is likely to increase over time. As a result, it would be extremely difficult to use asymmetric interdependence to compel Chinese strategic restraint, especially in areas that China views as vital.

Although dissuasion is unlikely to prevent China from developing advanced military technologies, some of the tactics discussed above may be useful in raising the costs of Chinese behavior that violates international rules and norms. However, the difficulty of successful dissuasion and the utility of advanced military technologies suggest that China is likely to develop additional advanced nuclear, space, conventional, and cyber capabilities. Beijing's near- to midterm objective with respect to the United States does not appear to match U.S. military capabilities across the board, but rather to create sufficient U.S. vulnerability to ensure that Washington behaves cautiously when core Chinese interests are at stake. One of China's core interests involves preventing Taiwan from attaining *de jure* independence (and ultimately in achieving unification). Beijing would prefer to achieve unification using peaceful means, but Chinese leaders believe that a favorable military balance increases their leverage over Taiwan and is necessary in case they must respond to a unilateral Taiwan declaration of independence.

Like any major power, the United States would prefer to maintain military dominance in all key strategic areas. However, this is likely to be technologically impossible (due to the offense-dominant nature

of some strategic domains) or unaffordable (due to high costs and competing demands for scarce U.S. defense resources). China is unlikely to acquiesce to permanent U.S. dominance of key strategic areas, and U.S. planners should not assume that dominance can be maintained indefinitely. The United States will make needed investments to improve its own advanced strategic capabilities and reduce its vulnerability to advanced capabilities of other states. However, these efforts are unlikely to prevent China from reaping some operational advantages from its own military investments. How would successful Chinese efforts to create U.S. military vulnerabilities affect the nature of the U.S.-China relationship?

## Potential Dynamics

The history of interactions between Chinese strategic nuclear modernization and U.S. efforts to develop ballistic missile defenses illustrates some potential dynamics of future U.S.-China competition in other strategic areas. Beijing has sought to limit its vulnerability to nuclear blackmail by developing a viable second-strike capability against potential nuclear-armed adversaries, including the United States. Technological limitations meant that the Chinese deterrent initially relied primarily on air-delivered weapons and then on vulnerable silo- and cave-based missiles. Chinese experts privately admitted that the credibility of China's deterrent rested on a potential adversary's uncertainty about whether a first strike could destroy all of China's long-range nuclear missiles. Rather than build large numbers of vulnerable first-generation missiles, China decided to develop a new generation of mobile land- and sea-based missiles that would be more survivable and better able to provide a credible second-strike capability. As these new systems began nearing deployment early in this decade, U.S. withdrawal from the Antiballistic Missile Treaty and deployment of ballistic missile defenses challenged the premises behind mutually assured destruction, prompting Chinese complaints that the United States sought "absolute security" for itself while keeping others vulnerable.

Some U.S. policymakers and strategists have been reluctant to accept mutual nuclear vulnerability with China, partly because it implies a reduction in U.S. freedom of action (and a potential increase in China's ability to take actions that challenge U.S. interests).<sup>16</sup> But Beijing appears determined to establish and maintain a credible second-strike nuclear capability through some combination of increased numbers, more survivable missiles, ballistic missile defense countermeasures, and potentially targeting space-based elements of a U.S. missile defense system. The United States ultimately may have no choice but to accept a degree of vulnerability to Chinese nuclear weapons. This issue has been a significant source of tension in Sino-U.S. relations for the past 10 years, and at times has had significant domestic political consequences. Despite concerns on both sides, these tensions have not prevented further development of the U.S.-China relationship and significant bilateral cooperation on issues such as counterterrorism and denuclearization of the Korean Peninsula.

