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14. ABSTRACT

China is the world's second largest economy and some expect China to surpass the United States economy in less than two decades. For the United States to compete against China effectively in the long term it needs to have an effective, multilateral economic statecraft component more so than a military one. This paper will provide background context on the use of economic statecraft with China, the United States, the various pros and cons of economic statecraft, and propose multilateral methods of using economic statecraft. These methods include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the proposed Democratic 10 (D10) initiative. With China's economy increasing and their military's capability and power projection rapidly becoming on par with the United States, the United States needs to rethink how it manages strategic competition with China.

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EXECUTIVE SUMMARY

Title: The Critical Role of Economic Statecraft in U.S.-China Great Power Competition

Author: Major Michael N. Doss, United States Marine Corps

Thesis: For the United States to compete against China effectively in the long term it needs to have an effective, multilateral economic statecraft component more so than a military one.

Discussion: Over the past several decades the United States has seen the rise of China as a near-peer competitor on the global stage. China's influence has been growing exponentially over the past few decades. With such initiatives as "Made in China 2025" China is working towards decreasing its dependency on foreign countries for critical technology such as microchips. China's Belt and Road Initiative (BRI) seeks to increase its economic and diplomatic influence in the global stage by utilizing Chinese funded projects and Chinese technological infrastructure to build up the infrastructure of foreign countries. To be truly effective any economic policy that the United States takes against China needs to be multilateral. Unilateral actions are not as effective. In a general sense, the less involved the United States is in global politics, the more room it cedes to China to fill in that gap. The United States can leverage multilateral institutions and actions to build a coalition to challenge China's growing primacy in various sectors. The use of multilateral institutions builds U.S. legitimacy in its actions against towards China. Legitimacy is key as it makes it harder for China to counter these actions on the global stage.

Conclusion: Economic statecraft represents a much more beneficial tool than military statecraft for deterring growing Chinese influence. Multilateral actions the United States takes to deter China are much more effective than unilateral actions. Multilateral actions have the ability to increase legitimacy and create a coalition with which to challenge China.

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PREFACE

There has been much discussion in recent years on whether or not the United States will be entering a "Cold War" with China. Comparisons have been made between the Cold War with the Soviet Union and the United States and with the growing tensions with China today. There are many differences between the Cold War and the current tensions with China. Economic factors will play a growing role. As a result of the Cold War, the United States chose to use military statecraft as its primary means of statecraft over economic and diplomatic methods. This might have worked with the Soviet Union, but not so much with China.

I feel this is very important for policy makers to look at as we think about a potential conflict with China. China currently has the second largest economy in the world and is globally enmeshed in international commerce and international supply chains. As such, I argue in this paper that the United States needs to look at methods of economic statecraft and re-engage in that arena. What is encouraging is that the Interim National Security Strategic Guidance published in March of this year essentially states this.

First I would like to thank my wife Janis for her love and support during this, I could not have done it without her! I would also like to think my mentor Dr. Andrew Scobell and my second reader Dr. Eric Shibuya for their guidance, knowledge, and most importantly time and patience while assisting me with this paper. Without them I know I would have been truly lost!

INTRODUCTION

Over the past several decades the United States has seen the rise of China as a near-peer competitor on the global stage. China's influence has been growing exponentially over the past few decades. In many cases China's influence has been seen as predatory, taking advantage of developing and even developed countries. This poses a major security, economic, and diplomatic concern for the United States' interests. Due to its governance structure and the primacy of the Chinese Communist Party (CCP) in the country's government, dealings with Chinese corporations can be seen as proxies for the state and party. As a result, there is often a lack of transparency when dealing with China. With such initiatives as "Made in China 2025" China is working towards decreasing its dependency on foreign countries for critical technology such as microchips. China's Belt and Road Initiative (BRI) seeks to increase its economic and diplomatic influence in the global stage by utilizing Chinese funded projects and Chinese technological infrastructure to build up the infrastructure of foreign countries. The issue with this is that it poses challenges to international trade and the aforementioned security risks associated with Chinese technological dominance in the international ring. Additionally, through China's increased economic statecraft it has continued to grow its economy, which in turn has provided it with the resources necessary to grow it's military into a more competitive threat to the United States. For these various reasons competition with China is not simply military or diplomatic but also economic.[1]

[1] President Biden's *Interim National Security Strategic Guidance* released in March 2021 states that "…the use of military force should be a last resort, not the first; diplomacy, development, and economic statecraft should be the leading instruments of American foreign policy." The White House. *Interim National Security Strategic Guidance*. Washington, DC, March, 2021, 14. https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf.

