

The Rise of China and the Future of the Transatlantic Relationship

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Summary

- The stakeholders in the transatlantic relationship – the US, Canada and Europe – have long sought to stabilize international politics and economies by spreading support for the liberal goals of free markets, democracy and human rights. As their own commitment to this agenda appears to waver, China is becoming wealthier and more assertive. This briefing explores the extent to which these goals – along with the unity of the transatlantic relationship – are now in jeopardy.
- Great uncertainty surrounds this question, including over the direction of US foreign policy, risks to European cohesion and slowing growth in China. However, two decades of revisionist behaviour by the authorities in Beijing show that China's values and interests already conflict with transatlantic goals in trade, cyberspace, international development, security and human rights.
- On trade, China pursues protectionist policies while engaging actively in intellectual property theft. China's military modernization and its view of maritime law challenge the territorial status quo in East Asia and raise the risk of military crisis there. China lends unconditionally to countries that abuse human rights and are corrupt, undermining efforts by Western governments to promote good governance and human rights.
- Defending liberal goals is complicated by asymmetric interests among the transatlantic partners, especially over security. China also uses 'wedge' strategies to pick off potential allies, thus diluting the power and will of any counterbalancing effort.
- This briefing argues that China's rise has worrying implications for the liberal international order. In response, the US should recognize its own strong interest in European unity, while Europeans must be ready to align more with the US (and East Asian allies) in order to temper Chinese behaviour.



Introduction

The growth of Chinese wealth and military power, combined with a more diplomatically and militarily active regime in Beijing, represents an epochal change in international politics. The potential for a more powerful and assertive China to transform the post-Second World War international system has sparked much discussion among leading stakeholders in the current international order, notably the US, Canada and Europe. How will China's rise affect their transatlantic relationship?

While some observers fear that a rising, authoritarian China will significantly undermine the goals and unity of the transatlantic relationship, others argue that Chinese, North American and European interests do not significantly conflict: that all of these actors have an interest in stable trade and financial relations, and that the 'liberal international order' can peacefully accommodate China.¹ Trying to understand the extent to which China's rise undermines transatlantic goals or unity is plagued with uncertainty. However, two decades of revisionist behaviour on the part of the authorities in Beijing have shown that China's values and priorities diverge from those of North America and Europe, and that the country's rise challenges transatlantic interests in several areas: trade, cyberspace, international development, security and human rights.² Rising China presents a serious challenge to transatlantic relations because of asymmetric interests among the different actors, and because of Beijing's skilled use of 'wedge' strategies that exploit this asymmetry.

The transatlantic relationship

The US, Canada and Europe are long-time economic and security partners. In the wake of the economic depression and the destruction of two world wars, Western leaders on both sides of the Atlantic built international institutions to promote and deepen free trade and to navigate economic and diplomatic crises. Security alliances were designed to deter aggressors and reassure members that they need not arm themselves, thus preventing regional military competition from spiralling. In 1949, the North Atlantic Treaty Organization (NATO) was formed by 12 countries in North America and Western Europe. Following the collapse of the Soviet Union, NATO's membership would later expand to encompass countries in Eastern Europe. Transatlantic cooperation created global governance regimes in international trade, finance and development: for example, the General Agreement on Tariffs and Trade (later the World Trade Organization, or WTO), the International Monetary Fund (IMF, traditionally headed by Europe) and the World Bank (headed by the US).³ Transatlantic partners were central in creating various human rights treaties and conventions, such as the Treaty on Genocide, the Committee Against Torture, and the Convention on the Elimination of All Forms of Discrimination against Women. To be sure, the US and its partners promoted liberal goals unevenly, sometimes setting them aside to pursue other national

¹ Jia, Q. and Rosecrance, R. (2010), 'Delicately Poised: Are China and the US Heading for Conflict?', *Global Asia*, 4(4) (accessed 2 May 2019).

² Mazarr, M., Heath, T. and Cevallos, A. (2018), *China and the International Order*, Santa Monica, California: RAND Corporation; Graaff, N. and Apeldoorn, B. (2018), 'US-China relations and the liberal world order: contending elites, colliding visions?', *International Affairs*, 94(1): pp. 113–31; and Lind, J. and Wohlforth, W. (2019), 'The Future of the Liberal Order is Conservative: A Strategy to Save the System', *Foreign Affairs*, 98(2) (accessed 2 May 2019).

³ Ikenberry, J. (2012), *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*, Princeton, NJ: Princeton University Press; also Irwin, D., Mavroidis, P. and Sykes, A. (2008), *The Genesis of the GATT*, Cambridge: Cambridge University Press.

interests.⁴ Nevertheless, the transatlantic partners used these institutions to advance a broadly liberal agenda: to stabilize international politics by spreading support for free markets, democracy and human rights.

A wealth of uncertainty

To what extent does a wealthy and assertive China complement or jeopardize these goals? This question is impossible to answer at this point because of key areas of uncertainty. A first area of uncertainty involves the preferences of the transatlantic partners themselves. Recent developments in the US, Canada and Europe call into question the partners' own commitment to a liberal agenda – suggesting perhaps that they, not China, will be responsible for the unravelling of the post-war order.

In the US, Donald Trump's victory in the 2016 presidential election rocked Washington's long-standing commitment to NATO, to Asian alliances, and to the multilateral institutions that underpin the transatlantic relationship.⁵ To what extent will the Trump presidency be a blip from which transatlantic relations can rebound? On the one hand, Trump's rise is a sign of broad social pressures that may not be easily quelled; on the other, public opinion data show that Americans still support US alliance relationships, while the Washington foreign policy establishment constitutes a powerful force in favour of returning to a globalist approach.⁶ If the US pulls away from NATO and the liberal international order more broadly, this would further undermine transatlantic relations from within.

Europe's continued cohesion and policy agenda are also in doubt. A backlash against immigration and resentment of Brussels prompted the UK's 2016 vote to leave the EU. Right-wing parties have gained influence all over Europe. In particular, the countries of 'middle Europe' are experiencing a shift in mainstream sentiment that is 'antithetical to, even contemptuous of, the liberal, pro-integrationist ideals of the European Union'.⁷ To what extent will Europe continue to embrace globalist, multilateral policies, or even remain a coherent international actor?

