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Competition Versus Exclusion in U.S.–China Relations: A Choice Between Stability and Conflict

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Executive Summary

The Biden administration's China policy is pulling in two different directions, but the tension is not widely recognized because every antagonistic measure aimed at China is filed under the heading of competition. As a result, Washington's debate on China loses the crucial distinction between "competition" – a kind of connection with the potential to be carried on in healthy ways – and "exclusion," an attempt to sever connection that necessarily leads to conflict if the domain is significant.

Biden's exclusion policies focus on cutting China out of the principal growth sectors in the global economy and the most lucrative and strategically important markets. Administration officials think their approach is sensible and moderate compared to more extreme voices in Washington calling for exclusion in all realms. Even so, the Biden approach is highly destabilizing because both countries consider the targeted areas vital to the future of global authority and economic prosperity, and because the attempt to trap China in a position of permanent subordination represents a serious threat to the legitimacy of China's leaders.

Healthy competition requires a shared stake in the future. In earlier periods, despite sharp tensions and mutual suspicions suffusing the relationship, U.S.–China ties were stabilized first by the joint project of containing Soviet power and then by a shared commitment to market-led globalization.

Now that leaders on both sides are disenchanted with key facets of globalization, the two countries are caught in an escalatory cycle of exclusion and retaliation that risks hardening zero-sum pressures in the global system into a permanent structure of hostility. In such a scenario, each country would organize its own society and international partners to undermine the other, dramatically increasing the likelihood of violent conflict.

The warning signs are already clear on both sides, as each increasingly interprets every action on the other side as part of a conspiracy to achieve domination. Notwithstanding widespread complacency about the risks of conflict after a tentative diplomatic opening in recent months, the rise of securitized thinking in both countries is steadily building institutional and ideological momentum for confrontation that can only be broken by a new and inclusive direction for the relationship.

Introduction

The Biden administration’s public portrayal of its China policy can be summed up in one line from the president’s 2023 State of the Union address: “We seek competition, not conflict.”¹ The line is repeated by seemingly every U.S. diplomat in seemingly every speech on China. But even as administration officials have rolled out policy after policy restricting China, and in diplomatic outreach to country after country have disseminated a relentlessly negative portrayal of China, they have yet to clarify how the “competition” they are pursuing is different from “conflict.”

The core problem the administration faces is that its China policy is pulling in two different directions – but the contradiction is concealed because both approaches are called “competition.” On the one hand, the United States seeks a connectedness with China that allows healthy forms of both competition and cooperation to flourish. Such a relationship, defined by positive-sum interactions, would not only stabilize great power relations, but could also become the fulcrum for a revived international order.²

On the other hand, the United States seeks to dissolve a number of important connections with China. In so doing, U.S. leaders say they are simply taking prudent measures to safeguard national security. But because the sectors from which the Biden administration is seeking to exclude China are so strategically vital to the future of

¹ President Biden’s State of the Union Address, The White House, February 7, 2023, <https://www.whitehouse.gov/state-of-the-union-2023/>

² I explore these possibilities in this Brief’s companion piece, “Common Good Diplomacy: A Framework for Stable U.S.–China Relations,” Quincy Institute for Responsible Statecraft, Quincy Brief No. 46, September 11, 2023, <https://quincyinst.org/report/common-good-diplomacy-a-framework-for-stable-u-s-china-relations/TK>.

global authority and economic prosperity, and because the United States plays a system-making role in the international order, the unilateral and coercive U.S. steps to sever these links pose a profound threat to Chinese leaders' core concerns of regime legitimacy, national security, and economic growth.

The Biden administration's rhetoric and policy toward China have featured an imbalance between these two impulses, favoring restrictive and exclusionary measures at the expense of both competitive and cooperative opportunities for mutual gain.

Washington's orientation toward China is not so much about engaging in competition as about cutting off competition.

The Biden administration's rhetoric and policy toward China have featured an imbalance between two impulses, favoring restrictive and exclusionary measures at the expense of both competitive and cooperative opportunities for mutual gain.

That sends a signal to Chinese leaders that the world the United States seeks has no room for China's success. This strengthens the hand of those in China arguing for more confrontational responses and exacerbates popular nationalism in China. At the same time, it sends a signal to the American public that constructive relations with China are impossible, bolstering those voices in U.S. politics calling for more extreme forms of China exclusion and strengthening nativist currents that feed off the image of nefarious foreigners.

These escalatory dynamics in both countries now threaten to harden zero-sum pressures in the global system into a permanent structure of hostility, in which each country would organize its own society and international partners to undermine the other, dramatically increasing the likelihood of violent conflict. The tentative diplomatic exchanges that in recent months have temporarily cooled overheated rhetoric on both

sides will ultimately be overwhelmed by the now deep-seated logic of exclusion and confrontation – unless officials on both sides sharply reorient toward a shared project of revitalizing the global system around an inclusive common good.