U.S. Government and defense officials see a threat and there has been much focus on military competition between the United States and China, with a focus on the United States maintaining its competitive edge against a People's Liberation Army (PLA) which is increasingly advancing its capabilities. Parallels have been made between the Cold War with the United States and Soviet Union and the current situation with China. However this is not a fair assessment. How the United States dealt with the Soviet Union and how the United States will need to deal with China are two completely different issues. The United States had a vastly greater economy than the Soviet Union as well a as a much more globally connected and open economy than that of the Soviet Union; this is not the case with China. Whereas the Soviet economy, due to its structure, could not keep pace with that of the United States', China's can and does. This makes China a much more viable long-term economic competitor and threat than the Soviet Union ever was. China is the world's second largest economy and some expect China to surpass the United States economy in less than two decades.[1] For the United States to compete against China effectively in the long term it needs to have an effective, multilateral economic statecraft component more so than a military one. Economic statecraft, as defined by William J. Norris, is "the state's intentional manipulation of economic interaction" to achieve specific policy goals.[2] This paper will provide background context on the use of economic statecraft with China, the United States, the various pros and cons of economic statecraft, and propose multilateral methods of using economic statecraft. These methods include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the proposed Democratic 10 (D10) initiative. With China's economy increasing and their military's capability and power projection rapidly becoming on par with the United States, the United States needs to rethink how it manages strategic competition with China.

LITERATURE REVIEW

There has been much literature written on United States and Chinese economic statecraft, however, much of it has not made a clear link between economic statecraft and why United States officials should rely more on those than military methods. Some of the literature supports the use of economic statecraft over the use of military statecraft. William J. Norris in his seminal work *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control* states broadly that most countries are relying more frequently on economic factors of national power to pursue their objectives.[3] Vinod K. Aggarwal and Andrew W. Reddie also argue this in their article "New Economic Statecraft: Industrial Policy in an Era of Strategic Competition," pointing out in regards to defense that by focusing on military and security issues countries are ignoring important economic aspects of great power competition.[4] The economic aspects of great power competition are what some of the literature has termed "geoeconomics"[5] In fact, some of the literature has argued that in the United States economic statecraft has been the primary tool for the government to achieve its international goals and objectives up until the post-Vietnam era,[6] whereas countries such as China and Russia are increasingly leveraging economic methods to achieve their grand strategy. In the early years of the Cold War, the United States successfully used economic statecraft. The most prominent example is the Marshall Plan, enacted in 1948, which provided more than $13 billion in economic aid to Western Europe to rebuild and prevent them from falling into communism. After the Korean War the United States also provided South Korea with economic assistance to keep them propped up and from falling to communism as well. Robert D. Blackwill and Jennifer M. Harris, in their article "The Lost Art of Economic Statecraft," point to various reasons for the United States' falling out with economic statecraft as a means of national policy as the Cold War continued. The growth of multinational corporations, the military dimensions of the Cold War, commercial interests gaining ground, and the growing feeling among economists that did not want to see their discipline used in the larger realm of state power and instead wanted to see the growth of free trade all played important roles in the United States' declining use of economic statecraft.[7] Robert Łoś, in his analysis "U.S. and China: Hard and Soft Power Potential," states that the economic realm is the only one where China can effectively compete against the United States.[8] This shows that the United States needs to, in a sense, get back to its roots of using economic methods over military ones to achieve global objectives, even more so when China is using them as their primary method of statecraft.

To be more effective in economically deterring China the United States needs to take multilateral instead of unilateral action. Peter Harrell and Elizabeth Rosenberg discuss this at length in *Maintaining America's Coercive Economic Strength*. They write that unilateral United States sanctions taken against a target country can trigger strong political opposition from the global community for various reasons.[9] Henry Farrell and Abraham Newman discuss the dangers of United States unilateral economic actions in their article "America's Misuse of Its Financial Infrastructure." One point they discuss is that by taking unilateral action the United States is forcing other countries to react to those actions in ways that oftentimes forces them to look to their neighbors and allies to develop multilateral solutions of their own.[10] Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman briefly touch on the use of multilateral sanctions and one potential issue with them. They discuss the difficulty with organizing and maintaining multilateral sanctions,[11] however they do not go into detail on how to improve the use of multilateral sanctions or ways for various governments to come together and form them. Melanie Hart and Kelly Magsamen also state that the United States needs to form a multilateral coalition of allies and partners to form a united front against China's economic actions.[12] Despite these potential challenges with multilateral actions, it can be argued that unilateral actions are not as forceful as multilateral actions due to the fact that multilateral sanctions by their very definition have support from a larger portion of the global community and can therefore better enact, enforce, and support these actions.