Great uncertainty also exists about China's future trajectory. To what extent will China's rise continue? While China has already become an important economic and key diplomatic player, its economy has begun to slow. GDP growth softened to 6.6 per cent

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⁴ Porter, P. (2018), 'A World Imagined: Nostalgia and Liberal Order', CATO Institute, Policy Analysis No. 843, <https://www.cato.org/publications/policy-analysis/world-imagined-nostalgia-liberal-order> (accessed 2 May 2019).

⁵ On the Trump administration's foreign policy, see Wright, T. (2016), 'Trump's 19th Century Foreign Policy', Politico, 20 January 2016, <https://www.politico.com/magazine/story/2016/01/donald-trump-foreign-policy-213546> (accessed 22 May 2019); Jervis, R., Gavin, F., Rovner, J. and Labrosse, D. (eds) (2018), *Chaos in the Liberal Order: The Trump Presidency and International Politics in the Twenty-First Century*, New York, NY: Columbia University Press; Pajon, C. (2017), 'A Brave New World For Trade, Lettre du Centre Asie', *Institut Francais des Relations Internationales*, No. 72; and Cohen, E. (2018), 'America's Long Goodbye: the Real Crisis of the Trump Era', *Foreign Affairs*, 97(6) (accessed 2 May 2019).

⁶ Valentino, B. (2016), 'At Home Abroad: Public Attitudes toward America's Overseas Commitments', in Suri, J. and Valentino, B. (eds) (2016), *Sustainable Security: Rethinking American National Security Strategy*, New York: Oxford University Press; and Porter, P. (2018), 'Why America's Grand Strategy Has Not Changed: Power, Habit, and the U.S. Foreign Policy Establishment', *International Security*, 42(4): pp. 9–46 (accessed 2 May 2019).

⁷ Lloyd, J. (2017), 'Middle Europe Turns its Back on the EU', Reuters, 20 October 2017, <https://www.reuters.com/article/us-lloyd-austria-commentary/commentary-middle-europe-turns-its-back-on-the-eu-idUSKBN1CP26M> (accessed 22 May 2019); and Hockenjos, P. (2017), 'The Austrian Elections Should Terrify Europeans', CNN, 17 October 2017, <https://edition.cnn.com/2017/10/16/opinions/austria-nationalism-hockenjos-opinion/index.html> (accessed 2 May 2019).

last year, the lowest rate in three decades.⁸ And by 2020, China's national debt is expected to reach a massive 275 per cent of GDP.⁹ Nervousness about long-term trends and Beijing's trade war with Washington has roiled Chinese stock markets, leading to a 22 per cent drop in share price values in 2018.¹⁰

Because China is experiencing rising labour costs and diminishing returns to capital, its future growth is highly uncertain. Previous cases have shown that countries must shift their development models from input-based to innovation-based growth; this transition requires sweeping reforms – trade, judicial, regulatory, financial and so on. A failure to implement such reforms will delay China's transition to the ranks of high-income economies.¹¹ China may settle into a sustainable growth level of between 1 and 2 per cent,¹² but alternatively it might experience economic crisis or stagnation, which would absorb the resources and the energies of its leaders, thus reducing their ability to construct a China-led international order.¹³

Just as China's future capabilities are unknown, so too are its future goals. There has been much speculation over the extent to which China will accept or seek to undermine the liberal principles of the order created through the transatlantic relationship. The Communist Party of China (CPC) has vowed to restore national unity, putting to rest China's national 'humiliation'. Pessimists argue that China's goals will expand along with its power; optimists, however, contend that China will embrace the status quo because it is economically dependent on the rest of the world, and because it has been welcomed into the post-Second World War order.¹⁴

China's challenge to the transatlantic relationship

Despite this uncertainty, recent Chinese behaviour shows that economic interdependence has not deterred Beijing from asserting national interests in ways that will pose a serious challenge to transatlantic cooperation, and to the liberal international order. China is not revolutionary, and has an interest in preserving many aspects of the international system more broadly. But its values and priorities diverge from those of the US, Canada and Europe in numerous ways, and have already begun to conflict with transatlantic goals in trade, cyberspace, international development, security and human rights.

⁸ IMF (2019), World Economic Outlook Database, April 2019, https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weorept.aspx?sy=2014&ey=2020&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=35&pr1.y=6&c=924&s=NGDP_RPCH&grp=0&a= (accessed 23 Jul. 2019).

⁹ Fensom, A. (2018), 'China's Economic Slowdown is Inevitable', *National Interest*, 29 December 2018, <https://nationalinterest.org/feature/chinas-economic-slowdown-inevitable-39992> (accessed 2 May 2019).

¹⁰ *Ibid.*

¹¹ On the challenges of reform, see Doner, R. and Schneider, B. (2016), 'The Middle-Income Trap: More Politics than Economics', *World Politics*, 68(4): pp. 608–44. On 'inclusive' institutions and growth, see Acemoglu, D. and Robinson, J. (2012), *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, New York, NY: Crown Business; and Lardy, N. (2018), *The State Strikes Back*, Washington, DC: Peterson Institute for International Economics.

¹² Pritchett, L. and Summers, L. (2014), 'Asiaphoria Meets Regression to the Mean', National Bureau of Economic Research, Working Paper 20573, <https://www.nber.org/digest/mar15/w20573.html> (accessed 2 May 2019).

¹³ Kharas, H. and Kohli, H. (2011), 'What is the Middle Income Trap, Why do Countries Fall into It, and How Can it Be Avoided?', *Global Journal of Emerging Market Economies*, 3(3): pp. 281–89, doi: <https://doi.org/10.1177/097491011100300302> (accessed 2 May 2019); and Foxley, A. and Sossdorf, F. (2011), *Making the Transition: From Middle-Income to Advanced Economies*, New York, NY: Carnegie Endowment for International Peace.

¹⁴ Pessimists include Mearsheimer, J. (2014), *The Tragedy of Great Power Politics*, New York, NY: Norton. On the 'Thucydides Trap' during power transitions, see Allison, G. (2017), *Destined for War: Can America and China Escape Thucydides's Trap?*, New York, NY: Houghton Mifflin Harcourt. For a more optimistic assessment, see Ikenberry, G. J. (2008), 'The Rise of China and the Future of the West', *Foreign Affairs*, 87(1); and Jia and Rosecrance (2010), 'Delicately Poised: Are China and the US Heading for Conflict?'