Exclusion is the opposite of healthy competition

The word “competition” can cover everything from a game of chess to a global war. To American ears, however, it conjures up the vigorous exertion of team sports or two businesses contending for market share, each improving their products to stave off the other. “Competition” evokes the struggle between Coke and Pepsi rather than that between the Sinaloa and Jalisco drug cartels. Yet when the two most militarily and economically powerful countries in the world, unconstrained by any external authority, can no longer imagine a secure and prosperous future for themselves in the presence of the other, the parallel with warring drug empires may prove more apt.

U.S. leaders invoke “competition” with China so often precisely because the word is so capacious. That allows them to place any antagonistic measure they want to pursue under the banner of a seemingly innocuous “competition” and denounce retaliation coming from Beijing as an unreasonable refusal to compete.³

In the process, the debate on China loses the crucial distinction between “competition” and “exclusion.” Competition is something that happens through a connection between two sides operating in a shared space – whether that shared space is a sports arena, achievement rankings, or some category of products.⁴ Healthy forms of competition sustain that connection through the contest itself and allow the losing side the possibility of coming back for a rematch. In a society dominated by the performance

³ For example, when China imposed a partial ban on Chinese purchases from U.S. tech company Micron in retaliation for the U.S.–orchestrated blockade on advanced semiconductors, Commerce Secretary Gina Raimondo said: “we see it as plain and simple economic coercion and we won’t tolerate it.” David Lawder, “US ‘won’t tolerate’ China’s ban on Micron chips, commerce secretary says,” Reuters, May 27, 2023, <https://www.reuters.com/technology/us-wont-tolerate-chinas-ban-micron-chips-raimondo-2023-05-27>

⁴ The benefits that connection can provide through even quite tense forms of competition is beautifully illustrated in Robinson Meyer, “America Can’t Build a Green Economy Without China,” *The New York Times*, July 17, 2023, <https://www.nytimes.com/2023/07/17/opinion/america-china-clean-energy.html>.

principle, competition is a self-legitimizing process: those who win deserve to win.⁵ As such, competition plays a dynamic but stabilizing role in the overall system.

Exclusion, in contrast, is when one side seeks to restrict or constrain the other so it can no longer compete in the previously shared space. Its aim is to extinguish connection rather than mediate it. Exclusion is one possible response to a feeling of vulnerability. In cases where the excluded party is far weaker or no longer interested in maintaining a presence on the field, exclusion can reduce if not resolve that vulnerability. But when the excluded party is not weak and does not want to be cut out, it is a highly destabilizing act because it will be considered both practically and ideologically unacceptable. If the exclusion strikes at core interests, it may undermine the entire basis of the relationship, turning otherwise manageable tensions into crises.

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In a recent speech, Treasury Secretary Janet Yellen clearly stated the Biden administration's hopes for U.S.–China relations: “The United States does not seek competition that is winner–take–all. Instead, we believe that healthy economic competition with a fair set of rules can benefit both countries over time. ... There is a world in which, as companies in the U.S. and China challenge each other, our economies can grow, standards of living can rise, and new innovations can bear fruit.”⁶

What the administration has not done – and what the China debate in Washington policy circles has largely neglected – is to inquire what preconditions are required for healthy competition.

⁵ Herbert Marcuse, *Eros and Civilization: A Philosophical Inquiry into Freud*, 2nd ed. (Boston: Beacon, 1966 [1955]).

⁶ Janet Yellen, “Remarks on the U.S.–China Economic Relationship,” Johns Hopkins School of Advanced International Studies, U.S. Department of the Treasury, April 20, 2023, <https://home.treasury.gov/news/press-releases/jy1425>.

Healthy competition requires a shared stake in the future

What is it, exactly, that makes Sinaloa vs. Jalisco cartels different from Coke vs. Pepsi?

There is no difficulty recognizing a distinction between the bloody competition of the former and the shared norms and guardrails that keep the latter from spiraling into violence. But a common explanation for this difference – the willingness of the parties either to respect norms or flout them – merely restates the problem in a mystified and moralistic form. The question remains: why are people sometimes willing to constrain their competitive tactics while other times they move easily toward violence?

The key difference is whether or not the competitors are acting within, first, an external architecture that establishes a set of ground rules limiting the competition and, second – crucially – one that embodies a common good beyond the interests of the individual competitors.

The legalistic orientation that often dominates political thinking in the United States focuses easily on the first part of this formulation: the need for clear rules, effective enforcement, and strong penalties.⁷ These certainly are desirable, but the second part of the formulation is often neglected despite its greater importance.