Considered broadly, China's overall nuclear weapons posture has focused on possessing sufficient nuclear capability to

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make potential adversaries vulnerable (and therefore restrained in how hard they could push China). Chinese leaders have sought to limit economic and diplomatic costs by maintaining a relatively small nuclear arsenal, emphasizing China's no-first-use policy and goal of nuclear disarmament, and explicitly eschewing participation in any nuclear arms races. This suggests that they

saw limited returns from additional nuclear capabilities beyond those needed to create stable deterrence via a survivable second-strike capability. China's overall approach to nuclear modernization, which has sought to maintain a credible second-strike capability that would induce restraint from other nuclear powers while minimizing economic and political costs, may be a model for China's future behavior in other strategic areas. However, specific characteristics of these areas—including the expected costs and benefits of competitive behavior and the extent to which deterrence functions effectively—may also influence competitive dynamics. Will the logic underlying China's nuclear modernization also apply in other strategic areas?

Space has some significant similarities to the nuclear domain. Most analysts view space as an offense-dominant arena where relatively limited counterspace capabilities (such as antisatellite weapons) can make protection of space assets expensive and technologically demanding. The potential exists for an expensive and open-ended offense-defense competition in space. There would be significant diplomatic costs in being the first country to deploy space-based weapons or in militarizing space in ways that inhibit or interfere with civilian and commercial uses. On the other hand, space is also a key enabler for conventional military operations by providing intelligence, communications, and navigation services. It represents a major element in China's efforts to develop a military capable of fighting limited wars under "informationalized" conditions. The limited costs of making an adversary vulnerable, coupled with the high economic costs and diplomatic consequences of pursuing dominance in an open-ended space arms race, suggest that China may ultimately settle for limited counterspace capabilities (for example, a limited capability to temporarily disrupt U.S. use of space assets) while aggressively pursuing military applications of space that would enhance its ground, air, and naval capabilities. In such a scenario, China would have some incentives to practice restraint in deploying and employing counterspace capabilities to maintain the use of its own space assets. These

incentives would likely increase over time as China's military becomes more dependent on space assets for its operations. How deterrence of the use of counterspace capabilities might work in such a context is a topic that deserves greater attention.

Cyber warfare is a much murkier area. To the extent that computer network operations that seek to acquire sensitive information from computer networks resemble traditional intelligence collection methods, they may become a normal and accepted part of interstate relations (that is, formally illegal but widely practiced). Just as in traditional intelligence operations, aggressive collection efforts that are detected (and

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especially any that are publicly exposed) are likely to have negative repercussions for a country's reputation and diplomatic relations. This places some prudential limitations on computer network operations. On the other hand, the ability to conduct undetected or deniable operations may limit this accountability. However, widespread press reports over the last year suggesting extensive Chinese cyber operations against American, British, French, and German government targets suggest that even formally deniable operations can have significant political consequences.<sup>17</sup> Computer network attacks require similar access as computer network operations, but the results are likely to be detectable (due to the real world impact of a successful cyber attack) and probably somewhat more attributable (at least by context). Deterrence of major cyber attacks against military and civilian targets may be possible via the threat of retaliation.<sup>18</sup> However, the

stealthy methods required to gain and maintain the access needed for successful computer network attacks may make it difficult to assess the other side's capability accurately or to demonstrate one's own capability, potentially making stable deterrence more difficult to establish and maintain.

China's efforts to develop and acquire conventional force capabilities that could limit the U.S. ability to operate in the western Pacific represent a more traditional form of military competition. China's conventional attack submarines, Russian destroyers with advanced antiship cruise missiles, more robust air defense and air attack capabilities, and antiship ballistic missiles will pose significant operational challenges for U.S. air and naval forces operating near China. U.S. military planners are already following China's naval modernization efforts and development of antiaccess capabilities closely.<sup>19</sup> Recent U.S. adjustments of its military force deployments in the western Pacific are a partial response to improvements in Chinese capabilities (and are certainly viewed that way by Chinese military officers). China justifies acquisition of new and updated capabilities in terms of a defensive strategy, but these capabilities also potentially enable offensive actions against Taiwan by raising the costs and risks of U.S. intervention. Most other countries in Asia have been more concerned about Chinese power projection capabilities (and especially its potential acquisition of an aircraft carrier) than about improvements in its antiaccess capabilities. However, these capabilities are of particular concern to the United States because its strategy in Asia requires military access to maintain stability and fulfill alliance commitments. The conflict between U.S. and Chinese strategies suggests the likelihood of intensified conventional arms competition in the future.