Trade

A key area of divergence is in the economic realm. Of course, over the years, significant CPC reforms have narrowed the gap between Western market economies and China's centralized, statist economy. China's 2001 accession to the WTO required substantial reforms in order to comply with WTO rules. Scholar Edward Steinfield has argued that China has become rich by 'playing our game', and that to do so it has had to make profound domestic adjustments.¹⁵ In many ways, however, Chinese economic policies remain at odds with the goals of the liberal trade regime. Relative to the US, Canada and Europe, China maintains numerous tariffs as well as non-tariff barriers that block foreign access to its domestic market. As the *Financial Times* notes: 'As China's economy has matured, protectionism has remained one of its key organising principles.'¹⁶

Furthermore, as China's economy has moved up the value chain, domestic firms (supported by the CPC) have engaged in rampant intellectual property (IP) theft, stealing technology from innovative firms in the West. Outright theft through corporate espionage (particularly cyber espionage) is one common method; another is the forced transfer of technology. The Chinese government has targeted seven strategic industries that it supports in a variety of ways (under what it has called the 'Made in China 2025' plan). In addition to subsidies (including low-interest loans from state-owned banks), the Chinese government requires foreign firms to transfer technology in order to remain in the Chinese market. Threatened with expulsion, or encountering costly disruptions to services or market access, many Western firms have reluctantly agreed to China's demands to form joint ventures (in which the foreign partner often holds a minority stake), transferring their IP to Chinese competitors in the process.¹⁷

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In this way, argue Dennis Blair and Keith Alexander, 'Chinese companies, with the encouragement of official Chinese policy and often the active participation of government personnel, have been pillaging the intellectual property of American companies.' Blair and Alexander estimate that such IP theft costs the US economy about \$600 billion per year.¹⁸ British, Canadian, Dutch, French, German and other Western firms have experienced similar theft or forced transfer. Of course, similar practices are far from unknown elsewhere (the UK, after all, castigated the US for IP theft during the latter's rise; Japanese growth was fuelled in part by its theft of US and other countries' IP).¹⁹ But Chinese policies of protectionism and IP theft not only harm the transatlantic partnership's economies, they also undermine Western diplomatic efforts to expand the global trade regime so that it encompasses IP protection.

¹⁵ Steinfield, E. (2010), *Playing Our Game: Why China's Rise Doesn't Threaten the West*, Oxford: Oxford University Press; and Moynihan, H. (2017), *China's Evolving Approach to International Dispute Settlement*, Briefing, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/sites/default/files/publications/research/2017-03-29-chinas-evolving-approach-international-dispute-settlement-moynihan-final.pdf> (accessed 2 May 2019).

¹⁶ *Financial Times* (2018), 'China's protectionism comes home to roost', 3 January 2018, <https://www.ft.com/content/14196546-f098-11e7-ac08-07c3086a2625> (accessed 2 May 2019).

¹⁷ Montague, Z. (2018), 'China Forces Big Tech to Make a Choice: Play by Beijing's Rules, or Be Left Out', *World Politics Review*, 9 January 2018, <https://www.worldpoliticsreview.com/articles/23945/china-forces-big-tech-to-make-a-choice-play-by-beijing-s-rules-or-be-left-out> (accessed 2 May 2019).

¹⁸ Blair, D. and Alexander, K. (2017), 'China's Intellectual Property Theft Must Stop', *New York Times*, 15 August 2017, <https://www.nytimes.com/2017/08/15/opinion/china-us-intellectual-property-trump.html> (accessed 2 May 2019).

¹⁹ Ben-Atar, D. (2004), *Trade Secrets: Intellectual Piracy and the Origins of American Industrial Power*, New Haven, CT: Yale University Press; and Andreas, P. (2014), *Smuggler Nation: How Illicit Trade Made America*, Oxford: Oxford University Press.

Cyberspace

Beijing's approach to cyberspace differs from that of liberal countries in North America and Europe. Advancing the principle of 'cyber sovereignty', the CPC views the internet not as an open area, but as a space under its jurisdiction, as *The Atlantic* noted in 2018:

China has pushed through dozens of regulations and technical standards that, in conjunction, bolster the government's control of and visibility into the entire internet ecosystem, from the infrastructure that undergirds the internet, to the flow of data, to the dissemination of information online, to the make-up of the software and hardware that form the basis of everything from e-commerce to industrial control systems.²⁰

Beyond its policies at home, the CPC exports this model through international cooperation and development initiatives. These channels include: bilateral partnerships with developing countries; the Asian Infrastructure Investment Bank (AIIB); and the Belt and Road Initiative (BRI). Scholars warn that such institutions and initiatives will bind countries to China as the region's dominant power.²¹ China's vision of cyber sovereignty 'crashes headlong into the foundational principles of the internet in market-based democracies: online freedom, privacy, free international markets, and broad international cooperation'.²²

International development

Towards the goal of peaceful and prosperous interdependence, the founders of the Bretton Woods system sought to promote free-market economic development in the Global South. To be sure, their policies often did not live up to this liberal vision. The US and others maintained many tariffs and subsidies, and often used economic statecraft to advance national strategic goals – including through the policies of the development banks they created. While the key players in the transatlantic community often used their majority shareholdings in such banks to advance national interests, those players also used those banks and other institutions to promote a liberal vision of international development. Development banks extended loans and offered crisis management to developing countries. Executives at the World Bank and other development banks evaluated projects, imposing conditions on lending to ensure that borrower countries met certain standards: for example, that workers had the right to assemble and negotiate for higher pay, better treatment or safer conditions; or that development projects not harm vulnerable minority peoples (such as forcing involuntary resettlement) or cause environmental devastation.²³

China has much to offer as a leader of international development. Its historic economic growth gives it significant expertise and resources that could benefit developing countries. Furthermore, Chinese leadership in development institutions and initiatives (as noted, for example, with the AIIB and the BRI) could complement transatlantic development goals.

The founders of the Bretton Woods system sought to promote free-market economic development in the Global South

²⁰ Sacks, S. (2018), 'Beijing Wants to Rewrite the Rules of the Internet', *The Atlantic*, 18 June 2018, <https://www.theatlantic.com/international/archive/2018/06/zte-huawei-china-trump-trade-cyber/563033/> (accessed 2 May 2019).