A mutually acknowledged common good is essential for two key reasons:

- The competitors will have reason to respect the rules when they can recognize a common good that provides a path to securing their particular interests within the system.
- The existence of a common good allows each competitor to recognize the stake that their adversary has in following the rules. That establishes a sound basis for trust on both sides, without which adversarial impulses would persuade each

⁷ U.S. leaders' tendency to arrogate to themselves the right to define the rules and mete out punishment to those who resist – the “rules-based international order” so often referenced and so rarely defined – reinforces this negligence. If the unilaterally defined priorities of the United States already embody the common good, what need is there to gain assent from other states?

side to launch preemptive aggression (generally imagined to be defensive in nature) against the other.

Establishing an architecture that embodies a mutually recognized common good is essential to U.S. interests because it would facilitate both healthy competition and healthy cooperation with China. The alternative is a mutually ruinous conflict between the most powerful and second most powerful countries in the world. But the pursuit is important beyond the bilateral relationship as well. U.S.–China confrontation would fragment and militarize the peaceful and open international order that extended such significant benefits to both countries in recent decades. A shared project of resolving the system’s zero–sum tensions that are currently pushing the world into conflict would revitalize the foundations for stability and prosperity in countries around the world.

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In recent decades, the United States and China have moved through two such external frameworks for the relationship. From the Nixon administration’s opening to China in 1971 to the end of the Cold War, the shared aspiration that allowed the two countries to overcome decades of violent conflict was a commitment to contain the Soviet Union.

Then, beginning in the early 1980s, a new architecture for the relationship gradually emerged within the old: an increasingly ambitious integration of both societies into the emerging system of market–led globalization. Even as sharp tensions and mutual suspicions persisted on both sides, the two leaderships shared a commitment to this larger framework that guided both immediate interests and general sensibilities.⁸ The common project of pressing forward those forms of liberalization that promised greater

⁸ Those tensions are ably though one-sidedly surveyed in Rush Doshi, *The Long Game: China’s Grand Strategy to Displace American Order* (New York: Oxford University Press, 2021).

economic growth through individualism, innovation, and business profit convinced each side that their own success was bound up with the success of the other.

The market-led globalization framework for U.S.–China competition has gradually disintegrated since the 2008 financial crisis as global growth slowed and Chinese businesses began to more directly challenge their U.S. competitors, fostering a sense that the two countries are engaged in a zero-sum contest over which will prosper.⁹ At the same time, insecurity among elites in both countries grew in the face of domestic challenges to their legitimacy and the decreasing efficacy of previous forms of governance. In this context, both sides were unusually sensitive to geopolitical moves by the other, such as Obama’s “pivot to Asia” and Hu Jintao’s more assertive posture on Chinese claims in the South China Sea. Increasingly, zero-sum military dynamics in Asia-Pacific security arrangements joined together with zero-sum economic pressures in the global economy.¹⁰

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These developments in the bilateral relationship coincided with a wrenching reversal of fortunes for U.S. leaders’ global vision. Only a few years before, they had been confident in the “end of history” thesis – that victory in the Cold War brought the final triumph of electoral democracy, free market economics, and benevolent U.S. global hegemony. But from the military failures in Iraq and Afghanistan, to the global financial crisis and the sharp decline in economic dynamism that followed, to the rise of illiberal nativist political forces around the world, mainstream American ideology suddenly seemed to be retreating on all fronts. In 2019, Jake Sullivan, now Biden’s national security advisor, recalled that whereas in the late 1990s he “gave fiery speeches on the floor of the

⁹ Ho-fung Hung, *Clash of Empires: From “Chimerica” to the “New Cold War”* (Cambridge, UK: Cambridge University Press, 2022).

¹⁰ Jake Werner, “Why Did the US-China Relationship Collapse, and Can It Be Repaired?” *The Nation*, November 21, 2022, <https://www.thenation.com/article/world/china-biden-taiwan-democracy>.

Oxford Union about how the United States was a force for good in the world,” in the Trump era he was distressed to see that college students were more likely to “question the merits of a unique American leadership role in world affairs.”¹¹

Few of these setbacks had any strong connection with China – democracy, free markets, and American power have weakened around the world, regardless of Chinese presence, because of intrinsic tensions within the project of market-led globalization under U.S. hegemony.¹² Yet China serves as the perfect foil to American values and interests – not least because it has pioneered post-neoliberal social forms that are both hopeful and horrifying.¹³ And because China is the only country that is simultaneously strong enough to limit U.S. freedom of action and clearly independent of U.S. control, American leaders focus all their anxieties about the zero-sum dysfunctions of the global system on China.¹⁴

In Sullivan’s words, China poses a major threat to the American way of life because of its “long-term strategy to dominate the fastest-growing part of the world, to make the global economy adjust to its brand of authoritarian capitalism, and above all to put pressure on free and open economic and political models.”¹⁵ While each of these claims is highly disputed among scholars,¹⁶ they have all come to seem self-evident in Washington circles, where anti-China animus is simultaneously an explanation for U.S. failures and an action agenda for reviving American purpose.

