

The Looking Glass

The self-reinforcing logic of Sino-US competition

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While 2022 ended with both Washington and Beijing reiterating in official meetings their shared desire to keep channels of communication open – such as Xi and Biden’s [meeting](#) in Bali on 14 November – there were few practical signs of improvement in relations. The prevailing [nature](#) of the relationship is of ‘mutual distrust and recrimination’, as both parties ‘continue to pursue policies that appear aimed more at competition and confrontation than at pursuing avenues for cooperation’.

It is clear that for the foreseeable future both Beijing and Washington perceive their relationship to be defined by competition rather than cooperation. However, there have been sporadic indications both states are seeking to identify new ‘guard rails’ with which to establish a form of strategic stability, even as they compete with one another.

Yet, reaching such stability appears to be a diminishingly unlikely outcome due to each party’s perception of what is driving their competition and how that perception frames their foreign policy and domestic politics. For Washington, competition is driven by China’s challenge to both American power/leadership and China’s (perceived) desire to change the international order. While for Beijing, competition is rooted in continued American ‘hegemonic’ pretensions to ‘contain’ China amidst its inevitable ‘decline’.

The relationship is thus arguably [framed](#) by a ‘presumption of malice’, which makes both parties increasingly perceive the relationship in zero-sum terms. The premium that each is placing on ‘competing’ with the other is impinging upon, and colouring in self-defeating ways, their broader foreign and domestic policy agendas.

The US: ‘competing’ but not leading

It is clear that a ‘hawkish’ bipartisan consensus on China and increasingly [negative](#) views of China amongst the American public have consolidated since President Biden took office. In this context, Beijing is [viewed](#) as a malign, underhanded and dangerous actor, which ‘if not countered by American-led efforts, would fundamentally endanger American interests and livelihoods as China rewrites the rules of the “liberal international order”’.

In response, the Biden administration has laid down a policy approach that has attempted to signal its appetite to ‘resume’ global leadership – after the chaotic Trump years



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with a simultaneous commitment to ‘out compete’ China to ‘win the 21st century’. The fulcrum of this approach, as the Council of Foreign Relations’ Ian Johnson [notes](#), is to invest at home and align with allies abroad ‘who oppose China’s vision of authoritarian-based development’ as a means of upholding the ‘rules-based international order’.

A core problem for the administration is that measures taken to ensure the US can ‘out compete’ China are likely to undermine its capacity to achieve its objective of revitalising American global leadership of the rules-based order.

Indeed, the administration’s concrete [actions](#) toward China have been characterised by bolstering existing allies, such as Japan and Australia (e.g. through the AUKUS agreement), and attempts to forge deeper ties with non-allied but aligned actors, such as India and Taiwan. At the same time, they have been pursuing an unprecedented decoupling of [high-tech trade](#) with China, including overtly [protectionist](#) trade and industrial policies aimed at boosting American competitiveness in the context of bilateral Sino-US relations.

For all the administration’s use of orthodox liberal internationalist rhetoric – for instance its [2022](#) National Security Strategy’s assertion of America’s continued commitment to, and reliance on, ‘fair and open trade’ and a liberal ‘international economic system’ for its prosperity – the steps taken vis-à-vis China demonstrate such objectives are being sacrificed on the altar of ‘strategic competition’ with Beijing.

This trend was underlined by National Security Adviser Jake Sullivan’s 27 April 2023 [speech](#) at the Brookings Institute, which was explicitly billed as focused on President Biden’s ‘core commitment...to more deeply integrate domestic policy and foreign policy’. Here, Sullivan [asserted](#) that a core assumption of American post-1945 economic policy was ‘that markets always allocate capital productively and efficiently—no matter what our competitors did, no matter how big our shared challenges grew, and no matter how many guardrails we took down’. However, the integration of China – ‘a non-market economy’ – into the global economy had in fact produced ‘dependencies that could be exploited for economic or geopolitical leverage’ as ‘entire supply chains of strategic goods—along with the industries and jobs that made them—moved overseas’ in the ‘name of oversimplified market efficiency’.