Heightened U.S.-China military competition does not make global rivalry or an all-out arms race inevitable, but it will require U.S. policymakers to think more seriously about how to deal with China if the United States no longer enjoys unquestioned dominance in key strategic areas. Increased vulnerability

requires recognizing the likelihood that U.S. military forces could incur significant casualties if a conflict with China was to turn violent. U.S. military forces have operated successfully in high-risk situations in the past, as in the cat-and-mouse games the U.S. Navy played with the Soviet navy during the Cold War. A risky operational environment is the historic norm for most militaries. Nevertheless, the post-Cold War expectation of automatic U.S. military dominance and the ability to carry out major operations with few or no casualties will need revision.

## U.S. Vulnerability

The impact of greater U.S. military vulnerability on U.S. and Chinese behavior may rest somewhat on the balance of vulnerability at the strategic, operational, and weapons system levels. At the strategic level, factors such as extensive economic interdependence, the importance of Sino-U.S. relations for regional and global stability, and the potential for nuclear escalation mean that a major U.S.-China military conflict would impose high absolute costs and risks on both countries, regardless of the eventual military outcome. The high absolute costs of a conflict to both sides will likely dwarf considerations about who would suffer more, making leaders in Washington and Beijing cautious and extremely reluctant to authorize the use of force in situations that might escalate into a broader war. These considerations do not make war impossible, but they are likely to produce more restrained behavior and may dampen competitive military dynamics to some degree.

In assessing the capability to carry out military operations in particular strategic domains (such as cyber warfare or space operations), each side will weigh its potential vulnerability to the other's military capabilities and the net impact of that vulnerability. The result will likely be a medium-grade capabilities competition that will have both symmetrical and asymmetrical aspects. Both militaries will attempt to take advantage of opportunities to exploit new technologies and operational concepts to improve their own operational capabili-

ties and to increase their military effectiveness. Each side will also seek to bring its strengths to bear by exploiting vulnerabilities in the other side's weapons systems and operational concepts while taking steps to mitigate its own vulnerabilities.

Although it is always desirable to maintain military advantages across the board, vulnerabilities in one domain can potentially be balanced by advantages in other areas, especially if coupled with operational concepts and campaign plans that exploit the other side's vulnerabilities while protecting one's own weaknesses. This highlights the importance of developing the ability to operate effectively with the loss or degradation of some key systems and the need to assess the military balance at the operational level across multiple strategic domains. The latter requires detailed net assessments in the context of particu-

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lar scenarios, a difficult and technically specialized type of analysis that is sensitive to initial assumptions and that sometimes relies heavily on intelligence inputs. Because the results of these net assessments will have significant implications for procurement of advanced weapons systems and the allocation of scarce defense resources across the Services, they are likely to be contentious and debated within military, defense, and political circles.

For U.S. defense planners, a key global challenge is to identify those areas where affordable military investments will have large and sustainable payoffs and those where the United States will have to accept a degree of military vulnerability and

compensate in other ways. If the United States can develop new military capabilities that potential adversaries have great difficulty countering, this may compensate for increased U.S. vulnerabilities in other areas. Given the competitive aspects of the U.S.-China relationship, Chinese military capabilities are likely to have greater weight in future U.S. defense planning, but the United States should justify its military acquisitions in terms of applications across a range of contingencies rather than singling out China. No military is likely to have complete freedom to fully explore all potential solutions in a given strategic domain due to budget constraints on the development and deployment of expensive high-technology weapons and (in at least some cases) political constraints imposed due to concern about negative reactions from other countries.