¹¹ Jake Sullivan, “Yes, America Can Still Lead the World,” *The Atlantic*, vol. 323, no. 1 (January–February 2019), 78, <https://www.theatlantic.com/magazine/archive/2019/01/yes-america-can-still-lead-the-world/576427>.

¹² Jake Werner, “How U.S.–China Cooperation Can Strengthen Democracy,” China-Global South Project, August 9, 2022, <https://chinaglobalsouth.com/analysis/how-u-s-china-cooperation-can-strengthen-democracy>.

¹³ Particularly notable on the former is the massive and rapid buildout of renewable energy; on the latter, the systematic campaign of forced cultural assimilation in Xinjiang. Caolán Magee, “China is set to shatter its wind and solar target five years early, new report finds,” CNN, June 29, 2023, <https://www.cnn.com/2023/06/29/asia/china-solar-wind-energy-coal-climate-intl/index.htm>; Christian Shepherd, “Fear and oppression in Xinjiang: China’s war on Uighur culture,” *FT Weekend Magazine*, September 11, 2019, <https://www.ft.com/content/48508182-d426-11e9-8367-807ebd53ab77>.

¹⁴ Jake Werner, “What Biden means when he says we’re fighting ‘global battle for democracy,’” *Responsible Statecraft*, March 31, 2023, <https://responsiblestatecraft.org/2023/03/31/what-biden-means-when-he-says-were-fighting-global-battle-for-democracy>.

¹⁵ Jake Sullivan, “Yes, America Can Still Lead the World,” 80.

¹⁶ Jessica Chen Weiss, “A World Safe for Autocracy?: China’s Rise and the Future of Global Politics,” *Foreign Affairs*, vol. 98, no. 4 (July–August 2019), 92–102, <https://www.foreignaffairs.com/articles/china/2019-06-11/world-safe-autocracy>.

Because China is the only country that is simultaneously strong enough to limit U.S. freedom of action and clearly independent of U.S. control, American leaders focus all their anxieties about the zero-sum dysfunctions of the global system on China.

Now that leaders in both the United States and China are disenchanted with central consequences of market-led globalization, which each blames on the other, they interpret their previous vision of the common good as naïveté on their own part and deception on the part of the other.¹⁷ Far from recognizing that U.S.–China relations will spiral into conflict unless the two countries build a new framework for a stable relationship, leaders on both sides increasingly regard the very idea of a shared project as either utopianism or treachery.

The growing urgency behind China exclusion

The dominant image of China in U.S. political discourse is not that of a tough competitor pushing Americans to perform better or that of a tough negotiator driving a hard but attainable bargain, much less that of a potential partner facing shared challenges. Instead, China is most often represented as the embodiment of everything that threatens America's future.¹⁸

¹⁷ For an agenda-setting articulation of this perspective by two figures who went on to become top Biden officials responsible for China policy, see Kurt M. Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs*, vol. 97, no. 2 (March–April 2018), 60–70.

¹⁸ On the long history of U.S. opinion toward China swinging back and forth between paternalism and vilification, see Richard Madsen, *China and the American Dream: A Moral Inquiry* (Berkeley: University of California Press, 1995).

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H. R. McMaster, a former Trump national security advisor, describes Chinese leaders' goal as "a modern-day version of the tributary system that Chinese emperors used to establish authority over vassal states," within which they will establish "a closed, authoritarian model as an alternative to democratic governance and free-market economics."¹⁹ For McMaster, it follows from these malign motives that whatever China does elsewhere in the world must be either coercion or cooptation. Anything that appears otherwise is deception.

Eric Schmidt, a former Google CEO, major investor in military applications of artificial intelligence, and chair of influential advisory bodies the National Security Commission on Artificial Intelligence, the Defense Innovation Board, and the Special Competitive Studies Project, testified recently that "The United States, along with our many close allies and partners, must maintain our technological lead over China, and doing so requires that we harness innovation power. At stake is the future of free societies, open markets, democratic governments, and a world order rooted in freedom, not coercion."²⁰

The White House frames the U.S.–China relationship in a substantively similar way. In his first address to Congress, Biden said: "We're in competition with China and other countries to win the twenty-first century. ... [Xi Jinping is] deadly earnest about [China] becoming the most significant, consequential nation in the world."²¹ "That's not going to

¹⁹ H. R. McMaster, "How China Sees the World: And how we should see China," *The Atlantic*, vol. 325, no. 4 (May 2020), 70, 72, <https://www.theatlantic.com/magazine/archive/2020/05/mcmaster-china-strategy/609088>.