The administration’s response, as [detailed](#) by Sullivan, amounts to an effort ensure that the state can guide the ‘invisible hand’ of the market in directions amenable to geopolitical competition with China. As such the [objective](#) of administration policy is to identify:

specific sectors that are foundational to economic growth, strategic from a national security perspective, and where private industry on its own isn’t poised to make the investments needed to secure our national ambitions’ and to apply ‘targeted public investments in these areas that unlock the power and ingenuity of private markets, capitalism, and competition to lay a foundation for long-term growth.

The administration has arguably been on this path for some time with the CHIPS Act to [boost](#) domestic semiconductor production and the [Inflation Reduction Act](#)’s provision of approximately \$30 billion in [incentives](#) for domestic manufacturers of ‘solar modules, wind turbines, inverters, batteries for electric vehicles (EV) and power storage’ to redress the ‘concern that decarbonization efforts in the United States may create business opportunities and jobs in China rather than domestically’.

However, Sullivan’s speech is the clearest [indication](#) yet that it is ushering in a ‘post-neoliberal orthodoxy for America’s approach to the global economy’, where ‘markets will be subordinate to the logic of geopolitical competition’.

Although this may align with the administration's domestic political agenda of 'renewing' American prosperity and [prevailing](#) anti-China sentiment, it remains to be seen how this approach will enable the administration to achieve its associated objective of rallying allies and like-minded partners to the cause of combating China.

This is especially important in Asia and the Pacific, where many [observers](#) have noted the [shortcomings](#) of US economic and trade policy for at least the past decade, especially around the failure to match the Belt and Road Initiative as well the lack of US participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). US schemes around investment in the region have also been long on aspiration and short on delivery, including both the Trump administration's '[Blue Dot Network](#)', and Biden's '[Build Back Better World](#)'.

The administration has attempted to [reassure](#) partners in the Pacific Islands, for example, that US efforts are not simply focused on combating China but 'because it wants to contribute to stability in the region while helping Pacific Island nations tackle serious threats such as climate change and illegal fishing'. Although this may be a genuine sentiment, the administration's ability to convince Pacific Islands of this 'broader-than-China' agenda would be [enhanced](#) if it were in fact to 'come with a strong economic offering' that would assist regional governments to address pressing economic and development challenges.

The irony, as Susan Shirk has [noted](#), is that the Biden administration's focus on 'competition' with China as *the* organising principle of its foreign policy is making the US become more like its adversary: 'nationalist, fixated on security, and politicizing the market economy'. Such a dynamic risks making the administration's claims to be reclaiming a liberal internationalist vision of American global leadership based on a 'rules-based order' ring increasingly hollow.

China: preparing for 'choppy waters' and 'dangerous storms'

For China, while the CCP is arguably more ideologically girded for such zero-sum competition, overt competition with the US has nonetheless exacerbated existing pathologies in both its foreign and domestic policy, resulting in a variety of self-inflicted wounds.

It is perhaps no surprise, for instance, that Sino-US strategic competition has coincided with the rabidly jingoistic '[wolf warrior](#)' diplomacy that has damaged China's standing throughout the world. Such assertive, nationalistic posturing has at the very least undermined some of Beijing's previous gains in [posing](#) as an advocate of economic globalisation and 'interconnectivity' during the Trump era of American foreign policy.

Additionally, although the CCP's quest for [security](#) both in an international and domestic setting has been a defining feature under Xi Jinping's leadership, it has been markedly sharpened in the past two years. In fact, the CCP's connection of increased pressure in China's external environment and its domestic security was amply displayed during the 20th Party Congress in November 2022. Xi pointedly underscored the challenges to China's security, [warning](#) the country was entering 'a period of development in which strategic opportunities, risks, and challenges are *concurrent*'. The Party 'must therefore be more mindful of potential dangers, be prepared to deal with worst-case scenarios, and be ready to withstand high winds, choppy waters, and even dangerous storms'.