Will a greater degree of U.S. military vulnerability degrade deterrence and create opportunities for aggressive Chinese actions? The answer will depend on the details of the situation, the military balance, and the stakes for both sides. The most difficult scenario for the United States would involve a military conflict over Taiwan, where geography and asymmetric stakes give China important advantages. Most Western analysts believe U.S. military strengths have forced Chinese defense planners into placing their hopes on a rapid campaign that would quickly subdue Taiwan before the U.S. military could intervene in force. Improvements in Chinese military capabilities that make U.S. forces more vulnerable could increase the costs and risks of U.S. intervention, but Chinese leaders would still need to consider the likelihood that the United States would accept these costs and intervene anyway, thereby widening and potentially escalating the conflict. This possibility, coupled with negative regional and international reactions that would undercut a decade of successful Chinese diplomacy, will continue to be a major constraint on any Chinese decision to use force against Taiwan. Moreover, despite improvements in Chinese military capabilities, the People's Liberation Army will continue to have significant vulnerabilities of its own. Both the United States and China will

have strong incentives to manage the issue carefully to prevent a military conflict.

In other scenarios within Asia, the military circumstances and stakes are likely to be much more favorable for the United States. For example, the alliance with Japan serves as an anchor for the U.S. military presence in Asia, giving the United States the ability to operate from bases in Japan and a strong stake in defending Japan against any threats. Even significant increases in Chinese relative military

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capabilities are more likely to strengthen the U.S.-Japan alliance than to translate into Chinese political influence over Japan. The United States and China also share a large number of compatible and overlapping interests both within Asia and in other regions of the world. In many cases, U.S. freedom of action may rest less on considerations of military balance than on its ability to win Chinese political support (or acquiescence) for intervention in regional crises, especially if United Nations Security Council authorization is desired. The United States will also have an interest in persuading China not to sell or proliferate advanced weapons systems and capabilities that might threaten the stability of key regions. Diplomatic efforts to cultivate common interests, mutual threat perceptions, and shared perspectives on appropriate international responses should be an important part of U.S. policy toward China.

The dynamics of U.S.-China strategic competition in areas such as nuclear

modernization, ballistic missile defense, space and counterspace capabilities, and cyber warfare will inevitably have some impact on the broader bilateral relationship. Given ongoing operations in Iraq and Afghanistan and competing demands on scarce defense resources, many in the U.S. nuclear, missile defense, space, cyber, and conventional force communities are likely to be frustrated at resource, technology, and policy limitations that restrict development and procurement of some advanced U.S. capabilities. These military communities will focus intently on Chinese research and development, procurement, and deployments in their respective areas, and seek to mobilize leadership attention and resources on their missions and concerns. Their Chinese counterparts will do the same. If U.S. efforts do not produce clear continued dominance (the likely outcome, given political and budget constraints), political controversy will soon follow. At the very least, the likelihood of continuing U.S.-China strategic competition suggests that nuclear, missile defense, space, and cyber issues will be irritants (and potentially destabilizing factors) in bilateral relations for some time to come.

The extent of the impact on bilateral relations and the U.S. ability to implement a China policy focused on expanding cooperation depends on whether these strategic issues come to dominate the relationship. Those with responsibilities for specific strategic domains are likely to seek to link their issues to broader bilateral issues in order to increase U.S. leverage in their particular area. Such attempts have the potential to undercut broader U.S. efforts to expand cooperation with Beijing and to encourage China to take on more responsibility in sustaining and supporting the international system. We cannot expect those with responsibilities for important but narrow strategic areas to have a dispassionate view of the right tradeoffs. Because different elements of the government have different responsibilities and perspectives, striking the right balance between expanding cooperation with China and competing in particular strategic domains is likely to be an enduring policy tension.

## Strategic Competition

Even with the Obama administration's emphasis on expanding cooperation with China, the U.S.-China relationship will likely remain ambiguous. Substantial and expanding areas of cooperation will probably continue to coexist with strategic tensions and suspicions. The United States and China are not inevitable enemies, but managing the competitive aspects of the bilateral relationship will require wise leadership on both sides of the Pacific. Even though the United States is likely to maintain its technological edge in most areas, China will develop some advanced strategic capabilities that will give it the ability to inflict significant damage on U.S. forces in the event of a military conflict. If the two countries manage their relations carefully, the negative impact of strategic competition on the broader relationship may remain modest. If strategic conflicts of interest become prominent—most likely over Taiwan—then strategic competition is likely to intensify and spill over into other aspects of the relationship. Conversely, if the Taiwan issue appears to be on a path toward peaceful resolution, strategic competition between the United States and China is likely to be more muted.<sup>20</sup> In any case, Sino-American strategic competition has already begun to move beyond Taiwan to include mutual concerns about the other side's future military capabilities and relative influence.