²⁰ Eric Schmidt, Testimony before U.S. House Select Committee on the Chinese Communist Party hearing, "Leveling the Playing Field: How to Counter the Chinese Communist Party's Economic Aggression," May 17, 2023, https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/hsc CCP_dr-eric-schmidt-written-testimony_20230517.pdf. On Schmidt's efforts to integrate the tech sector into the military-industrial complex, see Kate Kaye, "Inside Eric Schmidt's push to profit from an AI cold war with China," *Protocol*, October 31, 2022, <https://www.protocol.com/enterprise/eric-schmidt-ai-china>.

²¹ Joe Biden, "Remarks in Address to a Joint Session of Congress," April 28, 2021, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/04/29/remarks-by-president-biden-in-address-to-a-joint-session-of-congress>.

happen on my watch,” Biden vowed. The stakes in this contest are stark: “autocracy or democracy.”²²

If China’s core motivation is to remake the international order so it is hostile to American interests and values, then it becomes incumbent on U.S. leaders to ensure the failure of all Chinese initiatives – perhaps especially those that might seem positive – because any Chinese success will advance the ultimate goal of subverting the American way of life.

Different approaches to exclusion

While a near-consensus that China poses a grave threat to the future of the United States dominates Washington, there is nonetheless a significant disagreement about the correct strategy for confronting that threat.

According to Mike Gallagher, head of the Select Committee on China in the House of Representatives, the U.S.–China conflict “is an existential struggle over what life will look like in the 21st century – and the most fundamental freedoms are at stake.”²³ He takes this premise to its logical conclusion: all kinds of connection with China should be severed and the focus of U.S. policy should be massively expanding the military to intimidate China into quiescence.²⁴

The Biden administration thinks such an approach would lead to conflict. As Jake Sullivan puts it, “intense competition requires intense diplomacy.”²⁵ Rather than trying to completely exclude China, the administration seeks to outcompete China by bolstering U.S. military and economic strengths and working with allies to exclude China only

²² Joe Biden, “Remarks in Press Conference,” The White House, March 25, 2021, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/03/25/remarks-by-president-biden-in-press-conference>.

²³ Mike Gallagher, Opening remarks before U.S. House Select Committee on the Chinese Communist Party hearing, “The Chinese Communist Party’s Threat to America,” February 28, 2023, <https://selectcommitteeontheccp.house.gov/media/press-releases/chairman-gallaghers-opening-remarks>.

²⁴ Mike Gallagher, “GOP Presidential Candidates Need to Talk About China,” *The Wall Street Journal*, August 21, 2023, <https://www.wsj.com/articles/gop-candidates-need-to-talk-about-china-asia-politics-election-2024-ccp-campaign-taiwan-gop-debate-422c460f>.

²⁵ Robin Emmott, “U.S., China must manage ‘intense competition’, top Biden adviser says,” Reuters, October 7, 2021, <https://www.reuters.com/world/china/us-china-must-manage-intense-competition-top-biden-adviser-says-2021-10-07>. This line is now a set phrase in the Biden administration’s diplomatic lexicon.

selectively, concentrating on the sources of economic and geopolitical power instead of cutting all connections.

The Biden administration seeks to outcompete China by bolstering U.S. military and economic strengths and working with allies to exclude China only selectively, concentrating on the sources of economic and geopolitical power instead of cutting all connections.

In other areas that China is considered threatening, particularly Asia–Pacific security, the administration is focused on containment measures, rallying exclusive groupings of allies like the Quad, AUKUS, JAROPUS,²⁶ and the U.S.–Japan–South Korea trilateral into a “latticework of alliances and partnerships” targeting China.²⁷ The administration welcomes U.S.–China connections in a third group of interactions – trade in low–value products, people–to–people exchange, diplomatic contact – as long as they do not endanger other priorities like corporate profits.²⁸

The selective exclusion agenda began taking shape during the Obama administration. By 2010, Huawei was already seen as a significant potential threat to the domination of global telecommunications by companies in the United States and allied countries, and the administration was looking for legal rationales to attack the company.²⁹ During the

²⁶ This latest in the increasingly ponderous U.S. alliance acronyms stands for the Japan–Philippines–U.S. alliance against China and comes courtesy of U.S. ambassador to Japan Rahm Emanuel. Josh Rogin, “The U.S. is back in East Asia – but for how long?” *Washington Post*, August 22, 2023, <https://www.washingtonpost.com/opinions/2023/08/22/biden-south-korea-japan-summit-china>.

²⁷ Jake Sullivan, “2021 Lowy Lecture,” Lowy Institute, September 11, 2021, <https://www.lowyinstitute.org/publications/2021-lowy-lecture-jake-sullivan>.