BACKGROUND ON CHINA'S USE OF ECONOMIC STATECRAFT

When it comes to the various tools of statecraft available to a country China has typically preferred economic statecraft over military means for numerous reasons. China has been advancing its military capabilities over the past decades but it is currently still not a match for the United States in terms of sheer power projection capability. China's use of its military also tends to make neighboring countries nervous. China's expansion into the contested Spratly Islands has caused consternation with the Philippines, Malaysia, Vietnam, the United States, and other countries. Long standing animosity between China and Japan goes back to the 1930s with Japan's invasion of China starting with the Marco Polo Bridge Incident in July 1937 and the subsequent atrocities committed by Japanese troops during their occupation and war in China during the remainder of the 1930s and into the 1940s during World War II. Chinese and Vietnamese relations are still strained going back to China's invasion of Vietnam in 1979. Furthermore, China's use of economic power is more subtle than its use of military power. Economic power also provides China with more flexible options than military power, allaying any concerns from neighboring countries who have strained relations with China. With the second largest economy in the world this gives China multiple options. Conversely with its use of military power, countries are more susceptible to utilize Chinese economic statecraft, such as the BRI, than China's military statecraft. Militaries are also a clear representative of the state, and China has other ways where the state can have influence on its foreign policy through economic statecraft and the use of state-owned enterprises.

Most of China's largest multinational corporations are state-owned which gives the Chinese government an amount of control and influence over them that most other states lack in their enterprises.[13] The Chinese government is able to have such sway with Chinese companies through heavy regulation, state-backed investment, the establishment of CCP branches within these companies, and the fact that many of the executives of these companies are members of the CCP.[14] This gives the Chinese government additional strategic influence in its overseas dealings. When foreign nations are dealing with Chinese enterprises, in many ways they are also dealing with the Chinese state. Chinese enterprises may not appear as threatening as the PLA and therefore states will be more willing to work with them. Many countries have more use for China's economic statecraft than they do the PLA. Chinese companies can provide various nations, especially developing nations, a means to build their infrastructure or provide them with necessary services at a cheap price. Chinese state-owned enterprises can provide these services because they do not need to make a profit. The state is willing to take a loss in these transactions because it furthers their strategic means. This would be much harder to accomplish in the case of privately-owned enterprises, such as those based out of the United States. Privately-owned enterprises would not want to operate at a loss. These apparent benefits, however, often come with an unforeseen price tag. Since most, if not all, of these companies are influenced by the state, then China can directly influence foreign countries through its various companies. This structure also allows information to filter back to the state from these corporations while the corporations are conducting their overseas dealings. This provides China with an innocuous strategic intelligence gathering system. The Chinese state's influence with its corporations is not the only area it has influence over.

In addition to corporations, most of China's banks are also state-owned. China uses its state-owned banks and financial institutions to further its strategic goals. China's State Administration of Foreign Exchange (SAFE) manages China's foreign exchange reserves and is another such financial entity. Through entities such as SAFE it was estimated that in 2020 China will have become the world's largest overseas investor.[15] Through SAFE and state-owned banks China is able to use its financial resources as a strategic weapon. One example of this is Costa Rica. In the late 2000s China, through SAFE, purchased $300 million in Costa Rican bonds, the investment in Costa Rican natural resource development, and with the Costa Rican government awarding Huawei the contract to develop Costa Rica's first 3G network.[16] In return for these financial and economic benefits, one of the agreements reached between China and Costa Rica was that Costa Rica would no longer recognize Taiwan. China has always sought to isolate Taiwan. This example shows the leverage that China is able to make using finance as a form of its economic statecraft. Through institutions such as SAFE and state-owned banks it becomes much easier for China to accomplish other strategic goals. These methods also provide the target countries receiving financial aid from Chinese banks perceived benefits, at least in the near term. When China combines both its state-influenced and state-owned enterprises as well as its state-owned financial institutions it can create a powerfully influential tool of economic statecraft in the form of the BRI.

China has used the BRI to gain influence around the world. Launched in 2013, the BRI is China's way of connecting the world utilizing its various tools of economic statecraft, primarily using Chinese-funded physical and digital infrastructure. China's hope is to spread a positive image of itself globally while at the same time gaining strategic advantages. Authors Daniel Kliman, Rush Doshi, Kristine Lee, and Zack Cooper describe seven challenges for a country created by Chinese investment in these infrastructure projects. These challenges are: erosion of national sovereignty, lack of transparency, unsustainable financial burdens, disengagement from local economic needs, geopolitical risks, negative environmental impacts, and significant potential for corruption.[17] Leaders of many developing countries, such as those in Africa where the BRI has a prominent presence, are willing to forego these challenges for the perceived short term benefits that the BRI offers them. One reason China is able to gain such access to these developing countries is because many of them are not democracies, just like China. China is willing to risk venturing into these countries if it gives them a strategic advantage. Another attractive reason for turning to China for investment in the BRI is that China does not meddle in a country's internal affairs, at least not initially. This is often in contrast with the United States, which will usually not engage in a country to the same extent economically as China if that country has a questionable human rights record or other issues. China's investment in a BRI project in a country does not mean that the target country needs to conform to a particular type of standard, whether it be political or moral, for China to invest in it.

