



UNDERSTANDING AND COUNTERING BEIJING'S STRATEGY OF ECONOMIC DECOUPLING ON CHINESE TERMS

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Chinese Grand Strategy

- Maintain the viability and robustness of the current CCP led political economy and expand this approach (and related principles and processes throughout the region.)
- Continually shrink the strategic, military, economic, political, and normative ground in the region on which the US can sustain, build, and demonstrate its power and influence.
- Induce or else coerce regional states into becoming support or compliant states, or at worst, neutral states.

Changes Under Xi Jinping

- Expanding the 'region' of interest. China now wants the capacity to dictate activity within the First Island Chain and permanently counter-balance naval actions of other countries beyond the first Island Chain such as in the Indian Ocean. This means sea control within the First Island Chain and sea denial elsewhere.
- From reducing vulnerabilities to external actions and shocks to increasing Chinese leverage through binding the economic activity of regional economies to its own and dominate key advanced and innovative sectors that will become more important in the global economy.
- From defending the domestic authoritarian system to promoting authoritarian institutions abroad.

Summary of Chinese objectives

- Simplifying and reducing the complexity of the strategic map.
- Using grey zone tactics to eventually present an actual or perceived fait accompli (e.g., Taiwan, South China Sea, dominance of supply chains from which other states cannot extract themselves).
- Manipulate, persuade, or compel smaller regional states to focus on absolute rather than relative gains – win-win Chinese style.
- Manipulate, persuade, or compel smaller regional states to separate geo-strategic or geo-political issues from geo-economic issues.
- In every context (military, economic, diplomatic etc), China seeks to ensure its willingness and capacity to escalate is more credible than either the US's or another regional state – thereby reducing the resolve of the other state.
- Normalise forms of Chinese behaviour such as coercion. This has the effect of not only offering Beijing a broader toolkit for statecraft but eventually leads to the acceptance and internalisation of such Chinese behaviour by other states.

Economic Decoupling with Chinese Characteristics

- Belt and Road Initiative
- Made in China 2025
- Dual Circulation Policy

Suggested U.S. and Allied Response: Three Strategic Objectives

1. Counter China's objective of acquiring strategic support states through economic and technological capture.
2. Counter elements of China's technological upgrade strategy that are designed to help it surpass the advanced democracies.
3. Counter Chinese plans to dominate high-tech and high-value global export markets in high-tech and high-value sectors.

Specific Counter Policies

- Compete in Commercially Profitable Economic Zones
- Seek Membership in the CPTPP
- Convince Europe to Reject a False Dichotomy between Strategic Success and Economic Opportunity
- Pursue a Realistic Supply Chain Strategy for Traditional Merchandise Goods
- Adopt an Effective Defensive Strategy

Summary & Conclusion

Questions