²⁸ For example, the Biden administration has kept direct U.S.–China flights 97 percent below pre–pandemic levels because U.S. airlines are worried about competition from Chinese airlines and are enjoying high profits from the artificial scarcity. Rachel Liang, “Deal to Double China Flights Signals U.S. Airlines’ Stronger Hand,” *The Wall Street Journal*, August 22, 2023, <https://www.wsj.com/business/airlines/deal-to-double-china-flights-signals-u-s-airlines-stronger-hand-a789123a>.

²⁹ Matthew Goldstein, Emily Flitter, Katie Benner, and Adam Goldman, “How a National Security Investigation of Huawei Set Off an International Incident,” *The New York Times*, December 14, 2018, <https://www.nytimes.com/2018/12/14/business/huawei-meng-hsbc-canada.html>.

Obama administration's second term, alarm grew significantly over China's rapid technological advances and publicly stated aspirations to become a global leader in a range of strategic tech sectors.³⁰

The Trump administration opened a punishing campaign aimed at ruining Huawei, China's most successful multinational company and a widely popular symbol within China of the country's ability to succeed in the global economy. Trump largely banned Huawei from the American market and used strong-arm diplomacy to convince most allies and some other third countries to do the same. Toward the end of the Trump administration, the United States imposed debilitating restrictions on Huawei's purchase of semiconductors and software, causing Huawei smartphone sales to plummet 80 percent between 2020 and 2021.³¹

The attempt to destroy Huawei was unique in its scale, but the Trump administration also dramatically accelerated the use of exclusionary economic measures that Obama had begun to ramp up, particularly the Commerce Department's Entity List, which allows the United States to cut listed companies' access to certain technologies.

Biden's approach to China exclusion retains most of Trump's restrictions but expands and systematizes them. By incorporating the rest of the world's technologically advanced countries – allies that Trump estranged – the Biden administration aims to turn a leaky sieve into an unbreachable wall. As Commerce Secretary Gina Raimondo noted: "If we really want to slow down China's rate of innovation, we need to work with Europe."³²

³⁰ Gavin Bade, "A sea change: Biden reverses decades of Chinese trade policy," *Politico*, December 26, 2022, <https://www.politico.com/news/2022/12/26/china-trade-tech-00072232>. The publication of China's industrial strategy, "Made in China 2025," in May 2015 helped restrictionists raise fears both in the administration and in public among those who previously saw China only as a low-end manufacturer. Chinese leaders, who modeled the strategy on similar plans like Germany's Industrie 4.0 and the U.S. National Network for Manufacturing Innovation, were taken by surprise by the backlash. It was an early sign for them that the United States was beginning to abandon its previously inclusive vision of the global economy.

³¹ Jed John Ikoba, "Huawei smartphone shipments declined by 82% in 2021, US ban to blame," *GizmoChina*, January 31, 2022, <https://www.gizmochina.com/2022/01/31/huawei-smartphone-shipments-declined-2021-us-ban>.

³² Amanda Macias, "U.S. needs to work with Europe to slow China's innovation rate, Raimondo says," *CNBC*, September 28, 2021, <https://www.cnn.com/2021/09/28/us-needs-to-work-with-europe-to-slow-chinas-innovation-rate-raimondo-says.htm>.

Biden's restrictions on China focus on excluding Chinese business from strategically important sectors and rich or fast-growing markets:

1. Legislation like the CHIPS and Science Act and the Inflation Reduction Act, which dole out lucrative subsidies to companies that build in the United States, contain provisions to deny Chinese companies those benefits and even to prevent companies that take the subsidies from investing in China.
2. The administration is negotiating with the European Union a Global Arrangement on Sustainable Steel and Aluminum with the proclaimed goal of reducing carbon emissions in those industries, which has been specifically designed to exclude Chinese exporters. Jennifer Harris, former senior director for international economics on Biden's National Security Council, positions this agreement as the first in a series that would exclude Chinese businesses from rich country markets.³³
3. The administration is deep into negotiations on a regional trade framework for Asia, the Indo-Pacific Economic Framework for Prosperity, that includes the countries of East and Southeast Asia plus India but excludes China.
4. The administration has launched global development initiatives, like the Partnership for Global Infrastructure and Investment, explicitly meant to counter China's Belt and Road Initiative. It is also extending (limited) climate financing to strategically useful countries of the Global South through individual agreements called Just Energy Transition Partnerships that include the United States and select allies but exclude China.
5. The administration issued a draft ban on outbound U.S. investment in specific high-tech Chinese businesses.
6. The administration has retained and added to Trump's Entity List designations, including some of China's most important high-tech companies. After its first two

³³ Jennifer Harris, "Industrial Policy Synergies: Industrial Policy + Trade Policy," Roosevelt Institute, April 25, 2023, <https://rooseveltinstitute.org/publications/industrial-policy-synergies-industrial-policy-trade-policy>.

years, the administration was on pace to eclipse the number of new additions under Trump.³⁴

7. Perhaps most provocatively, the Biden administration has established a blockade on advanced semiconductors to Chinese businesses and prohibited U.S. persons from contributing in any way to any Chinese company's ability to develop this technology. The blockade does not loosen as the technology advances – instead it tries to freeze China's semiconductor capacity in place.³⁵ Biden officials have promised to extend similar bans to other sectors, including biotechnology and clean energy. Although the administration insists that these restrictions are carefully tailored to guard U.S. national security and are not meant to stifle China's economy, American and Chinese leaders alike consider these technologies foundational to the future of growth.