Through the BRI China is able to gain strategic leverage around the world. Many of the projects that are part of the BRI include port, railway, and communication infrastructure development. Examples of the port projects under the BRI include such countries as Israel and Myanmar.[18] Through potential agreements with these countries China, and more importantly the state-owned enterprises that run the infrastructure, the PLA and PLA Navy could have unencumbered access to these ports whenever they required.[19] This gives China's military additional power projection capability around the globe as well as logistics hubs to operate out of without having to build military bases in the same vein the U.S. military does. As previously stated, China's power projection capabilities are not yet on par with those of the United States. Through the increased use of ports in strategic locations around the globe, that in a sense China or Chinese state-owned enterprises own or have strong influence over, the Chinese military would be able to increase its power projection in these regions. They would also pose the potential threat of limiting the power projection of the United States through denied use of these facilities. While some countries such as Sri Lanka, Myanmar, and Cambodia have rejected the idea of Chinese military presence in their country, this can change if China aggressively pursues negotiations with these countries.[20] Furthermore, the port infrastructure to support blue-water naval shipping will already be in place. The BRI also allows China put a "good face" forward to the global community and open up strategic relations with other countries. The BRI, however, is not the only area where China is using economic statecraft to spread its influence around the globe.

The increasing interconnectedness of the global community means that telecommunications are a critical part of any country's infrastructure. China is using its role as a global telecommunications equipment provider, especially in the realm of 5G, as a means of pushing an authoritarian governance model to undermine the security in areas where the Chinese 5G network is employed.[21] Through its BRI initiatives as well as other investment projects with nations outside of the BRI construct, China is working to build a global 5G infrastructure and architecture. It is primarily working to accomplish this through its telecommunications companies such as Huawei. Huawei is the world leader in providing 5G technology. A breakdown of the shares in the company's corporate structure shows that 99% of them are in a state-sanctioned trade union, with the other one percent owned by Huawei's founder Ren

Zhengfei.[22] By being state-sanctioned the trade union has ties to the CCP. It is these concerns that with leadership in the company, such as Mr. Ren, being members of the CCP, as well as the heavy influence the state has in the trade union, there will be less transparency in Huawei's actions and what control the government has over the company. There are also concerns with various Chinese laws such as the 2015 National Security Law and 2017 National Intelligence Law that could allow for tech companies to provide information they obtain to the Chinese government. Under these laws, theoretically, the Chinese government would have access to all of the data that Huawei collects. If Huawei provides the infrastructure for a country's 5G network, then the Chinese government could by proxy control that country's network. This has clear strategic implications for China and poses a great national security risk for those countries involved with Huawei.

China also conducts intellectual property (IP) theft and reverse engineers products created by foreign firms. As stated earlier, economic statecraft is "the state's intentional manipulation of economic interaction" to achieve specific policy goals.[23] China's use of IP theft fits into this definition in that it uses IP theft for its own economic gain. It is estimated that "China's total annual amount of IP theft ranges from $225 billion to $600 billion; moreover, China is responsible for 50 to 80 percent of all IP theft occurring against the United States."[24] China uses multiple methods for conducting IP theft. The most common ones are: open source collection; cyber-enabled through network intrusion or data theft; state-owned enterprises either outright or through private enterprises acquiring U.S. technology and reverse-engineering it; and through the use of Chinese citizens, such as students, living abroad who gather information.[25] IP theft has important implications for the U.S. military and economy. If China is able to acquire the technical knowledge behind critical pieces of technology that they are then able to reverse engineer, it will further enable them to become more economically independent from the global markets and supply chain. One example would be their decreased dependence on U.S. microchips if they are able to produce their own through information gathered from IP theft. An example such as this would take away some economic leverage that the United States currently enjoys against China. In concert with this, through the theft of IP it will allow the PLA to have access to information that will allow them to work on production of better equipment, further bridging the gap between the PLA's capabilities and those of the U.S. military.

