China’s Belt and Road Initiative involves direct investment and infrastructure improvements in countries, cities, and ports across Asia, Europe, the Middle East, and Africa. Former Commander, U.S. Pacific Fleet, Admiral Scott Swift proposed at the New China Challenge Conference that China’s investments are intended to secure the so-called First and Second Island Chains. As depicted here, Admiral Swift proposed a more extensive definition of those chains, based on review of Chinese publications on the topic, than Western analysts typically suggest.

Former Australian Prime Minister Kevin Rudd—in his keynote address at the New China Challenge conference in October—considered the strategic competition between the United States and China. This article is adapted from his speech.

CAN CHINA AND THE UNITED STATES AVOID WAR?

Former Australian Prime Minister Kevin Rudd—in his keynote address at the New China Challenge conference in October—considered the strategic competition between the United States and China. This article is adapted from his speech.
As Prime Minister of Australia, through the Australian Defence White Paper of 2009, I was proud to commis-
sion the largest peacetime expansion of the Australian
Navy in its history—growing our surface fleet by a third
and doubling the submarine fleet. That naval expansion
had a strategic purpose in mind—namely, the change
in the economic and military balance of power between
China and the United States. The white paper concluded:
Barring major setbacks, China by 2030 will become a major
driver of economic activity both in the region and globally,
and will have strategic influence beyond East Asia.

The crucial relationship in the region, but also globally, will
be that between the United States and China. The manage-
ment of the relationship between Washington and Beijing
will be of paramount importance for strategic stability in
the Asia-Pacific region. . . .

China will also be the strongest Asian military power, pro-
vided a considerable margin. Its military modernization will be in-
creasingly characterized by the development of power pro-
jection capabilities. . . . But the pace, scope and structure
of China’s military modernization have the potential to give its
neighbors cause for concern if not carefully explained, and
if China does not reach out to others to build confidence re-
garding its military plans. . . .

If it does not, there is likely to be a question in the minds of
regional states about the long-term strategic purpose of its
force development plans, particularly as its military modern-
ization appears potentially to be beyond the scope of what
would be required for a conflict over Taiwan.1

This was several years before there was any evidence of
Chinese land reclamation in the South China Sea.

Dealing with the complexities of the changing East
Asian security environment over the years has had its own
challenges for U.S. allies, most of them invisible to the
Washington policy establishment. In the midst of all this,
Australia sought to prosecute a balanced relationship
with Beijing: deeply mindful of our differences in secur-
ity interests and underlying values, while pursuing an economic relationship to our mutual advantage. At vari-
ous times my government incurred Beijing’s wrath on
human rights—on Tibet, Xinjiang, and Australian-Chi-
nese citizens, for instance; on trade—such as when we
refused to allow Huawei access to the Australian telecom
and broadband network; or in rejecting certain strategic
foreign investment proposals—as when the state-owned
Chinalco sought to take over the Australian mining gi-
ant Rio Tinto.

Meanwhile, we expanded our security dialog with Bei-
jing, our trade volumes doubled, and we approved the
vast bulk of Chinese foreign investment in non-sensi-
tive areas of the economy. Australia also ended up with
more Chinese students in its universities than in any
other country in the world after the United States, and we
worked intimately with Beijing through the G20 during
the global financial crisis to help stabilize financial mar-
kets and return growth to the global economy.

All this is to underline that there is nothing quite like
dealing with the Chinese state firsthand to focus the mind
on what is strategically important—and what is mere po-
litical ephemera.

HOW DOES XI’S CHINA SEE ITS FUTURE?

I believe history will mark 2018 as a profound turning
point in relations between the two great powers of the
21st century—the United States and China—even if none
of us can confidently predict what the long-term geopoliti-
ical trajectory will be.