Strategic competition does not unfold in a geopolitical vacuum; China needs economic access to the outside world in order to maintain rapid economic growth. Its future economic vibrancy and political stability depend enormously upon its ability to maintain positive relations with its key economic partners, not to intimidate, coerce, or threaten them. China has actively sought to reassure its neighbors and other major powers that it will behave responsibly even as its economic and military capabilities grow. But as China grows stronger, its neighbors will expect greater transparency about China's military capabilities and intentions. China's continuing economic vulnerability and desire to prevent major powers from treating it as a potential threat provide important incentives for Beijing to keep



strategic competition with the United States within acceptable bounds.

Given this context, the United States will need to improve its ability to pursue a multifaceted relationship with China. This should involve expanded cooperation where U.S. and Chinese interests are compatible, combined with active efforts to broaden areas of potential cooperation by influencing how China defines and pursues its interests. Given U.S. security commitments to allies and the importance of those alliances for Asia-Pacific stability, the maintenance of robust military capabilities should remain an important part of U.S. strategy. As discussed above, it will be difficult to dissuade China from acquiring additional advanced strategic capabilities. The United States must therefore be prepared to compete with China in important strategic

**both sides should be careful not to let concerns about worst-case scenarios and unlikely contingencies drive the broader relationship and limit cooperation on important issues**

domains, while simultaneously seeking to limit the impact of this competition on the broader bilateral relationship.

How can the United States and China manage their strategic competition effectively? One way is to try to place some limits on competition that might make both sides worse off. Unrestrained nuclear competition or all-out efforts to weaponize space would require huge investments that might ultimately produce no strategic advantages once the other side's response is factored in. Mutual restraint, strategic understandings, and informal limits on development of particular capabilities may have value in reducing or managing competition. There may also be a useful role for formal bilateral or

multilateral arms control agreements in some areas. The United States should also use strategic dialogue and military-to-military contacts to try to address Chinese strategic concerns and correct misperceptions about U.S. strategic intentions. Official and unofficial dialogues on nuclear issues and ballistic missile defense over the last decade have played a useful role in making each side aware of the other's concerns and have had modest success in reducing mutual suspicions. These efforts should be continued and enhanced (including a new dialogue on space issues), albeit with modest expectations about their ultimate impact.

A second approach is to keep the competitive dimensions of U.S.-China relations within the context of a broader, generally cooperative relationship that is vital to both countries. By placing the narrow areas of strategic competition in proper proportion to the broad relationship, political leaders can make appropriate decisions about how important these areas are, what investments are appropriate, and what damage to the broader relationship is justified in terms of strategic benefits. The specifics of the U.S.-China balance in particular strategic domains would become very important in a military crisis or conflict. But both sides should be careful not to let concerns about worst-case scenarios and unlikely contingencies drive the broader relationship and limit cooperation on important issues. If handled properly, these concerns can remain remote contingencies rather than the primary focus.

A third element is for the United States to encourage and support Chinese efforts to take on more responsibility for sustaining and supporting the international system. The United States must recognize that this requires providing China a path to pursue its legitimate aspirations through peaceful means. The current liberal international order is remarkably flexible and has done a good job so far in accommodating China's rising power.<sup>21</sup> The United States will also have to acknowledge that if China is to make more contributions to maintaining the international system, it will expect to

have a greater voice in shaping the future of that system. The original formulation of the responsible stakeholder concept was silent on the question of which Chinese interests were legitimate and deserving of respect. The United States will not be able to ignore this question forever; answering it will likely require some adjustments in both the international system and in U.S. foreign policy goals. However, just as markets provide ways of reconciling competing economic interests, an open international system can provide ways of reconciling competing strategic interests without war.