BACKGROUND ON THE UNITED STATES' USE OF ECONOMIC STATECRAFT

China's use of economic statecraft in many ways is more versatile than that of the United States. One reason in particular for this is that over the past few decades the United States has relied primarily on military statecraft over economic statecraft when dealing with foreign countries and as such has not exercised its options for economic statecraft. During the Trump administration in particular, the United States has typically used unilateral forms of economic statecraft against China and other countries. These usually take the form of economic sanctions against a target country. The Trump administration's economic statecraft strategy has been characterized by the use of "maximum pressure" campaigns. In this effort sanctions have been levied against countries as well as organizations and individuals. These have included heavy sanctions aimed at Iranian actors such as the Iranian Revolutionary Guards Corps, Huawei officials, North Korea, and other targets. Sanctions levied against one target can also have effects on others in what are called secondary sanctions, where other actors feel the effects of a sanction even though they were not the initial target.[26] These "maximum pressure" campaigns have yielded only minimal results, if any. In the case of sanctions levied against Iran after the

United States' withdrawal from the Joint Comprehensive Plan of Action (JCPOA), the sanctions greatly damaged Iran's economy, yet Iran continued to produce nuclear material beyond what was authorized in the JCPOA. Economic sanctions are not the only tool of economic statecraft that the United States uses. Money and finances are part and parcel of economics and being able to tap into and influence global financial systems is a powerful tool.

Finance is the lifeblood of the global economy. The United States has used the Society for Worldwide Interbank Financial Telecommunications (SWIFT) financial transaction system to have an inside look at the global transaction data. The United States in the past has pressured SWIFT to prevent various countries from having access to it, essentially preventing them from utilizing the global financial structure. One example is when the United States and the European Union banned Iran from utilizing SWIFT, thereby cutting them off from global finances. This led to Iran working through the JCPOA to remove the SWIFT sanctions and reach concessions on the Iranian nuclear deal. SWIFT, however, is not the only area where the United States has leverage. The dollar clearing system provides another avenue where the United States has imposed economic statecraft. Foreign banks need to use the dollar clearing system to convert foreign currencies into U.S. dollars. Since the dollar is the global reserve currency, foreign banks need to have access to the dollar clearing system in order to conduct ordinary business. By preventing certain foreign banks for utilizing the dollar clearing system, the United States was again essentially cutting them off and isolating them. When the United States prevented a financial institution from utilizing the dollar clearing system, this would cause secondary sanctions on that financial institutions. Other foreign banks would not want to risk doing business with the institution that was barred from using the dollar clearing system for fear that the United States would impose sanctions on them in turn.[27] The United States can exert a powerful amount of influence over countries by controlling their access to the global financial systems. This can allow the United States to pressure countries to agree to various terms that align to U.S. strategic goals. Wielding this influence, however, does not come without concerns.

RISKS ASSOCIATED WITH ECONOMIC STATECRAFT

There are risks associated with using economic statecraft. U.S. economic sanctions and other uses of economic statecraft have alienated U.S. allies and strained United States/partner nation relationships. This effect is even more pronounced when these actions are done unilaterally by the United States. These actions have forced both U.S. allies as well as other nations to look at ways to circumvent U.S. sanctions and policies. Some of this has included looking at alternatives to the dollar in the global financial system. The dollar is the world's reserve currency, however, the fact that other countries are giving serious thought to replacing it with another currency poses a serious strategic threat to the United States. With the primacy that the dollar enjoys in global financial transactions, this gives the United States a strategic edge. By focusing on unilateral actions which can have detrimental effects to partner nations and allies, the United States runs the risk of forcing them closer to China. Many U.S. allies are currently looking to see if and when the United States will return to multilateral diplomacy.[28] Multilateral actions are arguably more effective than unilateral actions in that they provide more legitimacy. These are not the only risks associated with the use of economic statecraft.

Whether unilateral or multilateral, economic statecraft can run a fine line between being an effective tool and one that ends up backfiring on the country employing it. One particular concern is that countries that are the target of various means of economic coercion may find ways around that. Some of the literature discusses this topic. Henry Farrell and Abraham

Newman, as well as Daniel Drezner, cover this topic in their various works. Farrell and Newman bring up the example of the United States' manipulation of SWIFT for various means which can lead countries to find alternatives to using the dollar in their economic transactions.[29] Countries such as China and Russia have looked into this option, however, they have not taken any direct action yet. One initiative that China is working on through SAFE is diversifying away from U.S.-dollar-denominated assets.[30] If countries were to use another currency as their reserve current instead of the dollar it would prove disastrous to the financial and economic primacy that the United States currently enjoys with the recognition of the dollar being the backbone behind global financial transactions. This would also prevent some of the tools that the United States has in its economic statecraft toolbox. The ability of the United States to use the dollar clearing system as a method of economic statecraft would become a moot point if the dollar was no longer the global reserve currency or enough countries and institutions were using another currency to challenge the dollar's primacy.