In this context, Xi maintained that the [application](#) of a 'holistic approach to national security' would be required. The Party would have:

the people's security as our ultimate goal, political security as our fundamental task, economic security as our foundation, military, technological, cultural, and social security as important pillars, and international security as a support.

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While not entirely new, this framing was much more explicit in asserting the links between the ‘political security’ of the CCP, domestic ‘stability’ and the achievement of Xi’s great objective of ‘national rejuvenation’.

The pre-eminence of this focus on regime security has been manifest since the Party Congress, most particularly in the sharp [about face](#) on Xi’s signature ‘Covid zero’ approach to pandemic control. Prompted by widespread [protests](#) against draconian lockdowns in November 2022, the sharp reversal of pandemic control policy not only removed a policy that had [placed](#) Xi ‘in the firing line of anti-government or anti-party movements’ but also had contributed to the Party-state’s [need](#) to create conditions to kick-start the Chinese economy from its Covid-induced slow-down. As such, this amounted to a tactical shift rather than a fundamental reappraisal of Xi’s political program, and it shouldn’t be taken as a sign of ‘liberalization’.

This was reinforced by Xi’s [remarks](#) to the first plenum of the new CCP Central Committee in November 2022 (but only published on 31 December 2022), where he asserted:

history has repeatedly proven that using struggle to seek security leads to the survival of security, while using compromise to seek security leads to the death of security; and that using struggle to seek development leads to the flourishing of development, while using compromise to seek development leads to the decline of development.

On the international stage this has translated into more explicit language that points the finger of blame squarely at the United States for the challenges currently facing China. In a discussion with Chinese commerce and industry representatives on 3 March, Xi was reported to have [described](#) China’s international environment as full of ‘uncertainties and unpredictable factors’. [Foremost](#) of which is that ‘the Western countries led by the United States have carried out all-round containment and suppression of China’.

This shift in language [points](#) toward the Party’s ‘darker assessment of humanity’s historical trajectory’ and the ‘hidden risks and open dangers’ that this poses to China’s quest for ‘national rejuvenation’.

While the declining trajectory of Sino-US relations over the past year – from US [efforts](#) at hi-tech ‘de-coupling’ from Chinese supply chains to the Chinese [spy balloon](#) incident – have undoubtedly driven this pessimistic assessment. The ongoing global repercussions of the Russian invasion of Ukraine have undoubtedly reinforced it. Indeed, as an [analyst](#) from the Centre for Strategy and Security at Tsinghua University notes, the war in Ukraine has not only ‘accelerated and intensified’ American ‘strategic deployment’ against China but ‘binds China and Russia together’.

This assessment perhaps in part explains Beijing’s recent flurry of Ukraine-related diplomatic activities, including Foreign Minister Wang Yi’s late February [tour](#) through European capitals, the [release](#) of China’s 12 point ‘road map’ for a negotiated peace in Ukraine, Xi’s long-delayed [phone call](#) with Ukrainian President Volodymyr Zelensky on 26 April and the 17 May [visit](#) of China’s special representative for Eurasian affairs, Li Hui, to Kyiv.

Although none of these activities have achieved tangible progress towards China’s stated objective of facilitating a negotiated settlement to the conflict, they have served Beijing’s broader goal of portraying itself, in Xi Jinping’s [words](#), as a ‘responsible major country’ that – in a less than subtle jibe at Washington – ‘would not sit idly by, nor would it add oil to the fire, still less exploit the situation’ for its own gains.

However, a desire to avoid what a [Beijing Review](#) op-ed terms a further ‘downward spiral’ in Sino-US relations has stimulated a resumption of high-level contact between Beijing and

Washington, including face-to-face [discussions](#) between Foreign Minister Wang Yi and National Security Adviser Jake Sullivan in Vienna on 10 to 11 May.

Although these talks have been described by both parties as ‘constructive’, it is clear that Beijing’s perspective remains unchanged as to who is to blame.