A fourth means is to actively seek to expand security cooperation, including bilateral and multilateral cooperation between the U.S. and Chinese militaries. Competitive dynamics will limit the potential for military-to-military cooperation in some areas, but there are also important opportunities for mutually beneficial cooperation. China's deployment of three naval ships to the Gulf of Aden to conduct counterpiracy operations illustrates that China's interests are increasingly global. The two countries have cooperated in some international disaster relief efforts in the past (and U.S. military aircraft delivered relief supplies to China following the May 2008 Sichuan earthquake). There are a number of important nontraditional security issues such as peacekeeping, humanitarian affairs and disaster relief, infectious disease control, counterpiracy, and energy security where both countries can make important contributions to regional and global security. Increased efforts to cooperate on these issues could help balance the more competitive aspects of strategic relations.

A final point is that the bureaucratic division of labor—with the State Department and economic policymakers focused primarily on expanding cooperation and defense policymakers focused on competitive aspects of the relationship—can potentially result in a lack of focus and difficulty in making appropriate tradeoffs between U.S. economic and security interests. The issues involved are complex, and reasonable people can disagree about the answers. An enduring consensus is likely

to be elusive. Strong political leadership and effective use of the National Security Council, the new U.S.-China Strategic and Economic Dialogue, and summit meetings between U.S. and Chinese leaders as coordination mechanisms will be essential for successful implementation of an effective strategy for dealing with a stronger China.

## Notes

<sup>1</sup> Hillary Rodham Clinton, "U.S.-Asia Relations: Indispensable to Our Future," remarks at the Asia Society, New York City, February 13, 2009, available at <[www.state.gov/secretary/rm/2009a/02/117333.htm](http://www.state.gov/secretary/rm/2009a/02/117333.htm)>.

<sup>2</sup> Hillary Rodham Clinton, "Remarks with Chinese Foreign Minister Yang Jiechi," Beijing, China, February 21, 2009, available at <[www.state.gov/secretary/rm/2009a/02/119432.htm](http://www.state.gov/secretary/rm/2009a/02/119432.htm)>.

<sup>3</sup> James B. Steinberg, "Engaging Asia 2009: Strategies for Success," remarks at National Bureau of Asian Research Conference, Washington, DC, April 1, 2009, available at <[www.state.gov/s/d/2009/121564.htm](http://www.state.gov/s/d/2009/121564.htm)>.

<sup>4</sup> Denny Roy, "Hegemon on the Horizon? China's Threat to East Asian Security," *International Security* 19, no. 1 (Summer 1994), 149–168; and Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (New York: Knopf, 1997). Also see Aaron L. Friedberg, "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (Fall 2005), 7–45; and Thomas J. Christensen, "Fostering Stability or Creating a Monster? The Rise of China and U.S. Policy toward East Asia," *International Security* 31, no. 1 (Summer 2006), 81–126.

<sup>5</sup> David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29, no. 3 (Winter 2004/2005), 64–99.

<sup>6</sup> Ellen L. Frost, James J. Przystup, and Phillip C. Saunders, *China's Rising Influence in Asia: Implications for U.S. Policy*, Strategic Forum 231 (Washington, DC: National Defense University Press, April 2008), available at <[www.ndu.edu/inss/Stforum/SF231/SF231.pdf](http://www.ndu.edu/inss/Stforum/SF231/SF231.pdf)>; and Evan S. Medeiros et al., *Pacific Currents: The Responses of U.S. Allies and Security Partners in East Asia to China's Rise* (Arlington, VA: RAND Corporation, 2008).

<sup>7</sup> Robert B. Zoellick, "Whither China: From Membership to Responsibility?" remarks to National Committee on U.S.-China Relations, New York, September 21, 2005, available at <[www.state.gov/s/d/rem/53682.htm](http://www.state.gov/s/d/rem/53682.htm)>.

<sup>8</sup> For an analysis, see James J. Przystup and Phillip C. Saunders, *Visions of Order: Japan and China in U.S. Strategy*, Strategic Forum 220 (Washington, DC: National Defense University Press, June 2006), available at <[www.ndu.edu/inss/Stforum/SF220/SF\\_220.pdf](http://www.ndu.edu/inss/Stforum/SF220/SF_220.pdf)>.