Actions such as sanctions and bans, can have the unintended consequence of forcing China to become more self-sufficient. Currently Chinese telecommunication companies are reliant on U.S. providers for semiconductor chips. Sanctions such as the April 2018 ban imposed on Qualcomm by the U.S. Department of Commerce of providing chips to Chinese smartphone manufacturer ZTE have cascading effects. This forces companies such as ZTE to look to produce their own semiconductor chips. These companies become self-reliant through either homegrown components or sourcing them from another manufacturer outside the United States. If China gains some independence from U.S. companies then the United States loses some of the leverage that is has against China in these areas. Xi Jinping is already pushing the "Made in China 2025" initiative to drive China's efforts to be a global leader in technology development and production, working towards independence in this field. Efforts such as the U.S. ban on semiconductors only hasten China's "Made in 2025" initiative. The United States is giving up some strategic economic leverage through this action.

Another important concern with any international action is the threat of escalation. This is true both militarily and economically. Some of the literature has covered the topic of economic escalation. Daniel W. Drezner covers this topic in his work "Economic Statecraft and the Age of Trump." Drezner puts forth multiple cautions regarding an escalating trade war against China. These include the fact that a trade war with China has negative impacts on United States businesses and the United States economy as a whole.[31] This can pose not only economic implications but also military ones as well. Drezner posits the historical example of the Japanese attack on Pearl Harbor as a potential example of what could happen when an escalation of economic sanctions could lead to military push back. In the case of Pearl Harbor, U.S. sanctions and embargoes on various essential resources to Japan led the Japanese to believe that the only recourse they had was war with the United States. Blanchard, Mansfield, and Ripsman also bring up the point of escalation when they discuss that heightened trade barriers can lead to increased political-military discord between nations.[32] They do not go into this topic in great detail, however. Both unilateral and multilateral action can run the risk of escalation, however it can be argued that multilateral actions potentially pose a greater risk of escalation. In the case of multilateral action, it can become more threatening when a coalition is acting against you than simply one nation. .

BETTER WAYS THE UNITED STATES CAN USE ECONOMIC STATECRAFT

To be truly effective any economic policy that the United States takes against China needs to be multilateral. Unilateral actions are not as effective. In a general sense, the less involved the United States is in global politics, the more room it cedes to China to fill in that gap. This allows China to highlight the positive impacts it is having on the world stage and downplay or hide any negative impacts that their actions may have.[33] China is already working on this through the BRI. The United States can still counter and deter Chinese actions through the utilization of pre-existing multilateral institutions or creating new ones with buy-in from other key world powers. The United States can leverage multilateral institutions and actions to build a coalition to challenge China's growing primacy in various sectors. The use of multilateral institutions builds U.S. legitimacy in its actions against towards China. Legitimacy is key as it makes it harder for China to counter these actions on the global stage. It also allows the United States a better chance of avoiding the previously mentioned risks associated with economic statecraft.

The Trans-Pacific Partnership (TPP) was probably the most important multilateral trade agreement that the United States could have leveraged in its economic statecraft toolbox against China. The TTP member nations consisted of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. The main purpose of the TPP was to liberalize the economies of the member nations through various efforts such as the elimination or reduction of tariffs, the promotion and development of supply chains, address the role of state-owned enterprises, and act as a platform for regional economic integration.[34] Through these various efforts the TPP would tackle the issues of ensuring state-owned enterprises were not receiving preferential treatment, protecting trade secrets and intellectual property, preserving an open internet across the region, and ensuring free market access.[35] Any country was welcome to join the TPP as long as they could abide by its stated provisions. Many of these provisions were aimed directly at China; if China wanted to join the TPP then it would have to ensure it followed the rules. If China joined the TPP then this would have had a major economic impact on influencing China's economic and trade policies, bringing them closer towards meeting the strategic aims of the United States and its partners. The United States did not want to exclude China from the TPP, it wanted China to join the TPP.

After the Trump administration took office the United States withdrew from the TPP, thus effectively killing it at the time. Japan stepped up to salvage what was left and from the remains of the TPP formed the CPTPP.[36] The CPTPP has all the same countries as the TPP minus the United States. As part of the resurrection of the CPTPP the member nations removed some of the more aggressive terms favored by the United States.[37] The issue is that by watering down the CPTPP too much it may make it more palatable for China to join and then change the provisions even further to suit their strategic needs. For this reason the United States needs to re-enter the CPTPP and take a prominent role to ensure that the provisions are not drastically changed to benefit China. Rejoining the CPTPP would be in the best interests of the United States as it would once again put the country in a better position to have a positive effect on economic policy in the region. By rejoining the CPTPP the United States would be able to engage in multilateral agreements between the member countries, by remaining outside the CPTPP the United States would either have to engage in bilateral agreements or generate new multilateral ones. This would involve more energy and take more time that could be avoided by entering the agreement already in place. Member nations of the CPTPP would be receptive of the United States rejoining the CPTPP. Many countries in Asia do not want to have to pick between the United States and China, instead they want the two countries to work together. In addition to the CPTPP there are other multilateral institutions that the United States needs to consider joining.