8. The administration has used its successful alliance diplomacy to bring the other major technological powers reluctantly on board with its exclusion agenda against China. Japan and the Netherlands signed on to the advanced semiconductor blockade, closing major gaps, and the administration is working closely with Brussels and Berlin to make sure the E.U. joins outbound investment restrictions and other measures.³⁶

The Biden administration does not want to overthrow the Chinese regime. It is not, as Xi Jinping alleges, "implementing comprehensive containment, encirclement, and suppression of China."³⁷ Biden's critics demonstrate that the measures aimed at excluding and diminishing China are targeted rather than all-encompassing. The administration's aim is not to eliminate China but to trap it in a position of permanent subordination.³⁸

³⁴ Emily Kilcrease and Michael Frazer, "Sanctions by the Numbers: SDN, CMIC, and Entity List Designations on China," Center for a New American Security, March 23, 2023, <https://www.cnas.org/publications/reports/sanctions-by-the-numbers-sdn-cmic-and-entity-list-designations-on-china>.

³⁵ Alex W. Palmer, "An Act of War: Inside America's Silicon Blockade Against China," *The New York Times Magazine*, July 12, 2023, <https://www.nytimes.com/2023/07/12/magazine/semiconductor-chips-us-china.html>.

³⁶ Kevin Klyman, "The EU Joins Washington's Campaign to Contain China," *Just Security*, April 27, 2023, <https://www.justsecurity.org/86185/the-eu-joins-washingtons-campaign-to-contain-china>.

³⁷ Xi Jinping, "正确引导民营经济健康发展高质量发展," *Renmin ribao*, March 7, 2023, http://paper.people.com.cn/rmrb/html/2023-03/07/nw.D110000renmrb_20230307_1-01.htm.

³⁸ As Under Secretary of Commerce Alan Estevez, who formulated the embargo on advanced semiconductors, memorably put it, there is no problem if China wants to produce lower-end chips that go into airbags since U.S. car

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This directly challenges the legitimacy of the Chinese Communist Party, which is built on two fundamental claims: the Party established Chinese independence after a century of domination by the imperialist powers, and the Party brought development to the nation and economic opportunity to the people. The same countries that once victimized China now banding together in an attempt to stifle China's economic development and its people's chance for good jobs and profitable businesses not only threatens the Party, it represents an explosive provocation to popular Chinese nationalism.

It also poses, in Xi Jinping's words, "challenges of unprecedented severity to the country's development."³⁹ Since the global financial crisis, Chinese growth, government revenue, and regular people's strategies for establishing their families and saving for retirement have all been based on a huge real estate bubble. The leadership has been trying to find a way to deflate the bubble without setting off a crisis for a decade. But that requires a different source of growth to replace the bubble, and Chinese leaders have concluded – like U.S. leaders thinking about problems in the U.S. economy – that the solution is developing high-tech sectors while modestly reducing domestic economic inequality to increase consumer demand and political legitimacy. Exclusionary U.S. policies thus threaten to cut off the Chinese economy's escape route from the danger of financial collapse.

Every existing exclusionary initiative, no matter how "tailored," inevitably leaves gaps and loopholes. Just as an empire expands to secure its existing frontier, but in the process creates a newly insecure frontier that requires further expansion, so the

companies benefit, but China cannot be allowed to have the highest-end semiconductors. Estevez in conversation with Martijn Rasser, Center for a New American Security, October 27, 2022, <https://www.cnas.org/events/special-event-a-conversation-with-under-secretary-of-commerce-alan-f-estevez>.

³⁹ Xi Jinping, "正确引导民营经济健康发展高质量发展."

process of exclusion demands ever more exclusion.⁴⁰ China's response, which is likely to become more and more combative and increasingly exclusionary in its own right, will deepen the conviction in Washington that exclusion is the only way to handle an unreasonable and aggressive adversary.