‘The United States’, a [Xinhua](#) commentary on the Wang–Sullivan talks stated, ‘on the one hand, claims that it is not seeking to decouple from China and has no intention of obstructing China’s development, while on the other it squeezed its tech ties with China by imposing many rounds of chip bans on Chinese firms under the pretext of national security’. Simultaneously it stated, the US is rushing ‘to encircle China in the Asia-Pacific by mustering such Cold-War style groupings as the AUKUS and the Quad alliances’ and coercing ‘regional countries into picking sides’. This, the commentary [concludes](#), is driven by the belief among US decision-makers that ‘China must be brought down in order to keep America ahead’.

A sharpening divide

Both Washington and Beijing therefore appear firmly set on trajectories that will lock-in rather than ameliorate bilateral tension and competition despite recent efforts at dialogue. This assessment is reinforced by a number of recent developments in both country’s domestic and foreign policy.

In Washington, ‘competing’ with China has become a partisan political sport. Amidst [tense](#) administration negotiations with Republicans to raise the \$US31.4 trillion debt ceiling, three key cabinet officials – Secretary of State Antony Blinken, Secretary of Defense Lloyd Austin and Secretary of Commerce Gina Raimondo – [fronted](#) the Senate Appropriations Committee on 16 May to support the President’s FY2024 budget request. These officials each argued the case that passing the President’s budget request is vital for the US to ‘out compete’ China. Secretary Austin, for example, [underscored](#) not only that a decision to reduce the Pentagon’s ‘funding to FY 22 levels ... would hamstring our ability to compete’ but that the Committee should recognise that such a decision would impact on ‘America’s entire strategy to compete and lead’.

The implication, as Democratic chair of the Appropriations Committee Senator Patty Murray [made](#) clear, is that:

China isn’t debating whether to pay its debts, or wreck its economy. China isn’t debating whether to invest in its future, or cut and cap the investments that keep it competitive.

While this may be a classic example of [wedge](#) politics to paint Republicans as hamstringing US efforts to ‘out compete’ China, it remains to be seen whether it produces better policy outcomes.

Xi Jinping, in turn, continues to demonstrate his [revision](#) of the Dengist paradigm of the post-Mao era by privileging security over the economy. This is apparent in China’s recent ‘counter-espionage’ [crackdown](#) which has [targeted](#) a range of foreign companies and individuals for alleged ‘leaking’ of information related to ‘national security or interests’ to foreign governments or entities. This came even as Premier Li Qiang attempted to [reassure](#) foreign companies and investors that Beijing was committed to building a ‘first class business environment’. However, the fact that the ‘counter-espionage’ crackdown has been [tasked](#) to Ministry of State Security head Chen Yixin leaves little doubt that this constitutes a top-priority for China’s leader.

In the realm of foreign policy, too, the divide between the two capitals continues apace. At the G7 summit in Hiroshima, President Biden succeeded in forging a common, in-principle aspiration amongst the grouping to [ensure](#) ‘economic resilience’ through ‘de-risking and diversifying’ as a means of resisting ‘economic coercion’ by Beijing.

Meanwhile, Xi's hosting of the first China–Central Asia summit in Xi'an sought to achieve several [objectives](#) that can be seen as necessary to girding China further for ongoing competition with the US: to kick-start BRI after the Covid-19 slowdown; to cement further economic and strategic partnerships with the Central Asian states; and to further [embellish](#) China's pose as an alternative source of global leadership.

Conclusions: the messy world of strategic competition

The self-reinforcing logic of great power competition is one of the closest things to an empirical law in security studies. Hence, the increasing divide between China and the US should not come as a surprise. But this leads to two important questions: how will they eventually seek to manage their competition, and what should other states – like Australia – with keen stakes in how that plays out try to respond?

It is likely that at some stage both Beijing and Washington will have an incentive to establish some guardrails in the relationship: after all, a collision course is costly and difficult to sustain for any length of time. Yet those tend to entail trade-offs and compacts, which tend to have more fundamental impacts (and they are frequently economic) on smaller states. Under those circumstances it is vital that all players in the messy strategic landscape plan for unexpected outcomes, and simultaneously seek to identify what the contours of Indo-Pacific strategic stability might look like.

Further reading

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