

Power Versus Pragmatism: Unlearned Lessons in Dealing with China

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The prevailing China trope in Washington is that US engagement with China has been a failure. The argument goes that far from turning China into a status quo power aligned with western interests and values, engagement has provided the Chinese Communist Party with the wherewithal to promote an illiberal agenda that poses an existential challenge to the US-led international order.

This is both true and an oversimplification that masks the lessons about China unlearned as yet by most Western leaders. It is true in the sense that China has in the past decade taken a markedly illiberal turn and is now demanding that the international order should be modified to accommodate its emergence as a major global power. But it is an oversimplification in that US expectations were at least initially more realistic about what engagement might produce. Any review of past official US pronouncements on the rationale for engagement with China makes it abundantly clear that this was never about promotion of democracy or regime change. Rather the hope was that engagement would result in a China that would play a constructive and stabilising role in world affairs, in contrast to the highly disruptive role it had played in the Mao era, and evolve towards an “autocracy-lite” regime. The US government’s China experts were under few illusions about the nature of a regime that had demonstrated in June 1989 how far it was prepared to go to maintain its hold on power. Meanwhile China’s Party-state had made no secret that the main aim of China’s by-then dramatic economic development was to strengthen the Party’s hold on power, a reality that western policy-makers chose to ignore.

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For a long period, engagement appeared to be delivering the hoped-for results. For the better part of thirty years, Chinese society underwent a process of progressive normalisation. The government got out of people's lives and built modern institutions and processes that increasingly operated in a predictable fashion. China went from being a totally closed to a relatively open society. Western businesses were able to operate profitably, albeit in a still somewhat anarchic environment. Moreover, internationally China was happy to behave as a status quo power and to free-ride on US-supplied security goods. But the strategy always entailed risk. President Richard Nixon, the initiator of rapprochement with China, reflected at the end of his life on whether he had inadvertently created a Frankenstein's monster. In 2012 Henry Kissinger, the architect of this rapprochement, wrote that evidence from Chinese official pronouncements increasingly pointed towards a future of confrontation rather than cooperation.

But it cannot be denied that access to western technologies and in particular Information and Communications Technologies (ICTs) gave rise to a China that, as its power increased, evolved into the strategic competitor it has now become in ways that leave the West feeling increasingly vulnerable and disadvantaged. That this came as an unwelcome surprise was arguably the product of a lack of cultural and historical context and a failure of imagination rather than a lack of knowledge; that is to say the lessons were there but not absorbed. As has so often proved to be the case, what has generally been good intelligence coverage of China provided the sum of the parts but failed adequately to convey the whole. An "end of history" mindset prevented Western thinkers and policy-makers from conceiving of how an ancient and very distinctive civilisation might look differently at issues and values that seemed beyond challenge. Nor could they appreciate that such a civilisation might prove adept at identifying western vulnerabilities and exploiting them for their own

advantage. This mindset was a major block to perceiving emerging reality accurately and proved enormously consequential as it enabled China to turn western dominance of ICTs into a significant vulnerability. At the same time, it enabled China's regime both to reinforce its hold on power and to shape an international climate more favourable to its interests.

When China first adopted the Internet, it was believed that the free flow of ideas would prove terminal for autocracy. Instead, China showed the world that it was possible to control the free flow of ideas, albeit at considerable cost—it has been estimated that China spends close to \$7 billion a year on Internet censorship,^[1] a sum which is only a small fraction of the total annual expenditure on China's techno-security state. And when China launched a pervasive and promiscuous campaign of industrial cyber espionage, many of the US corporations who were targeted persuaded themselves that the resultant loss of IP would cause limited damage because China would not be able to use it as a basis for genuine innovation, while US corporations would continue to innovate. Thus, as in Xeno's paradox, the Chinese Achilles would never overtake the US tortoise. And even if corporations were tempted to take action, they generally opted not to do so for fear that Chinese retaliation would result in a loss of market access. Hence, once the US government had begun to assemble a case against China, corporations were unhelpful, and it proved hard to gather evidence.