China’s rise as a global power did not begin in 2018
but rather 40 years ago. This rise has continued under
multiple Chinese administrations, albeit within single
party rule and a continuing strategic culture, focused on
China’s acquisition of national wealth and power. But
while what China internally refers to as “comprehensive
national power” has increased steadily under Deng Xio-
ping, Jiang Zemin, and Hu Jintao, what has changed un-
der current President Xi Jinping has been the clarity of ar-
ticulation of China’s strategic intentions. This is reflected
also in the increased operational tempo of China’s mili-
tary, diplomatic, and economic policy behaviors around
the world. If the pillars of strategic analysis are capabili-
ties, intentions, and actions, it is clear from all three that
China is no longer a status-quo power.

It is important, however, to be clear about where in-
creased national wealth and power fit within Xi’s wider
worldview and his own particular set of national priori-
ties. A road map of strategic goals does not necessarily
say which China is likely to achieve. China’s leaders face
a complex brew of domestic and international challenges
that would cause most to go grey prematurely. But China
may well prevail.

CONCENTRIC CIRCLES OF POWER

Xi has consolidated internal power by purging those who
opposed his position, ruthlessly using the anticor-
ruption campaign to that end (as well as to clean up the
party). He has imposed multiple changes to the command
structures of the military, security, and intelligence appa-
ratus; nonetheless, there is grinding about the cult of
personality, the abolition of presidential term limits, and
strategic overreach vis-a-vis the United States. Still, it is
impossible to readily identify a potential replacement, or
even a successor. Policy planners in the West and Asia
therefore would be prudent to assume Xi will be with us
at least another decade, health permitting.

The crackdown in the far-west province of Xinjiang
is beginning to generate a new human rights agenda
against Beijing—not only from the West, but from parts
of the Muslim world as well. Taiwan represents an even
greater problem given the resilience of its democracy
and its growing sense of local national identity sepa-
rate from the mainland, reinforced by total generational
change for whom pre-1949 realities mean little. Tibet
also remains problematic. All these issues challenge na-
tional unity.

Real economic growth has been slowing since early
this year as a product of a slowdown in market-based eco-
omic reforms, and a “from-the-top” deleveraging cam-
paign to reduce the indebtedness of second-tier banks and
financial institutions, as well as the impact on business
confidence of the trade war with the United States. This
has resulted in rapid fiscal- and monetary-policy easing
by the central bank, which has slowed actions to deal
with China’s massive debt (estimated at 260 percent of
GDP).2 The Chinese public has begun to demand that the
party act rapidly and radically on air pollution and cli-
mate change. In short, the economy could well turn into
a liability, rather than the strength it has been in enhancing
party legitimacy for the last 40 years.

China’s relationships with neighboring states none-
theless are in a reasonable state from Beijing’s perspec-
tive. The relationship with Russia is being strengthened
by growing strategic interests against the United States.
Beijing also is taking the temperature down in its nor-
mally problematic dealings with both Tokyo and Delhi.
Japan and India have been happy to oblige, and at least
for the foreseeable future will continue to be, not only
for their own domestic reasons but also because they are
uncertain where the United States is headed in the long-
term. Vietnam, the Philippines, and Burma are less prob-
lematic than before, in part because there now is less soli-
darity among the Association of Southeast Asian Nations
(ASEAN) on the South China Sea. The limited rap-
proachment between the United States and North Korea,
and the much deeper one between the two Koreas, have
removed long-standing impediments to structural im-
provement of China/North Korea relations that had been
cold since 2011.

On its maritime periphery, China faces newly assertive
U.S. behavior in challenging maritime territorial claims
in the South China Sea. But across wider southeast Asia,
the regime sees a region gradually drifting in direction.