²¹ Rolland, N. (2017), *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative*, Seattle, WA: National Bureau of Asian Research; and Segal, A. (2015), *Hacked World Order: How Nations Fight, Trade, Maneuver, and Manipulate in the Digital Age*, New York, NY: Council on Foreign Relations.

²² Sacks (2018), 'Beijing Wants to Rewrite the Rules of the Internet'.

²³ Bob, D. (ed.), Harris, T., Kawai, M. and Sun, Y. (2015), *Asian Infrastructure Investment Bank: China As Responsible Stakeholder?*, Sasakawa Peace Foundation Report, Washington, DC: Sasakawa Peace Foundation, https://spfusa.org/wp-content/uploads/2015/07/AIIB-Report_4web.pdf (accessed 2 May 2019).

Yet the ‘China model’ of development – in which a more powerful China can be expected to advance through international institutions – threatens to undermine transatlantic goals for liberal economic development. China has declared that its development efforts are aimed at creating a ‘community of common destiny’. Nadège Rolland notes that this is ‘at a minimum, an indirect criticism of the universal values and core principles that hold up the existing world order’. She notes that China’s declaration that it will let each community member choose its own developmental path translates to a disregard for democracy, human rights and the rule of law.²⁴ For example, China will lend to countries with illiberal labour policies. China’s own labour laws forbid unionization. Trade unions are one form of popular assembly associated with building networks of trust – something that authoritarian regimes cannot permit because of such networks’ anti-government potential. Chinese labour laws against trade unions stem from the CPC’s desire to control labour and prevent political assembly, which could be used to galvanize opposition to the government. Whereas members of the transatlantic community (through the World Bank and other development banks) require loan recipients to guarantee workers the freedom to unionize, China as a lender does not impose this condition.

Furthermore, the prominent role of state-owned enterprises (SOEs) in the Chinese economy creates concerns about Chinese-led development. China’s SOEs are part of the country’s broader, statist, mercantilist vision; in addition to using them as vehicles for employment and the provision of social welfare benefits, the government relies on SOEs to drive investment in strategic sectors.²⁵ Analysts fear that a powerful China at the IMF, or in its own AIIB, would favour Chinese SOEs in development projects.

Observers also question whether Chinese-led development banks will adhere to strict policies and high standards, or whether, as one commentator notes, they may ‘cut corners on environmental, social and anti-corruption standards’, extending loans ‘with few or no noneconomic conditionalities, such as environmental protection’.²⁶ Optimists point to evidence of early cooperation between the AIIB and the World Bank. However, it strains credulity to believe that the illiberal, mercantilist Chinese government would not use a bank that it founded and controls to advance its own interests. After all, great powers have long used international development – as well as economic statecraft more broadly – as an important tool to expand their influence.²⁷

Security

Since the collapse of the Soviet Union, the security order in the transatlantic system has been based on a unipolar distribution of power (embodied in the dominance of US military power) and on the long-standing NATO alliance. In East Asia and the Pacific, the US maintains alliances with several countries (notably Australia, Japan, the Philippines and South Korea). Transatlantic relations as well as the liberal

²⁴ Rolland, N. (2019), ‘Examining China’s ‘Community of Common Destiny’’, *Power 3.0: Understanding Modern Authoritarian Influence* blog, 23 January 2018, <https://www.power3point0.org/2018/01/23/examining-chinas-community-of-destiny/> (accessed 2 May 2019).

²⁵ On SOE managers and political influence, see Leutert, W. (2016), ‘Challenges Ahead in China’s Reform of State-Owned Enterprises’, *Asia Policy*, 21: pp. 83–99, <https://www.brookings.edu/wp-content/uploads/2016/07/Wendy-Leutert-Challenges-ahead-in-Chinas-reform-of-stateowned-enterprises.pdf> (accessed 2 May 2019).

²⁶ Salze-Lozac’h, V. (2015), ‘To be or not to be part of the AIIB’, *Devex.com*, 30 July 2015, <https://www.devex.com/news/to-be-or-not-to-be-part-of-the-aiib-86597> (accessed 10 Jun. 2019).

²⁷ Hirschman, A. (1945), *National Power and the Structure of Foreign Trade*, Berkeley, CA: University of California Press; and Lind, J. (2018), ‘Life in China’s Asia: What Regional Hegemony Would Look Like’, *Foreign Affairs*, 97(2) (accessed 2 May 2019).

international order more broadly have thus been underpinned by the US alliances and by the dominance of American power. These alliances – all with liberal countries – have sought to deter aggressors from seizing territory. The alliances have also sought to reassure US allies that they need not engage in significant military build-ups. This has prevented the development of regional spirals of mistrust among historic adversaries. US military power also gives it the ‘command of the commons’, which facilitates the safe movement of commerce and enables US military movements.²⁸

The rise of China threatens to undermine the US-led security order in Asia. Chinese military modernization, particularly in the maritime sphere, has begun to shift the regional balance of power. To push the US military away from its coasts and airspace, China has adopted an anti-access, area denial (A2/AD) doctrine. This relies on networked space-based and land-based sensing systems to detect surface ships; on unmanned aerial vehicles for reconnaissance; and on long-range missiles to threaten US surface fleets and air bases throughout the region.²⁹ As the US military finds it increasingly dangerous to introduce and move military forces in East Asia, this will undermine the credibility of its alliances – weakening deterrence and creating doubt among US allies as to whether those alliances continue to serve their interests.

China also challenges the territorial status quo as perceived by the US, Canada and countries in Europe. The Chinese government maintains, for example, that the Senkaku/Diaoyu Islands in the East China Sea (claimed and currently controlled by Japan) are Chinese territory. In 1949, China’s government proclaimed the establishment of a ‘nine-dashed line’ around the South China Sea. Within this area, the Chinese government claims the Paracel Islands (disputed with Vietnam) and the entirety of the Spratly Islands (various of which are disputed with five Southeast Asian countries, as well as with Taiwan). Since its foundation, the People’s Republic of China has also proclaimed that there is ‘One China’ that includes the territory of Taiwan, and asserts that this territory is ruled by the CPC in Beijing.