One such multilateral organization is the Democratic 10, or D10, a proposal by the United Kingdom which involves the creation of a coalition of democracies based off of the current G7 members (the United Kingdom, United States, Canada, France, Germany, Italy, and Japan) as well as adding India, Australia, and South Korea. The G7 has been largely euro-focused whereas the D10 would expand to include more partner countries in the Indo-Pacific region. As it stands right now the primary purpose of the D10 is to address vulnerable supply chains and 5G mobile communications, with a particular focus on China's influence on them.[38] The topics broached by the D10 can expand beyond these two areas; some writers have stated that to be truly effective the D10 should expand beyond its original-stated intentions of 5G networks and supply chains.[39] To be more effective the D10 can bring into the fold common security and defense concerns, climate change and environmental issues, strengthening economies, and promote free and fair democratic processes. Through a focus on promoting free and fair democratic processes, the D10 could look to challenge Chinese abuses of the rule of law and associated theft of intellectual property. All of these areas have major impacts to United States strategic objectives, therefore it is critical that the United States change its current unilateral policies and take a leadership role in the D10. By taking a leading role in the D10 the United States can foster and promote the aforementioned ideals.

One of the primary initiatives of the D10 involves critical supply chains and their potential vulnerabilities. Current efforts are primarily focused on pharmaceuticals and medical equipment.[40] This focus can also be shifted to other sectors as well. By looking at alternative supply chains other than China, the D10 can decrease non-Chinese companies' dependencies on

China. The COVID-19 pandemic has shown the problem of overreliance on Chinese supply chains as they have been impacted by the virus. China is still a large player in global economic affairs and cannot simply be cut out. By working as part of the D10 the United States and its partner countries can work to guide China towards a more strategically tenable state for the United States and its allies. The D10, as part of either its supply chain initiatives or through other ones, can also work to monitor China's BRI. As previously stated, the BRI represents one method China is using to expand its strategic influence around the globe. Through the D10, the United States can leverage a coalition of partner nations to either propose alternatives to countries targeted by China for BRI initiatives or even use this coalition to leverage the BRI. By working with China and leveraging the BRI the United States can work to make the BRI more transparent and accountable.[41] The latter option would have the goal of making the BRI itself in a sense more multilateral and decrease Chinese influence in it.

Of the currently proposed initiatives in the D10, communications infrastructure presents a critical strategic security challenge. Huawei, as a leading developer of 5G technology, has a competitive advantage over many other global 5G providers. Although officially not a state-owned enterprise, Huawei has close ties to the ruling CCP and hence it is likely that the company's data systems are readily accessible by the Chinese authorities. Many countries that previously had contracts with Huawei to build their 5G networks are now looking to reduce their reliance on Huawei as they see it as a growing national security concern.[42] Through the D10, the United States and its partner nations can look to find other viable solutions to the 5G problem. Currently, Nokia and Ericsson are Europe's only homegrown alternatives for supplying 5G equipment,[43] while South Korea's primary carriers for 5G networks and equipment are SK Telecom, KT, and LG Uplus.[44] By investing in these companies to build up the 5G infrastructure of Europe and Asia instead of Huawei, it will help boost the economies of Europe and South Korea. South Korea, Finland, and Sweden do not have to be the sole purveyors of 5G technology in their respective regions, however, and can leverage assistance from the United States and other 5G developers that are outside of China. This would expand the 5G market and foster competition.

The United States can leverage its companies in European and Asian markets to help develop this technology. United States-based companies such as Qualcomm and Broadcom can provide domestic as well as international 5G infrastructure to assist foreign companies. The United States can look to partner with European and Asian partners to help build their 5G infrastructure as an alternative to using Huawei or other Chinese options. U.S. 5G companies can contribute different components to these nations' 5G infrastructure, building upon pre-existing capacity or filling in gaps where it exists. A mix of United States, European, and Asian 5G companies would also create competition in the consumer space, driving down prices and creating a competitive advantage against Huawei. It would also provide for the development and sharing of new 5G technology, further building up the advantage against Huawei. This would in turn have a positive effect on the United States economy in this sector as well as providing more transparency in the development of 5G networks than what would be provided in a Huawei/China-led network. These partnering efforts would also have the benefit of strengthening transatlantic and transpacific diplomatic cooperation for mutual benefit.