Both government and the private sector were also slow to appreciate how data would change perceptions of intelligence and of what categories of information needed protecting. In contrast, China was quick to recognise how the collection of large volumes of data that, taken in isolation would be viewed as either unclassified or of low classification, could, when looked at in aggregate, confer significant intelligence advantage, a product of a mindset that took a much wider and more all-encompassing approach to national security than is typically true of western liberal democracies. It has been estimated that 80% of US nationals have had their data stolen by China.^[2] This includes financial, healthcare and travel data. Meanwhile, the data of 22.5 million federal government employees was stolen from a federal database that was known to have poor cyber defences. These data sets are now being subject to bulk analysis by China's private sector companies who don't particularly want to do this work on behalf of the state but are given no choice in the matter. Apart from conferring on China obvious counter-intelligence and intelligence targeting benefits, this data has the potential to confer advantages in areas that include economic competition, political interference and possibly, using medical data and DNA, to conduct research into bio-weapons designed to target specific ethnic groups—though there is currently no evidence that such research is in progress or even if this is a practical proposition.

In the US and, more generally, the West, the pendulum has swung from complacency to panic—at least in government circles where China has now become The Sum of All Fears. That panic is arguably overdone. Moreover, it risks giving rise to a classic security dilemma in which US actions designed to protect its own technology interests are perceived by China as hostile and

reinforce a mindset that seeks both to reduce reliance on US technology and strive for global technology dominance. But it is nonetheless clear that the US is less well-placed than it needs to be to deal with a powerful strategic competitor mobilised on an all-of-nation basis to achieve some clearly defined strategic objectives. Nowhere is this truer than in relation to many US technology corporations which have evolved into transnational behemoths increasingly untethered from the jurisdiction in which they are incorporated and certainly not instinctively disposed to do the US government's bidding.

The complexity of globalised technology supply chains has meant that it is hard for either government or the private sector to develop mutually reinforcing approaches to China. The intensity of US criticism of China's surveillance state, particularly in relation to Xinjiang, which has served as a giant test-bed for many of the relevant technologies, is undermined by the fact that US technology companies have provided much of the technology that enables this surveillance state. US technology companies such as Qualcomm chafe under sales embargoes of microchips to China which account for a significant portion of their global revenues. Paradoxically such sales embargoes may militate against the US' ability to maintain an innovative edge if they translate into less revenue to devote to R&D and a diminished tax base.

LEARNING TO DEAL WITH CHINA AS IT IS

Any effective response to the China technology challenge has to start with the assumption that China in its current form is here to stay and that US efforts to undermine the regime are based on flawed assumptions and certain to be counter-productive. Western experts on China, who ought to know better, have a propensity to batten onto particularly high-profile instances of dissent to make the case that Xi Jinping is deeply unpopular and has many enemies just waiting for an opportunity to unseat him. Examples of this include recent essays by Xu Zhan-grun, former Professor of Jurisprudence at Tsinghua University, which set out in forceful but elegant prose his many reservations about the regime.^[3] And the YouTube video released in late 2020 by Cai Xai, a former professor at the Party School which decried the Chinese Communist Party as a gangster regime.^[4] These expressions of dissent do undoubtedly resonate with members of the educated urban elite. But such views are unrepresentative of the wider population which, broadly speaking, is proud of China's achievements and is quick to rally round the flag particularly when they see China as under attack from the US.

It is also true that Xi Jinping has made enemies in the elite through his anti-corruption campaign, with outside commentators focusing in particular on former CCP General Secretary Jiang Zemin. There is no doubt that Chinese leadership politics are fraught with factional infighting and the anti-corruption campaign has produced losers. It is also true that key poles of power, notably the PLA and the security ministries, have not always been fully receptive to direction from the central leadership. But Xi Jinping either has or is in the process of taking firm control over these constituencies. And, more importantly, everything Xi is currently doing is precisely what he was appointed by his peers to do, namely clear away

entrenched interest groups standing in the way of economic progress and re-establish discipline and conviction in a Party apparatus that had been infected by levels of corruption that could no longer safely be ignored.