<sup>9</sup> David Sedney, testimony before the U.S.-China Economic and Security Review Commission, March 4, 2009, available at <[www.uscc.gov/hearings/2009hearings/written\\_testimonies/09\\_03\\_04\\_wrts/09\\_03\\_04\\_sedney\\_statement.pdf](http://www.uscc.gov/hearings/2009hearings/written_testimonies/09_03_04_wrts/09_03_04_sedney_statement.pdf)>.

<sup>10</sup> John Norris, testimony before the U.S.-China Economic and Security Review Commission, March 4, 2009, available at <[www.uscc.gov/hearings/2009hearings/written\\_testimonies/09\\_03\\_04\\_wrts/09\\_03\\_04\\_norris\\_statement.pdf](http://www.uscc.gov/hearings/2009hearings/written_testimonies/09_03_04_wrts/09_03_04_norris_statement.pdf)>.

<sup>11</sup> See Roy Kamphausen, David Lai, and Andrew Scobell, eds., *Beyond the Strait: PLA Missions other than*

*Taiwan* (Carlisle Barracks, PA: U.S. Army War College Strategic Studies Institute, 2009).

<sup>12</sup> For an overview of U.S. concerns, see the Department of Defense (DOD) annual reports on Chinese military power.

<sup>13</sup> DOD, *Quadrennial Defense Review Report* (Washington, DC: DOD, September 30, 2001); DOD, *Quadrennial Defense Review Report* (Washington, DC: DOD, February 2006); *The National Defense Strategy of the United States of America* (Washington, DC: DOD, September 2005). For a thoughtful essay explicating dissuasion as a strategic concept, see Andrew F. Krepinevich and Robert C. Martinage, *Dissuasion Strategy* (Washington, DC: Center for Strategic and Budgetary Assessments, 2008).

<sup>14</sup> See Brad Roberts, "Dissuasion and China," *Strategic Insights* 3, no. 10 (October 2004); David O. Meteyer, *The Art of Peace: Dissuading China from Developing Counter-Space Weapons*, Occasional Paper 60 (Colorado Springs: U.S. Air Force Institute for National Security Studies, August 2005); Robert C. Martinage, "Dissuasion Strategy," congressional briefing, May 6, 2008; and Carl Conetta, "Dissuading China and Fighting the 'Long War,'" *World Policy Journal* 23, no. 2 (Summer 2006), 1–10.

<sup>15</sup> See WMD Insights, "Special Report: Chinese Anti-Satellite Weapon Test—The Shot Heard 'round the World," March 2007, available at <[www.wmdinsights.com/113/113\\_EA1\\_SP\\_PRC\\_ASAT.htm](http://www.wmdinsights.com/113/113_EA1_SP_PRC_ASAT.htm)>.

<sup>16</sup> The writings of Keith Payne, who held a senior defense post in the Bush administration, illustrate some of these concerns. See Keith B. Payne, *The Fallacies of Cold War Deterrence and a New Direction* (Louisville: University Press of Kentucky, 2001). The negative reactions to a suggestion by "senior administration officials" that the United States would accept a buildup in China's nuclear missile force [to maintain a second-strike capability] in response to U.S. deployment of missile defenses illustrates the sensitivity of accepting a mutual deterrence relationship with China. See David E. Sanger, "U.S. to Tell China It Will Not Object to Missile Buildup," *The New York Times*, September 2, 2001; and Mike Allen, "Bush Team Mitigates Overtures to China," *The Washington Post*, September 3, 2001.

<sup>17</sup> See Larry M. Wortzel, "China Goes on the Cyber-Offensive," *Far Eastern Economic Review* 172, no. 1 (January-February 2009), 56–59; Information Warfare Monitor, "Tracking GhostNet—Investigating a Cyber Espionage Network," March 29, 2009, available at <<http://d.scribd.com/docs/1j1yoq3c13a9a4udh2s7.pdf>>; and Shishir Nagaraja and Ross Anderson, "Snooping Dragon—Social Malware Surveillance of the Tibetan Movement," University of Cambridge Computer Laboratory, Technical Report 746, March 2009, available at <[www.cl.cam.ac.uk/techreports/UCAM-CL-TR-746.pdf](http://www.cl.cam.ac.uk/techreports/UCAM-CL-TR-746.pdf)>.

