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On the China Challenge, Part 2: Security and Military Developments

Cooperation and Competition with China

The Need for New Approaches

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On August 18, 2018, the Department of Defense released its seventeenth Annual Report to Congress on Military and Security Developments Involving the People's Republic of China. Since 2002, the annual reports have addressed the current and probable future course of the military-technological development of the People's Liberation Army (PLA), as well as the development of Chinese grand strategy, security strategy, military strategy, military organizations, and operational concepts through the next quarter-century.¹ Since 2012, the reports have tripled in length to incorporate more information on China's force modernization and special topics. This year's report includes five special topics: China's expanding global influence, China's approach to North Korea and its diplomatic history and objectives, the PLA's progress in becoming a joint force, overwater bomber operations, and Xi's innovation-driven development strategy and the push to turn China into a science and technology powerhouse by 2050.

The annual report to Congress is a crucial tool for collating information and maintaining awareness of China's growing military capabilities. Its systematic collection of data is a useful resource for scholars like me, and in this testimony I do not challenge the facts or assessments it presents. However, the U.S. government generally is less adept at understanding the implications of these developments, what they bode for the future, and the best way to respond. Therefore, in this testimony, I will discuss several misconceptions about cooperation and competition with China that may hinder U.S. attempts to deter Chinese aggression and compete effectively with China regionally and globally. I will also present recommendations about what Congress should do to improve the U.S.'s ability to interpret and respond to China's challenge. The bottom line is that great power competition requires expanding U.S. efforts beyond traditional friends and allies, and the U.S. needs a whole-government approach to identifying and responding to the China challenge.

Cooperation with China

The term 'cooperate' and its various derivations are used three times more often than 'competition' in the 2018 annual report. This highlights the central role of cooperation as a longstanding part of U.S. strategy in navigating the potential challenges of a rising China. As the report states: "The United States seeks a constructive and results oriented relationship with China. U.S. Defense contacts and exchanges conducted in 2017 were designed to support overall U.S. Policy and strategy toward China. They are carefully tailored to clarify and develop areas of cooperation where it is in our mutual interest and to manage and reduce risk."²

One way the United States seeks to enhance cooperation with China is through military exchanges. The annual report to Congress describes three goals of developing military-to-military contacts with China: "(1) building sustained and substantive dialogue; (2) promoting risk reduction and risk management efforts that diminish the potential for misunderstanding or

¹ "S. 1059 — 106th Congress: National Defense Authorization Act for Fiscal Year 2000," 1999.

² Office of the Secretary of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018," *U.S. Department of Defense*, iii. Hereafter cited as Annual Report to Congress 2018.

miscalculation; and (3) building concrete, practical cooperation in areas of mutual interest.”³ Overall, military-to-military contacts between the two nations are meant to be a “stabilizing element” for the U.S.-China relationship.⁴ In 2017, these contacts “focused on risk reduction” and “developing the capacity to cooperate in multilateral settings.”⁵

In furtherance of these aims, the U.S. and China engaged in high-level military contacts to facilitate the “exchange [of] views, identify common interest areas, manage differences, and facilitate common approaches to shared challenges.”⁶ In addition, the U.S. and China have engaged in recurring military exchanges through forums such as the Defense Policy Coordination Talks, the Army-to-Army Dialogue Mechanism, the Joint Staff Dialogue Mechanism, and the Asia-Pacific Security Dialogue.⁷ The U.S. and China also maintain functional and academic exchanges that “focus on advancing risk reduction, understanding, and communication channels to promote deconfliction and coordination,” in addition to conducting ship visits and exercises to “promote trust between the two sides and improve the ability to interact and coordinate in providing international public goods in areas of mutual interest.”⁸

While cooperation is thus a critical pillar of U.S. strategy, in practice it comes with at least five key assumptions that must be recognized and moderated.

First, there is the common belief that cooperation in some areas will lead to reduced tensions in others. Specifically, this is the belief that the two countries should establish greater cooperation in less contentious (but also less important) areas, and that this will facilitate cooperation in more contentious areas that are currently driving the tense relationship. This would be the case if the source of tension were strategic distrust; then greater dialogue and interaction could mitigate this obstacle. But my view is that the problems in the U.S.-China relationship are primarily the result of conflicting fundamental interests, not misunderstandings. Therefore, cooperation in areas such as global health or humanitarian assistance is unlikely to lead to breakthroughs in dealing with the critical security challenges in the South China Sea, East China Sea, Taiwan, and North Korea. This does not mean, however, that the two sides should not pursue cooperation when possible, but rather that we need to adjust our expectations and strategies. In other words, cooperation is not a good for its own sake, but a means to accomplish specific policy goals.