Whereas for decades China was too weak to assert these claims, the country’s economic rise and military modernization have changed the picture. In 2013, in the East China Sea, the Chinese government declared an ‘air defence identification zone’ over the islands, and has increasingly put military pressure on the Japanese by sending aircraft and vessels into the disputed area. In the South China Sea, China has been engaged in island construction, reclamation and development. It had promised multiple times that it had no intention of militarizing these features – first making this commitment in the 2002 ASEAN Code of Conduct. Later, Chinese President Xi Jinping, standing in the White House Rose Garden alongside US President Barack Obama, declared that ‘China does not intend to pursue militarization’ in the area.³⁰ China has violated both these pledges by installing radar domes, military-grade runways, and anti-ship and anti-aircraft missiles. This militarization has significantly transformed the balance of power in the

²⁸ Lind, J. and Press, D. (2015), ‘Are China and America Destined to Clash?’, *National Interest*, 27 June 2015, <https://nationalinterest.org/commentary/the-sources-the-sino-american-spiral-9088> (accessed 10 Jun. 2019); and Posen, B. (2003), ‘Command of the Commons: The Military Foundation of U.S. Hegemony’, *International Security*, 28(1): pp. 5–46, <https://www.mitpressjournals.org/doi/pdf/10.1162/016228803322427965> (accessed 2 May 2019).

²⁹ Montgomery, E. (2014), ‘Contested Primacy in the Western Pacific: China’s Rise and the Futures of U.S. Power Projection’, *International Security*, 38(4): pp. 115–49 (accessed 2 May 2019).

³⁰ The White House (2015), ‘Remarks by President Obama and President Xi of the People’s Republic of China in Joint Press Conference’, 25 September 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/09/25/remarks-president-obama-and-president-xi-peoples-republic-china-joint> (accessed 23 Jul. 2019).

area; as Admiral Philip Davidson (head of US Indo-Pacific Command) states, ‘China is now capable of controlling the South China Sea in all scenarios short of war with the United States’.³¹

China’s government has signalled that it has no intention of relying on international institutions to mediate in its numerous territorial disputes with neighbours. Instead, Beijing relies on its maritime superiority *vis-à-vis* weaker claimants to establish control over disputed areas. It summons swarms of fishing vessels (in effect, a maritime militia), its coastguard (now the largest in East Asia) and also naval ships to push neighbours’ vessels out of the disputed areas.³² In 2003, China forced the Philippines out of the disputed Scarborough Shoal, and has been attempting to push it out of the disputed Second Thomas Shoal/Ayungin as well. In response to the verdict of a 2016 international tribunal that sided with the Philippines, China rejected the notion that the tribunal had any jurisdiction. As Harriet Moynihan has argued:

The Chinese government has tended to perceive international dispute settlement mechanisms involving independent adjudication by judges and arbitrators as Western-dominated, which has led to an instinctive distrust of them. Submitting to such processes involves a sacrifice of control, and thus sovereignty, which China is reluctant to cede.³³

China’s interpretation of maritime law also diverges both from those of its neighbours and from the interpretations applied by members of the transatlantic partnership. According to the UN Convention on the Law of the Sea (UNCLOS), constructed or ‘reclaimed’ islands confer no rights of sovereignty or economic exploitation. Furthermore, UNCLOS stipulates that both civilian and military vessels enjoy the right of innocent passage: both through a country’s 12 nautical miles (nm) of territorial waters, and through its 300-nm exclusive economic zone (EEZ). As Raul Pedrozo argues:

Long-standing state practice supports the position that surveillance and reconnaissance operations conducted in international airspace beyond the twelve-nautical-mile territorial sea are lawful activities. Since the end of World War II, surveillance and reconnaissance operations in international airspace have become a matter of routine.³⁴

China, however, rejects prevailing interpretations of international maritime law. In the South China Sea, it is asserting sovereignty and EEZ rights around features that it has constructed through reclamation activities. China’s interpretation of UNCLOS also differs starkly from that of other countries with respect to rights of ‘innocent passage’: Beijing argues that military vessels must first gain permission for such a passage, both within the 12-nm radius and also the 300-nm EEZ. China’s interpretations of maritime law would impede freedom of movement and raise the risk of a military crisis in Asia. In sum, China’s challenge to the regional balance of power, as well as its policies challenging the territorial and legal status quo in East Asia, runs counter to prevailing maritime law and to the interests of the transatlantic partners.

³¹ Westcott, B., Browne, R. and Cohen, Z. (2018), ‘White House Warns China on Growing Militarization in South China Sea’, CNN, 4 May 2018, <https://www.cnn.com/2018/05/03/asia/south-china-sea-missiles-spratly-intl/index.html> (accessed 2 May 2019).

³² Erickson, A. (2018), ‘Numbers Matter: China’s Three ‘Navies’ Each Have the World’s Most Ships’, *National Interest*, 26 February 2018, <https://nationalinterest.org/feature/numbers-matter-chinas-three-navies-each-have-the-worlds-most-24653> (accessed 2 May 2019).

³³ Moynihan (2017), *China’s Evolving Approach to International Dispute Settlement*.

³⁴ Pedrozo, R. (2009), ‘Close Encounters at Sea: The USNS Impeccable Incident’, *Naval War College Review*, 62(3): pp. 101–11. Also see Ku, J. (2015), ‘Differing Interpretations of International Law Could Spark Major Naval Conflict Between the US and China’, Quartz, 20 October 2015, <https://qz.com/527865/differing-interpretations-of-international-law-could-spark-major-naval-conflict-between-the-us-and-china/> (accessed 2 May 2019).

Human rights

The founding principles of the leading states in the transatlantic partnership, and the institutions they created, include a commitment to individual human rights, free speech, democracy and the rule of law. The horrific abuses of the Second World War led these countries to establish (and over time to expand) a regime to protect human rights around the world. The UN Charter of 1945 and the Universal Declaration of Human Rights of 1948 underpinned this regime. Over time, multilateral institutions and non-governmental organizations (NGOs) identified new threats and adopted new causes, such as protecting the rights of women and LGBTIQ+ communities. Controversially, the human rights regime has recently expanded to challenge the principle of sovereignty: activists declared that leading countries have a ‘responsibility to protect’ the human rights of peoples whose governments are abusing or neglecting them.³⁵ Transatlantic institutions and diplomacy have thus been imbued with a progressive agenda on human rights.