Not long ago, Cambodia was seen as China’s only rela-
able partner in ASEAN; that is no longer the case. ASEAN
is in strategic-hedge mode, in part because of the enormity
of the Chinese economic footprint over the region rela-
tive to the United States, Europe, or even intra-ASEAN
trade and reinforced by the investment dynamics of Chi-
na’s Maritime Silk Road. The election of Prime Minister
Mahathir Mohamad in Malaysia, however, represents a
fresh problem, and major Chinese infrastructure construc-
tion contracts with the Malaysian government have been
suspended. But based on China’s experience elsewhere,
this is likely to be seen as a tactical rather than strategi-

cal setback. The central factor working in China’s favor is the
absence of U.S. or European alternatives to Chinese mar-
kets, foreign direct investment, and capital flows.
China’s continental periphery has not been plain sailing. Nonetheless, for every country that pushes back against China’s Belt and Road Initiative (BRI), another queues up. Where resistance is encountered—on debt, labor and environmental standards, or loss of local sovereignty—many in Washington seem to think it the end of the matter. China, however, usually changes tactics to deal with the particular problem it has encountered and works its way through to a new pragmatic outcome, as seen in countries as diverse as Pakistan, Sri Lanka, and Zambia. With more than 70 countries signed up to the BRI, China’s biggest impediment to delivering fully on its vision is less reluctance to embrace fundamental global trade liberalization or fully open its own markets. The criticism of the U.N. itself similarly has enabled China to look like a responsible global stakeholder in the multilateral system, enhanced by China’s increasing aid budgets and greater contribution to U.N. peacekeeping, as well as an increasing of appointments of Chinese personnel across U.N. agencies. China’s main problem in the U.N. Security Council is its close voting relationship with Russia on resolutions that are sensitive to non-Western states, as on Syria, where China’s behavior has alienated the European Union and the Gulf states.

Nonetheless, China’s global economic diplomacy has largely been constant over the past 40 years, albeit with a new clarity and operational intensity under Xi, the U.S. response to this Chinese strategy has changed fundamentally. This was articulated clearly in the 2017 National Security Strategy and is stated plainly in the U.S. National Defense Strategy of 2018. It is shown by the trade war launched in June 2018 and intensified during the summer. And we have seen it most clearly in the October 2018 speech by U.S. Vice President Mike Pence at the Hudson Institute.

Taken together, these various statements of changing U.S. declaratory intent lead to the conclusion that the period of “strategic engagement” between China and the United States in the post-1978 period has ended. Engagement did not produce sufficiently open Chinese markets for U.S. firms for export and investment, China, rather than becoming a “responsible stakeholder” in the global rules-based order, instead is constructing an alternative order with “Chinese characteristics”; and rather than becoming more democratic in its domestic politics, China has decided to double down as a Marxist state.

In addition, China intends to push the United States out of East Asia and the Western Pacific, and in time to surpass the United States as the dominant global economic power. China seems to see its national and international dominance through the hollowing out of U.S. domestic manufacturing and technology by means of state-directed industry; through a range of economic incentives and financial inducements to U.S. partners, friends, and allies around the world; and through the rapid expansion of China’s military and naval presence from the East China Sea, the South China Sea, across the littoral states of the Indian Ocean and Djibouti in the Red Sea.

These factors, along with Russia, combine to form the central strategic challenge to U.S. security and prosperity for the future, warranting an urgent change in course as quickly as possible.

The future of the United States and China now possible, to set the conceptual parameters for the future of the bilateral relationship.

The Future of U.S. Strategy

There are a number of questions the U.S. administration should consider as it operationalizes its new competition with Beijing. I will leave discussion of the wisdom of this strategy to the U.S. public, but U.S. friends and allies around the world will be considering these factors as well.

First, what is the desired end-point of U.S. strategy? What does Washington do if China does not acquiesce to the demands outlined in the Vice President’s speech, but instead explicitly rejects them? What happens if the strategy not only fails to produce the desired objective, but instead produces the reverse, namely, an increasingly mercantilist, nationalist, and combative China?

Second, if we are now in a period of strategic competition, what are the new “rules of the game”? How is a common understanding to be reached with Beijing as to what these new rules might be? Or are there now to be no rules, except those that will be fashioned over time by the dynamics of this new competitive process? During 40 years of bilateral strategic engagement, culture, habits, norms, and—in some cases—rules evolved to govern the bilateral relationship and became second nature to several generations of political, diplomatic, military, and business practitioners. What will replace them now, to govern the avoidance of incidents at sea (such as recently occurred between a Chinese warship and the USS Decatur (DDG-73)); incidents in the air, cyberattacks; nuclear proliferation; strategic competition in third countries; the purchase and sale of U.S. Treasury Notes; or the future of the exchange rate and other major policy domains?