***Recommendation 1:** The United States should consider working more closely with China only when Chinese involvement decreases the costs and/or increases the likelihood of success of a particular U.S. policy. We should not cooperate simply for the sake of generating goodwill or momentum for cooperation in another area.*

The second problematic assumption is that there are more benefits than downsides to cooperation when it can be obtained. In fact, there are situations in which the benefits of cooperation outweigh the costs. Currently, the goal of cooperation seems to be greater Chinese involvement

³ Annual Report to Congress 2018, 105.

⁴ Annual Report to Congress 2018, 105.

⁵ Annual Report to Congress 2018, 106.

⁶ Annual Report to Congress 2018, 106.

⁷ Annual Report to Congress 2018, 108.

⁸ Annual Report to Congress 2018, 108-09.

with insufficient consideration of Chinese capabilities, tactics, and preferences. In some spaces, like global health, Chinese involvement is crucial because of the transnational nature of the threat. But in other spaces, like counterterrorism, Chinese involvement depends largely on Chinese capabilities and preferences. There are two situations in which it would be better to discourage Chinese involvement. First, when China has the capability to contribute but has goals that conflict with those of the United States. Second, when China shares the same goals as the United States but possesses limited capability. This is because in the security realm, operational missteps can worsen a situation on the ground.

Recommendation 2: *If China's interests clash with the U.S.'s, or if China lacks relevant capabilities, the United States should encourage Chinese 'free-riding' on certain security issues. Only when Chinese preferences and capabilities contribute to U.S. policy goals should the United States actively seek cooperation with China. An exception to this is when China is already involved, in which case the United States may pursue cooperation as a means to shape the nature and degree of its involvement.*

The third problematic assumption is that the U.S.-China relationship can improve only with active cooperation. Here I define cooperation as the process of working together for greater benefits, even if each side has somewhat differing interests. But another mechanism for improving bilateral military relations is coordination, a situation in which states may be agnostic about which policy to adopt, but would be better off if they did the same thing (for example, it does not matter which side of the road we drive on, only that we all choose the same side). And then there is deconfliction, a situation in which each side simply ensures that its independent policies have no negative impact on the other side. We unnecessarily narrow the prospects for U.S.-China relations when we focus only on cooperation.

Recommendation 3: *The U.S. should welcome the use of use of deconfliction and coordination with the PLA, rather than always seeking only active cooperation on security issues.*

Deconfliction, for example, is desirable for military operations to ensure that our forces do not unnecessarily come into contact with each other in the South China Sea or the East China Sea, or in the event of a crisis on the Korean Peninsula. Notification of operations and exercises, coupled with military dialogues and exchanges about the nature of both sides' military operations, could reduce the likelihood of an accident. With coordination, there is a lower likelihood of operational risk if China is operating separately from the United States. The Gulf of Aden operation is a good example of coordination: China coordinates with the international community to ensure that its participation contributes to the broader goals, but its navy does not conduct operations with other navies.

A fourth troublesome assumption is that there are generally laws or norms against which we can measure Chinese behavior and hold China accountable. According to the annual report, "the military-to-military relationship seeks to encourage China to act in a manner consistent with international law and norms."⁹ But in reality, certain aspects of the international order are nonexistent, weak, unstable, ambiguous, or incomplete. Cybersecurity norms are one example.

⁹ Annual Report to Congress 2018, 105.

And China will exploit this uncertainty to its benefit. In such cases, the U.S. must work hard to forge an informal consensus among countries and present that united front to China on the global stage.

Recommendation 4: *in addition to documenting the bilateral U.S.-China exchanges, the Defense Department should report on military contacts with other countries and the ways they are being used to establish broader consensus on contentious issues in the U.S.-China relationship.*