Political activists or suspected enemies of the CPC are detained without legal grounds and subjected to harassment, arrest, lack of access to the judicial system, inadequate healthcare and torture

Of course, as critics of the concept of the ‘liberal international order’ have argued, the US and other Western countries have not upheld their own values on many occasions, and sometimes they have ignored or abused human rights in the process of advancing national goals.³⁶ That said, while rose-tinted views of the international order are indeed overly simplistic, a key goal of the post-war order (however imperfectly implemented in practice) has indeed been to expand the community of states committed to free markets, democracy and human rights – and under the aegis of this order, the liberal community has indeed expanded.³⁷

The rise of an illiberal superpower contravenes the progressive agenda. At home, China’s authoritarian government controls the marketplace of ideas, censors information and debate, forbids assembly, and detains and imprisons people whom it sees as hostile to the regime. As organizations such as Human Rights Watch and Amnesty International detail, political activists or suspected enemies of the CPC are detained without legal grounds and subjected to harassment, arrest, lack of access to the judicial system, inadequate healthcare and torture. The CPC engages in extensive surveillance – relying on the use of facial recognition and big data for increasingly pervasive control.³⁸ It imposes political education on its citizens, sometimes to the extent of detaining them in re-education camps (as in the case of hundreds of thousands of people from the Uighur minority in Xinjiang).³⁹ The CPC also has tightened restrictions on NGOs –

³⁵ Thakur, R. and Evans, G. (2006), *The United Nations, Peace and Security: from Collective Security to the Responsibility to Protect*, 1st edn, Cambridge: Cambridge University Press.

³⁶ See, for example, O’Rourke, L. (2018), *Covert Regime Change: America’s Secret Cold War*, Ithaca, NY: Cornell University Press. Critiquing the concept of a liberal international order are Porter (2018), ‘A World Imagined: Nostalgia and Liberal Order’; and Allison, G. (2018), ‘The Myth of the Liberal Order’, *Foreign Affairs*, 97(4) (accessed 2 May 2019).

³⁷ Lind and Wohlforth (2019), ‘The Future of the Liberal Order is Conservative’; and Lind, J. (2017), ‘Asia’s Other Revisionist Power’, *Foreign Affairs*, 96(2) (accessed 2 May 2019).

³⁸ Botsman, R. (2017), ‘Big data meets Big Brother as China Moves to Rate its Citizens’, *Wired*, 21 October 2017, <https://www.wired.co.uk/article/chinese-government-social-credit-score-privacy-invasion> (accessed 2 May 2019).

³⁹ Buckley, C. (2018), ‘China Is Detaining Muslims in Vast Numbers. The Goal: “Transformation”’, *New York Times*, 8 September 2018, <https://www.nytimes.com/2018/09/08/world/asia/china-uighur-muslim-detention-camp.html> (accessed 2 May 2019).

which it sees as engaging in activities that undermine it. Western governments are increasingly forced to protect their nationals – including journalists, scholars and NGO activists – from Chinese government detention and interference.⁴⁰

Chinese diplomacy also undermines the liberal agenda that underpins the transatlantic relationship. One of China's 'Five Principles of Peaceful Coexistence' is that of non-interference in other countries' internal affairs. This principle has frequently led China to veto international intervention or other liberal goals supported by transatlantic partners. China's principle of non-intervention has led it to extend 'no strings attached' loans to countries that abuse human rights and engage in rampant corruption, thus undermining efforts by North American and European governments to promote good governance and human rights.⁴¹ In addition, Chinese diplomats have grown more assertive within international institutions in their efforts to 'undermine the legitimacy of international mechanisms to monitor human rights, avoid "name and shame" tactics and sanctions, and weaken protections for human rights defenders and independent media'.⁴² In sum, in several realms – trade, international development, cyberspace, territorial status quo, alliances and human rights – Chinese government policies and priorities clash with those of the transatlantic system, and threaten to undermine its liberal goals.

Implications for transatlantic relations

Based on these competing interests, the rise of China presents a significant challenge to transatlantic relations. However, defending liberal goals will be complicated by the existence of asymmetric interests in the US, Canada and Europe, and by Beijing's pursuit of 'wedge' strategies that exploit this asymmetry.

Asymmetric interests

First, although stakeholders in the transatlantic relationship all value liberal institutions and principles, their direct interests are engaged at very different levels. Asymmetric interests will be particularly pronounced in the security realm. The US is allied with Japan and the Philippines, which face direct territorial threats from China; this makes the US the transatlantic actor most attuned to Chinese territorial revisionism and violations of international maritime law in Asia. European countries, distant from China and lacking regional alliances, will be much less likely to react; they will have a harder time convincing their publics to forgo the economic gains of accommodating Beijing, or to pay the costs of confronting it. So far, the UK and France (which both have interests and historical ties in Asia) have participated in freedom-of-navigation operations in the South China Sea; those countries are more likely than other transatlantic actors

⁴⁰ Ekman, A. (2018), 'Political Values in France-China Relations, 2018: The Start of a Policy Shift Under Emmanuel Macron', in Rühlig, T., Jerdén, B., Van der Putten, F., Seaman, J., Otero-Iglesias, M. and Ekman, A. (2018), *Political Values in Europe-China Relations*, European Think-tank Network on China, p. 36, https://www.merics.org/sites/default/files/2019-01/190108_ETNC_report_2018_updated_2019.pdf (accessed 22 May 2019); and Associated Press (2018), 'China Has Confirmed the Detention of Two Canadians for Endangering National Security', 13 December 2018, <https://www.apnews.com/7966ff0df795414ca3f965d25b0fe024> (accessed 2 May 2019).

⁴¹ Wilson Center (2011), 'Europe and the Rise of China and Europe', Global Europe Program, 7 July 2011, <https://www.wilsoncenter.org/publication/europe-and-the-rise-china-and-europe> (accessed 2 May 2019).