To keep China's initiatives such as the BRI either in check or to counter them, the D10 may also need to look outside of the ten proposed member nations. Similar to the G7, the D10 could also look to include in its discussions other non-D10 democratic countries. This is an important factor to consider, especially with regions such as South America and Africa where

China's influence is growing. Looking to include other democratic countries such as Brazil, with its growing economy, into the D10 discussion can provide yet another lever when dealing with China. As a result of the BRI China's influence in Africa is growing. The D10 should give consideration to various democratic African countries, for example South Africa, in order to build its legitimacy.[45] The D10 also needs to consider adding other nations in the Indo-Pacific region into the fold that were not previously considered, such as New Zealand, Malaysia, Indonesia, and the Philippines. By including democratic countries such as Brazil and South Africa into the D10 fold it can further undermine initiatives by China and Russia and the BRICS organization. The challenge with including countries such as Brazil, South Africa, and India to either the D10 organization or any multilateral organization with aims at challenging China is these countries' inclusion in BRICS. With their pre-existing relations with China, they may not want to risk breaking up the BRICS venture. Despite this challenge, many countries around the globe still look to United States leadership and want to see a return to United States multilateral policies.

Another well-known organization that the United States can potentially leverage is the World Trade Organization (WTO), which China joined in 2001. The United States can work through the WTO to counter such Chinese efforts as their theft of intellectual property. The Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement exists under the WTO, and the United States has argued that China has violated this agreement. This violation of intellectual property brings into question the rule of law, something that various authors have argued that China, as a non-liberal-democratic country, has violated. These authors argue that instead of operating with a rule of law construct that China instead operates under rule by law as a result of the primacy of the one-party system.[46] The CCP, who makes the domestic laws, uses them subjectively and when it is to their advantage. Since there is no independent court system outside of the CCP, there are no checks and balances of the judicial system in China as there is in liberal democratic countries. The CCP, in order to maintain its one-party rule, needs to prevent this judiciary independence, which in turn has a negative effect on protecting international property rights.[47] China also uses the rule of law in the international community when it sees it to their advantage in protecting their economic interests abroad, while at the same time utilizing the rule by law to force foreign firms to give up intellectual property in order to do business domestically in China. Most businesses are afraid of pushing against China's policies as they do not want to shut themselves out of lucrative Chinese markets.

To alleviate these challenges the WTO needs to put more teeth behinds its enforcement policies of the TRIPS agreement. The challenge with this is that China typically does not care to punish its firms which violate the TRIPS agreement because in most instances the state is the one encouraging the intellectual property theft in the first place. This is where, in addition to the international judicial system proposed in the enforcement system of TRIPS, the WTO members can look to leverage targeted sanctions against offending countries or their respective firms, individuals, institutions, etc., that have committed the offending act. The WTO can also partner with the UN to counter Chinese actions. Since 1980 China has been a member of the UN's World Intellectual Property Organization charter, which was designed to promote the protection of intellectual property.[48] With the members of the WTO and UN combining their collective efforts, they can prevent a suitable multilateral coalition to deter further Chinese actions. Through these acts the United States can use the WTO and UN construct to discourage China from conducting continued intellectual property theft. The greatest challenge, however, with utilizing the WTO and UN constructs is that these institutions do not hold any power in and of themselves and instead the power lies in the member nations. With China being a member of both the WTO and the UN it will be extremely challenging to get the members of these two bodies to take effective action that will hold China accountable for IP theft or other economic actions. History has shown that these organizations have not been effective. China still continues its theft of intellectual property despite the WTO's rules.

CONCLUSION

Economic statecraft represents a much more beneficial tool than military statecraft for deterring growing Chinese influence. Multilateral actions the United States takes to deter China are much more effective than unilateral actions. Multilateral actions have the ability to increase legitimacy and create a coalition with which to challenge China. Unilateral actions of the past, both against China and other nations such as Iran, have proven to be nowhere near as effective and in some cases even had the opposite intended effect. By working through multilateral organizations such as the CPTPP and the proposed D10, the United States can leverage a multilateral coalition to challenge China in the economic sphere. By leveraging U.S. companies in such fields as 5G and partnering them with foreign firms from Europe and Asia the United States can look to have positive economic benefits with its own economy while also providing target nations with cost-effective options other than simply those that China brings to the table. The United States does not need to completely isolate China in the global economic community; China's economy is already a major cog in international economic and commercial institutions. However, by leveraging international partners the United States can work to curb China's growing economic influence while at the same time protecting its own. These methods of economic statecraft will prove more effective than those done militarily.

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