In the past year, the United States has had high-level military-to-military exchanges in which China would invariably have been a central topic of discussion – but the outcomes of such exchanges are not systematically collated with reference to China. Chairman of the Joint Chiefs of Staff Gen. Joseph Dunford visited his Thai military counterparts in February to discuss “opportunities to strengthen the alliance and interoperability between the two militaries,” and with Australian military officials in April to discuss “the global threat of terrorism and security in the Pacific region.”¹⁰ Dunford also visited South Korea in October 2017 to discuss the North Korean crisis.¹¹ The Commander of U.S. Pacific Command visited the Philippines in August 2017, followed by a visit from the Chief of Staff for the Armed Forces of the Philippines to Pacific Command headquarters in October of that year.¹² New Zealand and Vietnam have also received visits from high-level U.S. military officials in the past year.¹³ The United States and India have established an ongoing Military Cooperation Group that will be “the primary forum for developing, implementing, and refining a 5-year mil-to-mil plan, in support of the emerging 2+2 U.S.-India ministerial dialogue and the Defense Policy Group.”¹⁴ However, none of the readouts from these bilateral military contacts refer to China as a topic of discussion (although many refer to the topic of regional security).

¹⁰ “Readout of Chairman of the Joint Chiefs of Staff Gen. Dunford’s Visit With Thailand Counterpart Royal Thai Armed Forces General Tarnchaiyan Srisuwan,” *Joint Chiefs of Staff*, February 7, 2018, <http://www.jcs.mil/Media/News/News-Display/Article/1435026/readout-of-chairman-of-the-joint-chiefs-of-staff-gen-dunfords-visit-with-thaila/>; “Readout of Chairman of the Joint Chiefs of Staff Gen. Dunford’s Visit with Australian Counterpart Chief of the Defence Force Air Chief Marshal Binskin,” *Joint Chiefs of Staff*, April 20, 2018, <http://www.jcs.mil/Media/News/News-Display/Article/1499720/readout-of-chairman-of-the-joint-chiefs-of-staff-gen-dunfords-visit-with-austra/>.

¹¹ Tara Copp, “Dunford, Mattis Visit South Korea Amid Heightened Tensions,” *Military Times*, October 26, 2017, <https://www.militarytimes.com/news/your-military/2017/10/26/dunford-mattis-in-south-korea-amid-heightened-tensions/>.

¹² “Commander of U.S. Pacific Command Visits the Philippines,” *U.S. Embassy in the Philippines*, August 24, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1289109/commander-of-us-pacific-command-visits-the-philippines/>; James D. Mullen, “Armed Forces of the Philippines and U.S. Pacific Command Reinforce ‘Historic Alliance,’” *U.S. Pacific Command*, October 2, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1331886/armed-forces-of-the-philippines-and-us-pacific-command-reinforce-historic-allia/>.

¹³ “Commander U.S. INDOPACOM Visits New Zealand,” *U.S. Embassy & Consulate in New Zealand*, August 17, 2018, <https://nz.usembassy.gov/commander-u-s-indopacom-visits-new-zealand/>; “COMPACAF Visit to Vietnam Affirms Growing Partnership,” *U.S. Indo-Pacific Command*, December 21, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1402716/compacaf-visit-to-vietnam-affirms-growing-partnership/>.

¹⁴ Cassandra Gesecki, “Readout of the 16th U.S.-India Military Cooperation Group,” *U.S. Indo-Pacific Command*, November 30, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1384848/readout-of-16th-us-india-military-cooperation-group/>.

Fifth, the U.S. has traditionally considered China an actor only in the Indo-Pacific, when in fact it is an increasingly global actor. As a corollary, the scope of U.S.-China military exchanges remains largely confined to bilateral issues, when in fact the PLA increasingly has a routine global presence. For example, it is likely that in the future U.S. naval forces will have greater (or even routine) interaction with the PLAN in the Indian Ocean and the Mediterranean Sea, and that U.S. ground forces will increasingly encounter PLA ground forces through peacekeeping actions and potentially in counterterrorism and stability operations.

***Recommendation 5:** U.S.-China military exchanges should not be limited to U.S. Indo-Pacific Command; they should include other relevant geographic combatant commands, such as Central Command and Africa Command. These exchanges should focus on confidence-building and awareness of operational methods to mitigate the risk of unintended consequences or crises.*

Competition with China

China's expanding global influence is changing the contours of great power competition. With millions of Chinese nationals overseas and hundreds of companies doing business abroad, it is not surprising that one mission of the PLA is to secure Chinese interests abroad.¹⁵ The 2018 DOD annual report to Congress notes that China's "international interests have grown," and that its military modernization is "more focused on investments and infrastructure to support a range of missions beyond China's periphery, including power projection, sea lane security, counterpiracy, peacekeeping, humanitarian assistance/disaster relief (HA/DR), and noncombatant evacuation operations."¹⁶ The 2018 report also predicts that China will look to follow its establishment of a base in Djibouti by expanding its military logistics agreements with friendly countries around the world.¹⁷ China's growing global mission is also seen in PLAN's mission expansion to include "open seas protection" in addition to its previous limited focus on "offshore waters defense."¹⁸