⁴² Piccone, T. (2018), *China's Long Game on Human Rights at the United Nations*, Brookings Institution Report, Washington DC: Foreign Policy at Brookings, https://www.brookings.edu/wp-content/uploads/2018/09/FP_20181009_china_human_rights.pdf (accessed 2 May 2019).

to engage in collective security operations in East Asia. France, for example, is sensitive to the free passage of shipping through the South China Sea, as well as to the security of a million French nationals in New Caledonia and French Polynesia. Still, East Asia's vast maritime geography means that a threat to one country (for example, a Chinese threat to Japan in the East China Sea) need not present a threat to other actors in the region, thus undermining collective security actions.⁴³

In the economic realm, asymmetric interests will also complicate transatlantic efforts to counter Chinese mercantilism. Major exporters will place a high value on access to the Chinese market; other countries dependent on capital inflows will prioritize cultivating good relations with Beijing to attract Chinese foreign direct investment (FDI). According to Sophie Meunier, Europe has shown significant discord in its policies *vis-à-vis* Chinese investment. European countries have responded to increased Chinese FDI 'with competition and cacophony, each one scrambling to attract investment to its own territory and negotiating its own terms with China'. This 'cacophony' has led to a situation in which China has been able to access the EU market without reciprocating in kind. As Meunier notes:

Chinese investors have ample access to EU countries with few establishment restrictions in place, whereas EU investors face a variety of regulatory hurdles in China, such as requirements to enter into joint ventures with local partners (which can lead to transfers of technology with damaging effects to Europe in the long run) or bans on investing in several sectors altogether.⁴⁴

Countries also have asymmetric preferences and interests when it comes to human rights policies. For example, many European Union countries reject the idea that human rights should serve as a primary driver of their relations with China. Certain EU countries (notably Germany, Sweden and the UK) are sometimes active and vocal, or active but more discreet, about putting pressure on Beijing. Others are passive, even counterproductively so, in encouraging China to improve its human rights record.⁴⁵

Wedge strategies

International relations theorists have noted that the process of balancing against a threat – mobilizing national resources and forming alliances with other countries – is often delayed and inefficient. Because internal mobilization is costly, states prefer to free-ride on the efforts of others when trying to discern whether a country's intentions are status quo or revisionist.⁴⁶ A country that is the target of a balancing coalition can exacerbate these obstacles through 'wedge' strategies: in other words, it can use a mix of incentives and deterrents to divide potential allies, thus diluting the power and will of a counterbalancing effort.⁴⁷

⁴³ Lind, J. (2014), 'Geography and the Security Dilemma in Asia', in Pekkanen, S., Ravenhill, J. and Foot, R. (eds) (2014), *The Oxford Handbook of the International Relations of Asia*, Oxford: Oxford University Press.

⁴⁴ Meunier, S. (2014), 'Divide and Conquer? China and the Cacophony of Foreign Investment Rules in the EU', *Journal of European Public Policy*, 21(7): pp. 996–1016, doi: 10.1080/13501763.2014.912145 (accessed 2 May 2019).

⁴⁵ Rühlig et al. (2018), *Political Values in Europe-China Relations*.

⁴⁶ On intentions, see Edelstein, D. (1990), *Over the Horizon: Time, Uncertainty, and the Rise of Great Powers*, Ithaca, NY: Cornell University Press. On buck-passing, see Walt, S. (1990), *The Origins of Alliance*, Ithaca, NY: Cornell University Press. On 'underbalancing', see Schweller, R. (2004), 'Unanswered Threats: A Neoclassical Realist Theory of Underbalancing', *International Security*, 29(2): pp. 159–201, www.jstor.org/stable/4137589 (accessed 2 May 2019).

⁴⁷ Crawford, T. (2011), 'Preventing Enemy Coalitions: How Wedge Strategies Shape Power Politics', *International Security*, 35(4): pp. 155–89. On strategies used by allies to counter wedge strategies, see Izumikawa, Y. (2018), 'Binding Strategies in Alliance Politics: The Soviet-Japanese-US Diplomatic Tug of War in the Mid-1950s', *International Studies Quarterly*, 62(1): pp. 108–20 (accessed 2 May 2019).

Beijing seeks to prevent the EU from speaking with a unified voice on and with China

China has already used wedge strategies to exploit asymmetric interests among the transatlantic partners.⁴⁸ One of its key levers is economic: Daniel Twining notes that, in the past decade, ‘a wave of Chinese capital has washed over Europe’s shores, transforming property markets from London to Lisbon’.⁴⁹ To divide the EU from adopting policies critical of or hostile to Chinese interests, Beijing lavishes individual countries with favourable trade or investment deals. In particular, as Meunier notes, China ‘woos aggressively the countries of Central and Eastern Europe separately from the rest of Europe, notably because of their lax, if not non-existent, regulatory conditions for entry’.⁵⁰ Increasingly, China has sought to advance its interests by interfering in local politics in several countries – in New Zealand, Canada and also in Germany.⁵¹ Among other things, Beijing seeks through such actions to prevent the EU from speaking with a unified voice on and with China.

China’s wedge strategy towards the EU has already produced victories. In 2016, a tribunal at the Permanent Court of Arbitration issued a ruling about disputed territory in the South China Sea. Before the verdict was announced, diplomats had considered a joint US–EU statement to underscore the tribunal’s legitimacy. As Theresa Fallon notes, Chinese diplomatic efforts (particularly towards southeastern Europe) thwarted any such unity.⁵² Since then, Chinese inducements have led Greece and Italy to join the BRI. Greece, receiving Chinese investments, objected to commenting on the 2016 tribunal verdict, and prevented the EU from criticizing China’s human rights record at a UN forum.⁵³ China has also organized the ‘16+1’ group – a group that includes China and several Central and Eastern European countries (11 of them EU members). Greece has recently announced its intention to join. Many Europeans fear this organization will become a vehicle for dividing Europe: undermining single-market rules and key China-related EU policies, such as ‘a proposed screening process for foreign investments in areas that include crucial infrastructure and military technology companies’.⁵⁴

Another wedge divides the US and Europe, preventing the emergence of a transatlantic coalition. During the Obama administration, Washington and Tokyo took a hard line against China’s creation of the AIIB, arguing that the new bank would undermine the liberal development regime guided by the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and other liberal institutions. But the UK (soon followed by France, Germany and Italy) joined the AIIB, arguing that it could do more to shape the bank’s policies from within. Twining notes that

⁴⁸ Zhiquin, S. (2012), ‘Understanding China–EU Relations’, Carnegie-Tsinghua Center for Global Policy, 15 October 2012, <http://carnegieeurope.eu/publications/?fa=49688&lang=en> (accessed 2 May 2019).