In Chinese leadership politics anything is possible as evidenced by the dramatic events of 2013 that led to the downfall of former Chongqing Party Secretary Bo Xilai. But there is no evidence that Xi is vulnerable to challenge. And even if he were to be replaced there is no guarantee that whoever replaced him would be either less authoritarian or better disposed towards the US. There have periodically been those within the top Party elite who have sought to promote an image of relative liberality. But experience suggests that even if this is genuine—though it is often no more than a means of differentiating themselves from competitors—the imperatives of maintaining tight social control quickly overcome any liberalising impulses. When Xi was first appointed, many foreign commentators speculated that he was a liberaliser, an illusion of which they were quickly disabused.

LEARNING TO LIVE WITH CHINESE TECHNOLOGY

Determining how advanced China's technology is relative to that of the US is hard to do, not least because China tends to oscillate between bouts of techno-exuberance and more sober assessments. The latter view is exemplified by a 2020 lecture by Liu Yadong, Chief Editor of the Science and Technology Daily in which he pointed out that China had never developed a scientific culture, as opposed to an engineering one.^[5] However, it is safe to generalise that China, though still relatively weak in foundational science, is strong in terms of its ability to develop innovative applications of existing technologies. The Chinese Party-state is also devoting substantial resources to the pursuit of its declared objective of being a global technology leader by 2035. It remains to be seen how effective this top-down push will prove to be, given the impossibility of predicting how some technologies will evolve. Furthermore, it is certain that this approach will result in considerable waste, as has happened with the collapse of projects to develop indigenous production of advanced micro-processors and a variety of projects involving Artificial Intelligence, which were often initiated by entrepreneurs with no relevant technology backgrounds. But the Party can be relied on unceremoniously to bury such failures, learn from them, and move on.

The only sensible course is to recognise that Chinese technology is here to stay and Western states cannot hope to cut themselves off from it entirely. In the same vein, Western states will have to confront the fact that, at some point, China has and will produce technologies superior to those developed in the West. For instance, during the COVID-19 pandemic, the Centers for Disease Control and Prevention (CDC) wasted months trying and failing to develop a test to detect coronavirus rather than using an already developed Chinese test that was demonstrably fit for purpose. And although Huawei's 5G networks are derived from and continue to depend on US technology, the fact remains that Huawei has established itself as a global industry leader in the roll-out of 5G networks. It is noteworthy that the CEO of one of Huawei's main 5G

competitors, Ericsson, spent much of 2020 lobbying the Swedish government to not exclude Huawei from Sweden's 5G network for fear that any such exclusion might adversely affect Ericsson's China business, including its access to Chinese-manufactured components for its own 5G systems. Such is the level of technology entanglement that has arisen as a result of complex globalised supply chains in which China is often a single point of failure.

In fact Western technology companies have already begun to move some of their manufacturing out of China. This has been driven by rising costs, a less welcoming environment and an awareness of the need to build resiliency into supply networks that have been optimised for efficiency. In this context, calls by the former Trump administration for US companies to repatriate some manufacture to the US, though seemingly driven by mercantilist considerations, may still make sense. The consequences of outsourcing so much of the US' manufacturing are a progressive loss of valuable skills and hands-on experience, neither of which are easily replaced, and vulnerability to supply choke-points. Advanced micro-processors are an example as their high costs have driven most US technology companies to "go fabless" and outsource manufacture to two key locations, Taiwan and South Korea, both of which are exposed to high levels of geo-political risk. The race is now on to repatriate some of this manufacture to the US with the Taiwan Semiconductor Manufacturing Company committed to opening a foundry in Arizona in 2024 that will produce microprocessors at the 5-nanometre production node, by which time Taiwan will be operating at the 3-nanometre production node.