There are, however, a range of other Chinese activities that may portend different forms or arenas of competition in the future. The 2018 DoD report recognizes that China's trillion-dollar Belt and Road Initiative (BRI), which has already funded serious projects across Africa and Asia, is part of an effort to "leverage China's growing economic, diplomatic, and military clout to establish regional preeminence and expand the country's international influence." The report notes that countries participating in the BRI might "develop economic dependence on Chinese capital, which China could leverage to achieve its interests."¹⁹ On the face of things, the Chinese are using this economic initiative to build infrastructure for developing countries. But the money comes with strings attached. Many of these developing nations are susceptible to Chinese influence on the political, military, and economic levels. For example, in July 2017, Sri Lanka and China signed a 99-year lease for the Hambantota Port, which is both a militarily and

¹⁵ Annual Report to Congress 2018, ii. For more on how overseas interests drive Chinese military modernization, see Oriana Skylar Mastro, "China Can't Stay Home," *National Interest*, November/December 2014: 38-45.

¹⁶ Annual Report to Congress 2018, ii.

¹⁷ Annual Report to Congress 2018, ii-iii.

¹⁸ Annual Report to Congress 2018, 46.

¹⁹ Annual Report to Congress 2018, i.

economically strategic location in the Indian Ocean.²⁰

Given our tendency to mirror-image, we may misinterpret Chinese behavior and craft ineffective policy responses as a result. Over the course of history, great powers have relied on a particular model of interaction with other states to accumulate, exercise, and maintain power. The Mongol empire connected lands through trade for the first time to fuel its growth; the Qing dynasty built a tributary system; Great Britain built an empire of colonies; the Soviet Union expanded by land, creating a Communist bloc in Eastern Europe and various spheres of influence around the world; the United States established an institutionalized order and a global military presence. In the same way, China is accumulating and exercising power in a way that is different from that used by the United States.

These examples highlight a common feature of countries that successfully rose to great power status: entrepreneurial actions. A rising power is entrepreneurial if it looks for new sources of power and accumulates and exercises power in a way not previously attempted. There are many types of actions that could be considered entrepreneurial. A country can introduce new types of international organizations, provide new services or benefits to other countries, or increase influence in a different geographic area. A rising power can also attempt to do something that other countries do, such as provide foreign aid, but do it in a different, more efficient way. Lastly, like corporations, countries can identify supply shortages and respond to them by providing knowledge, products, or services that the incumbent power cannot or will not supply.

China has, in recent years, displayed an effective entrepreneurial strategy. The BRI is the centerpiece of its strategy to accumulate and exercise power in a way that diverges from historical patterns and that therefore does not elicit a proportionate backlash. China would probably have met greater resistance if it sought to build colonies, as Britain did in the nineteenth century, or to establish a global institutional framework, as the U.S. did in the twentieth. Instead, China has built influence in novel ways. Its provision of advice to autocrats on best practices in internal surveillance and its provision of aid without any strings attached are good examples of this type of entrepreneurial action.²¹ Delaying military modernization and then focusing on asymmetric defensive capabilities, coupled with conducting nonthreatening military operations such as the UN peacekeeping and antipiracy missions in the Gulf of Aden, have also been innovative ways to create ambiguity about its intentions.

Entrepreneurial action allows China to accumulate power and influence without triggering a strong response, because it creates uncertainty that hinders the U.S.'s ability to respond. This uncertainty is about the nature of the action itself – an action may go undetected because the United States understands power accumulation according to its methods and therefore is looking for actions similar to its own. For example, the DoD is looking for indicators that “China require[s] access to selected foreign ports to pre-position the necessary logistics support to sustain naval deployments,”²² because this is how the U.S. projects power, failing to realize that

²⁰ Maria Abi-Habib, “How China Got Sri Lanka to Cough Up a Port,” *The New York Times*, June 25, 2018, <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>.

²¹ This discussion on types of entrepreneurship is inspired by Curtis M. Grimm, Hun Lee, and Ken G. Smith, *Strategy as Action: Competitive Dynamics and Competitive Advantage* (Oxford University Press, 2006), 112.

²² Annual Report to Congress 2018, 111.