⁴⁹ Twining, D. (2015), ‘China’s Trans-Atlantic Wedge’, *Foreign Policy*, 23 March 2015, <https://foreignpolicy.com/2015/03/23/chinas-transatlantic-wedge/> (accessed 2 May 2019).

⁵⁰ Meunier (2014), ‘Divide and Conquer?’.

⁵¹ Poggetti, L. and Shi-Kupfer, K. (2018), ‘Germany’s Promotion of Liberal Values vis-à-vis China: Adapting to New Realities in Political Relations’, in Rühlig et al. (2018), *Political Values in Europe-China Relations*.

⁵² Fallon, T. (2016), ‘The EU, the South China Sea, and China’s Successful Wedge Strategy’, Asia Maritime Transparency Initiative, 13 October 2016, <https://amti.csis.org/eu-south-china-sea-chinas-successful-wedge-strategy/> (accessed 2 May 2019).

⁵³ *The Economist* (2018), ‘China has designs on Europe. Here is how Europe should respond’, 4 October 2018, <https://www.economist.com/leaders/2018/10/04/china-has-designs-on-europe-here-is-how-europe-should-respond> (accessed 22 May 2019); and Horowitz, J. and Alderman, L. (2017), ‘Chastised by E.U., a Resentful Greece Embraces China’s Cash and Interests’, *New York Times*, 26 August 2017, <https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html> (accessed 2 May 2019).

⁵⁴ Peel, M. (2018), ‘Bulgaria to host contentious China summit’, *Financial Times*, 18 May 2018, <https://www.ft.com/content/0edd5d3a-5aa1-11e8-bdb7-f6677d2e1ce8> (accessed 2 May 2019).

‘by luring America’s closest friends into the new grouping over loud protest from Washington, China has demonstrated the limits of U.S. influence in Europe, and its ability to checkmate American power in allied capitals’.⁵⁵

Conclusion

China’s rise has been a positive development in so many ways – for the half billion Chinese who have been lifted out of poverty, and for people all over the world who benefit from Chinese products, culture and talents in global governance. Yet China’s rise also has some worrying implications for the future of the liberal international order, and for the ability of the transatlantic partners – notably, the US, Canada and Europe – to work together to protect that order.

Americans should recognize that, perhaps more than ever before, the US has a strong interest in European unity. Washington should put an end to any ambivalence it may have about the emergence of Europe as a powerful global actor. It should throw its support behind tightening economic and political union, because ‘a chaotic, unstable Europe’, notes Jeremy Shapiro, ‘would be unable (and probably unwilling) to help the US confront geopolitical challenges around the world’.⁵⁶

A comparison with the Cold War era provides valuable insights. Dealing with the China challenge will prove far more difficult for transatlantic partners today relative to Cold War cooperation, which itself was beset with inefficiencies and divisions. In Cold War Europe, countries shared a serious security threat, and geography encouraged collective security. Despite this, as regards economic containment for example, the transatlantic partners, Japan and others struggled to coordinate what was a contested and porous sanctions regime.⁵⁷ Any attempt at economic containment of China today faces far greater problems of coordination and defection, particularly given that China, unlike the Soviet Union, is a major trading partner and lender for most of the countries that would be asked to cooperate in sanctioning it. Furthermore, the desire to preserve the liberal order has faded over the years since it was first created by leaders traumatized by economic depression and a savage world war. As Elliot Cohen notes, for example, the US ability to eschew nationalism and embrace a globalist agenda ‘required the lived experiences of those who had witnessed the poverty of the Depression and the destruction of the war years firsthand. Today, however, those lessons are no longer living truths’.⁵⁸

Cold War cooperation is instructive in another sense. During that time – though US leaders took great pains to obscure it – the Europeans faced a much more direct and serious threat from the Soviet Union. However, because American leaders decided that the US shared an interest in containing the Soviet Union, the US and European countries bound themselves together economically and militarily to reduce the asymmetry of their interests. Today, the situation is reversed: whereas the US’s Asian alliances put it on the front lines with respect to China, the Chinese threat to Europe is much less direct. Some recent signs suggest that Europe is starting to take a harder

⁵⁵ Twining (2015), ‘China’s Trans-Atlantic Wedge’.

⁵⁶ Shapiro, J. (2016), ‘Britain Might Leave the EU. Here’s Why Americans Should Care’, Vox, 15 April 2016, <https://www.vox.com/2016/4/15/11405658/brexit-europe-america> (accessed 2 May 2019).

⁵⁷ Mastanduno, M. (1992), *Economic Containment: COCOM and the Politics of East/West Trade*, Ithaca, NY: Cornell University Press.

⁵⁸ Cohen, E. (2018), ‘America’s Long Goodbye: the Real Crisis of the Trump Era’, *Foreign Affairs*, 97(6) (accessed 2 May 2019).

line towards China; French President Emmanuel Macron, for example, recently declared that '[t]he period of European naivety is over', and that the relationship between the EU and China must not be primarily about trade, but 'a geopolitical and strategic relationship'.⁵⁹ If European leaders agree that China poses a significant challenge to the global order, then they will need to decide if they want similarly to bind themselves to the US (and liberal countries in East Asia) to condition – albeit not yet contain – China's behaviour.

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⁵⁹ Blenkinsop, P. and Emmott, R. (2019), 'EU leaders call for end to "naivety" in relations with China', Reuters, 22 March 2019, <https://uk.reuters.com/article/us-eu-china/eu-leaders-call-for-end-to-naivety-in-relations-with-china-idUKKCN1R31H3> (accessed 22 May 2019). Also see Small, A. (2019), 'Why Europe Is Getting Tough on China And What It Means for Washington', *Foreign Affairs*, 98(2); and Peker, E. (2019), 'EU Strong-Arms China Into Trade Promises', *Wall Street Journal*, 9 April 2019, <https://www.wsj.com/articles/europe-pushes-china-to-fulfill-promises-on-trade-11554805741> (accessed 2 May 2019).

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