The harsh realities of geo-political competition are driving the US and China apart to the point that some level of economic and technologic decoupling is likely to happen. Now the question is how far that process might go and whether it can be done without irreparable strategic damage. Some within Silicon Valley have begun to look beyond the quarterly returns and to think about China from this more strategic perspective. The China Strategy Group was formed with the aim of considering the most difficult problems of US and China technology competition. Eric Schmidt, its leader, observed in a January 2021 report that:

America's technological leadership is fundamental to its security, prosperity, and democratic way of life. But this vital advantage is now at risk, with China surging to overtake the US in critical areas. Urgent policy solutions are needed to renew American competitiveness and sustain critical US technological advantages as we seek to avoid unnecessary and counterproductive levels of separation, we should also recognise that some that some degree of disentangling is inevitable and preferable. In fact, trends in both countries – and many of the tools at our disposal-inherently and necessarily push toward some kind of bifurcation.^[6]

A similar approach has been recommended in a separate report co-authored by former Congressman Charles Boustany and Professor Aaron Friedberg entitled "Partial Disengagement."^[7] Both reports argue that the key to continued US technology leadership lies within: developing

the US' human capital and making the US a welcoming destination for global talent. Both reports argue that the Federal government should invest more in foundational science and promote greater collaboration between government and private sector, with the intent of ensuring that promising start-ups in areas such as AI and quantum computing can stay afloat until such time as they can commercialise their research. Both reports accept that Chinese technology cannot and should not be totally excluded from US markets and argue for a risk-based approach driven by national security considerations.

Neither of these reports directly addresses the issue of technology embargoes. A decision by the Trump administration to deny China access to the most advanced microprocessors has convinced Beijing that the US will do everything in its power to prevent China from taking its legitimate place on the world stage and has spurred a massive effort to promote indigenous production of these critical inputs. It has also exacerbated US-China tensions over Taiwan, which accounts for 55% of the world's most advanced microchips. The US has also sought to impose an embargo by its allies on the use of Huawei equipment in 5G networks, overriding arguments by countries such as the UK that limited use of such equipment at the edge of the network represents a manageable risk – a position with which US government technology experts in NSA concurred. Such embargoes may serve a tactical purpose in buying the US time to make up lost ground. But it is questionable whether this represents a sustainable approach in the long-term particularly in the event that China does succeed in out-innovating the US.

WORKING WITH ALLIES AND PARTNERS II. NEW STRATEGIC PARAMETERS

The Biden administration has placed great emphasis on the importance of working with allies and partners to manage the China challenge in contrast to the Trump administration's approach, which showed no interest in such relationships and treated allies and partners alike with disdain. This approach scarred the US' relationships, even with its closest Five-Eyes allies. That said, the Trump administration's strategy for the Indo-Pacific, declassified in 2020,^[8] suggests that the Trump administration did in fact have a coherent alliance-based strategy for the military aspect of US-China relations. In essence, Trump's strategy amounts to the creation of a lattice of relationships with varying degrees of formality and commitment. Arguably, this approach needs to be extended to cover the full range of issues where China presents a challenge, based on an acceptance that not all participants will entirely share US attitudes or be willing to confront China in the way that only the US has the capacity to do. It also requires an acceptance that the US can no longer take for granted the leadership role it has previously exercised and will be dealing with partners who are, to varying degrees, inclined to strike a pragmatic balance between the US and China if not to play one off against the other. The geometry of the future will be variable. The lesson to be learned is clear. Power will have to yield to pragmatism.♥

NOTES

1. <https://cset.georgetown.edu/article/buying-silence-the-price-of-internet-censorship-in-china/>.
2. <https://www.infosecurity-magazine.com/news/china-steals-personal-data-of-80/>.
3. For high-quality translations of Xu's essays see China Heritage: the Xu Zhangrun Archive <http://chinaheritage.net/xu-zhangrun-%E8%A8%B1%E7%AB%A0%E6%BD%A/>.
4. <https://www.youtube.com/watch?v=EkZ6-YGbwYw> (Chinese only).
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