<sup>18</sup> See Richard L. Kugler, "Deterrence of Cyber Attacks," in *Cyberpower and National Security*, ed. Franklin D. Kramer, Stuart H. Starr, and Larry K. Wentz (Dulles, VA: Potomac Books and National Defense University Press, 2009), 309–340.

<sup>19</sup> The Pentagon's annual reports on Chinese military modernization document many of these developments. See Office of the Secretary of Defense, *Military Power of the People's Republic of China 2009* (Washington, DC: DOD, 2009), available at <[www.defenselink.mil/pubs/pdfs/China\\_Military\\_Power\\_Report\\_2009.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Power_Report_2009.pdf)>.

<sup>20</sup> On this point, see Phillip C. Saunders and Scott L. Kastner, "Bridge over Troubled Water? Envisioning a China-Taiwan Peace Agreement," *International Security* 33, no. 4 (Spring 2009), 87–114, available at <[http://belfercenter.ksg.harvard.edu/files/IS3304\\_pp087-114\\_Saunders\\_Kastner.pdf](http://belfercenter.ksg.harvard.edu/files/IS3304_pp087-114_Saunders_Kastner.pdf)>.

<sup>21</sup> G. John Ikenberry has made a compelling case in this regard; see "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs* 87, no. 1 (January-February 2008), 23–28.

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Complexity is the watchword of our century. This assessment should be a healthy reminder of just how complex—and dangerous—a world we live in. That complexity was encapsulated by the Greek poet Archilochus, who said that the fox knows many things but the hedgehog had only one big idea. During the previous administration, the United States conflated security under the umbrella of a “global war on terror” and focused on a single big idea. Thus, in this volume a central idea, if not an organizing principle, is that the United States will have to be as clever as the fox, keeping its eye on multiple challenges and taking care not to exert

its finite resources on any single problem. Preparing for and dealing with such profound complexity requires particular capabilities, approaches, and proclivities: cultural, developmental, experiential, technical, organizational, political, and operational. These attributes can be selected, cultivated, and enhanced, and it seems that they will have to be if we are to survive, let alone succeed.

This book attempts to bridge the gap between theory and praxis, but it is not a policy blueprint. As suggested above, its overriding message is to emphasize global complexity and America's vital yet limited role in coping with that complexity. Some critics of this volume will hew to a traditional view of security and the world, claiming that the threats are far more straightforward and the world quite predictable. Indeed, the world of tomorrow will carry on with a great deal of continuity. It is also fair to say that this volume tries harder to identify change than highlight that continuity. Even so, the gist of this research undertaken by 125 scholars suggests that policymakers and analysts are only beginning to come to terms with the uncertain, complex world in which we operate. For instance, too little systematic thought has been given to the dynamic interactions between state and nonstate actors or between economics and security, to cite only two issue areas. Moreover, to the extent that officials and analysts are able to stay on top of global trends, they also realize that our prescriptions, policies, and strategies tend to lag woefully behind them.

Today's world is marked by the uneasy coexistence between traditional geopolitics and ever-widening globalization. A fundamental question undergirding this volume is how the United States can best use its essential and yet insufficient influence in a world marked by both rising state power centers

and the devolution of power into the hands of more nonstate actors. Clearly there is no simple prescription for the problem of how the United States can best exert its influence in this dynamic security landscape. Even so, the breadth of threats, challenges, and opportunities that may surface in the coming years will require a comprehensive approach that utilizes the full continuum of power—be it hard, soft, smart, dumb, or fuzzy. Complexity should not be an excuse for ignoring clear, urgent, and obvious dangers, but responses to those threats must better assess the side-effects and opportunity costs of neglecting the full array of challenges confronting the United States and the world. In short, there is no substitute for making conscious choices within a grand strategic perspective: the world cannot afford for us to be narrow, near-sighted, or parochial. . . .



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