China may seek to strengthen its position in a different way. In other words, even if the BRI did not turn out to have strong military dimensions, that does not mean it is *not* designed to limit U.S. military power. China could use its economic clout to more efficiently constrain the U.S. Also, even though China has overseas interests, it may not pursue a global military presence like the U.S.'s, choosing instead to rely primarily on local authorities to protect its interests.

China's entrepreneurial actions may also delay a U.S. response if the U.S. is skeptical about whether these actions will be successful. When the BRI was first announced, for example, many commented that the initiative was likely to fail. The BRI's infrastructure development is carried out by Chinese state enterprises, which do not fear bankruptcy because they expect to be bailed out by the government. Thus, these Chinese firms are economically and politically incentivized to invest in countries where they have little to no experience compared to their Western counterparts, and are likely to invest in projects that are deemed unprofitable or risky to other investors.²³ Moreover, countries that benefit from long-term loans can easily default on loans from China and put China's economy in a dangerous position.²⁴

We can see the delaying effects of entrepreneurial actions in the DoD report to Congress itself. China has been leveraging its economic power to achieve its national goals for almost two decades now, but the 2015 annual report to Congress mentions this fact for the first time, identifying China's use of punitive trade policies and limits on foreign direct investment as instruments of coercion in low-intensity conflict.²⁵ U.S. analysts have a viewpoint about how threatening countries will behave and how the international system operates based on U.S. experience and thus may misjudge China's challenge by applying traditional critical success criteria without recognizing how these criteria have changed.²⁶ My research shows that countries like the United States may recognize the challenge posed by a rising power, but tend to underestimate the rising power's capabilities and the effectiveness of its strategies.

China's strategy of diversifying the types of power it accumulates coupled with its efforts to build power in an entrepreneurial way leads me to three policy recommendations.

Recommendation 6: *The United States needs a whole-government approach to ensure that we are accurately and completely identifying what China is doing across domains. There should be not only a DoD annual report to Congress on Chinese security and military developments, but also a USAID report on Chinese foreign aid, a State Department report on China's diplomatic efforts, a Commerce Department report on its growing economic clout, and so on.*

Recommendation 7: *All agencies need to engage in a type of red teaming not only to evaluate the strategic environment from China's perspective, but also to explicitly ask*

²³ David G. Landry, "The Belt and Road Bubble Is Starting to Burst," *Foreign Policy*, June 27, 2018, <https://foreignpolicy.com/2018/06/27/the-belt-and-road-bubble-is-starting-to-burst/>.

²⁴ Christopher Woody, "China's Massive 'Belt and Road' Spending Spree Has Caused Concern Around the World, and Now It's China's Turn to Worry," *Business Insider*, July 2, 2018, <https://www.businessinsider.com/belt-and-road-spending-and-growing-debt-cause-for-concern-in-china-2018-7>.

²⁵ Office of the Secretary of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2015," *U.S. Department of Defense*, 3.

²⁶ Annual Report to Congress 2018, 53.

how China may approach an objective given that its main goal is to create uncertainty about what it is doing and the payoffs associated with that action. We are too quick to assume that the U.S. way is 'best' and that China will follow suit if it can, which makes us blind to new ways China is seeking to challenge the U.S.

Recommendation 8: *Engaging successfully in great power competition with China (per the NSS) requires a global strategy, not a U.S.-China strategy. The United States needs to look beyond its traditional partners and allies to increase its influence across the board. Also, the U.S. needs to be entrepreneurial in its own right, identifying what countries need and providing those services in new ways instead of defaulting to what the U.S. currently has to offer.*

Recommendation 9: *Once we get the collection of information and interpretation right, we need a point person on great power competition, a China Czar of sorts, to ensure that the U.S. is taking appropriate matching actions and counteractions to maintain its influence and power around the globe. This could be an expansion of the current role of the National Security Council's Senior Director for Asian Affairs. However, given the additional responsibilities of coordinating with all agencies on U.S. policies beyond Asia (with a focus on what China is doing in those countries), across all issue areas, an additional position may be necessary.*

The bottom line is that while we can learn from history and experience, we find ourselves in an unprecedented situation. China as a rising power that is primarily accumulating and exercising political and economic power (for now), within an institutionalized and integrated international system such as we have never had, facing the United States as a hegemon more constrained than previous ones, in a region that is also rising on the whole. As a result, we need new approaches, new institutions, and new processes to ensure that China's rise does not come at the expense of the United States.