Third, any common strategic narrative between China and the United States now possible, to set the conceptual parameters for the future of the bilateral relationship? Strategic engagement implied a set of mutual obligations that the United States now argues China has fundamentally breached. But having already skipped through a short-lived concept of strategic coexistence and in the absence of new rules to govern the relationship, how can the two countries arrest any rapid slide between strategic competition and containment, confrontation, conflict—and even war?

If history is any guide, these changes can unfold more rapidly than many postmodern politicians might expect. The escalation from a single incident in Sarajevo in summer 1992 to a sobering point, even if the age of nuclear weapons has deeply changed the traditional strategic calculus since then.

XI Jinping and author Kevin Rudd greet each other in Canberra, Australia, in 2010. At the time, Xi was China’s vice president and Rudd was serving as Australia’s prime minister.
But it probably will not, given the resilience of the Chinese domestic economy, its capacity to secure its energy needs from other U.S. adversaries, and the fresh potential options offered by the various new technologies of political and social control now available to Beijing. On this point, it is worth noting that on 28 September 2018 the People’s Republic of China passed the Soviet Union as the last-longest-communist state in state.

Fifth, is the United States convinced that the emerging Chinese model of authoritarian capitalism represents a potent ideological challenge to democratic capitalism, whether it be of the conservative, liberal, or social democratic variant? The Soviet Union constructed client regimes around the world of a similar ideological nature to its own. Is there evidence that China is doing the same? Or will these countries continue to hedge their bets in their relations with Washington and Beijing? Will they wait until it becomes clearer whether this shift in U.S. policy toward China is permanent, whether it will be translated into real policy—and whether it will succeed? And what exactly shared with the United States, or the Middle East, where China is now a bigger buyer of oil and gas than the United States?

Ninth, what constitutes the appeal to the rest of the world to support this new U.S. strategy as an alternative to supportive state relations, without any appeal to ideology, without armed intervention, relying instead on extensive, continuing, and significant infrastructure investment and direct financial aid?

Sixth, will the United States be prepared to provide the world a strategic counterpoise to the financial commitment reflected in China’s multitrillion-dollar programs of the BRI, concessional loans, and bilateral aid flows? Or will the United States continue to slash its own aid budgets and reduce the size of its foreign service? Recent U.S. support for a new capital injection into China’s trade and investment in Asia and Europe? How will the cancellation of the Trans-Pacific Partnership with Asia and the Transatlantic Trade and Investment Partnership with Europe affect the relative significance of the United States and China as trade and investment partners? China already is a bigger economic partner with most of these countries than the United States—how will the United States resist the effect of the centripetal force of the Chinese economy in drawing these regions increasingly into China’s orbit?

Eighth, how confident is the United States that its friends and allies around the world will fully embrace its new strategy of strategic competition with China? After President Donald Trump’s imposition of import tariffs on Japan and India or his sustained public attacks on major U.S. allies Germany, the United Kingdom, and Canada—and NATO in general—is the United States confident these countries will embrace this new strategy against China? Or will these countries continue to hedge their bets in their relations with Washington and Beijing? Will they wait until it becomes clearer whether this shift in U.S. policy toward China is permanent, whether it will be translated into real policy—and whether it will succeed? And what exactly shared with the United States, or the Middle East, where China is now a bigger buyer of oil and gas than the United States?

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Sixth, will the United States be prepared to provide the world a strategic counterpoise to the financial commitment reflected in China’s multitrillion-dollar programs of the BRI, concessional loans, and bilateral aid flows? Or will the United States continue to slash its own aid budgets and reduce the size of its foreign service? Recent U.S. support for a new capital injection into the World Bank is a welcome development. But it pales into insignificance in the dimensions of the BRI. In time, the World Bank’s global balance sheet may be eclipsed by the lending capacity of the China-based Asian Infrastructure Investment Bank.