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A trajectory into deep conflict

Despite the serious potential damage that U.S. exclusion strategies pose to the Chinese economy and Chinese hopes for global influence, and despite China's belligerent rhetorical responses to measures it regards as flagrant violations of international law and national dignity, China's government has thus far been restrained in concrete forms of retaliation. U.S. actions nearly destroyed China's showcase global corporation and aim to exclude China from the leading sectors of the global economy, yet China's only pushback has been export restrictions on two niche metals used in semiconductors, a partial exclusion of U.S. tech company Micron from the China market, and some regulatory roadblocks imposed on Western companies, like withholding approval for Intel's planned merger with Tower Semiconductor.⁴¹

This restraint on China's part, combined with the flurry of high-level diplomatic contacts since Secretary of State Antony Blinken's visit to Beijing in June, leave many in Washington confident that the United States can continue imposing "carefully tailored" forms of economic and diplomatic exclusion and continue building purely "defensive"

⁴⁰ The process of expanding the advanced semiconductor blockade has already begun. Demetri Sevastopulo, "US weighs tougher restrictions on AI chip exports to China," *Financial Times*, June 28, 2023, <https://www.ft.com/content/a6c6b769-349e-440f-a55b-c92371d00dd9>.

⁴¹ Don Clark and Keith Bradsher, "China Scuttles a \$5.4 Billion Microchip Deal Led by U.S. Giant Intel," *The New York Times*, August 16, 2023, <https://www.nytimes.com/2023/08/16/business/intel-tower-semiconductor-china.html>.

containment coalitions in the Asia–Pacific while maintaining U.S.–China animosity at the current manageable level.⁴²

Yet this conclusion requires closing our eyes to the trajectory of the relationship. Far from achieving an equilibrium of intense competition – a balance that could only be maintained on the basis of a mutually acknowledged common good – we are caught in a spiraling deterioration of bilateral trust and of accommodative domestic politics on both sides.

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The trajectory toward conflict is impelled by the zero–sum pressures of a dysfunctional global system, but increasingly U.S.–China antagonism is inculcating the expectation of and a desire for hostilities in both countries. That is not just exacerbating the underlying zero–sum pressures but is remaking institutions, ideologies, and sensibilities at elite and popular levels on both sides in ways that threaten to usher us to violent confrontation.

The warning signs are evident in both countries. Most disturbing is a deep conceptual shift in which policymakers are viewing more and more social issues in their country through a narrow lens of national security. With a strong focus on potential threats and far weaker sensitivity to commonalities or shared interests, a national security framing predisposes policymakers to interpret all the activities of the presumed adversary as directed against “us.” Even innocuous behavior by the other side is drawn into the framework, reimagined as sinister machinations that have been carefully hidden.

⁴² Indeed, each visitor reiterates, as Raimondo said on her recent trip, that “there is no room to compromise or negotiate” on these policies. Joe Leahy, “Raimondo maintains red lines on national security in Beijing visit,” *Financial Times*, August 23, 2023, <https://www.ft.com/content/86a43671-211e-4599-99b2-40507aef4e68>.

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The rise of securitized thinking — over more open and flexible forms of reasoning that flourished in the era of market-led globalization — was driven by a perceived crisis of regime legitimacy among elites in both countries in the years after 2008. It thus precedes and exceeds the irruption of the U.S.–China conflict. But it is being operationalized and institutionalized through that conflict. Political power and government resources are increasingly moving toward those most prone to see the world in zero–sum terms and most likely to perceive every act on the other side as part of a conspiracy to achieve domination.

The Xi government, like the Biden administration, is being pulled in two different directions — between its interest in preserving an open and peaceful global system to sustain domestic economic recovery with more sustainable growth, and increasingly aggrieved forms of insecurity and nationalist indignation. While the internal security environment has been a consistent and highly repressive focus under Xi Jinping, external security has now moved to the center of leadership pronouncements — a development registered in the Party’s rare publicizing of a recent meeting of the National Security Commission, in some ways placing security above development as a governing task.⁴³

Xi himself has been warning, in increasingly explicit language, that he sees the Biden administration’s moves as posing an intolerable threat to core Chinese interests, culminating in March, when he took the highly unusual step of singling out the United States by name.⁴⁴ While China’s foreign policy has long been reluctant to challenge the

⁴³ “习近平主持召开二十届中央国家安全委员会第一次会议,” May 30, 2023, https://www.gov.cn/yaowen/liebiao/202305/content_6883803.htm. A very helpful discussion of this meeting and its context is given in Jude Blanchette, Gerard Dipippo, and Andrew Polk, “The National Security Commission Meets,” Pekingology podcast, June 15, 2023, <https://www.csis.org/podcasts/pekingology/national-security-commission-meets-0>.

⁴⁴ Xi Jinping, “正确引导民营经济健康发展高质量发展.”

United States head-on, the concern is that an increasingly security-focused leadership seeing fewer and fewer options for peaceful coexistence may be in the midst of systematically reorienting the lumbering Chinese state toward international conflict.⁴⁵ The longer the confrontation builds, the harder it will become to redirect the ship of state away from antagonism against the United States.

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At the same time, the Xi government is pursuing its own “derisking” measures aimed at reducing interdependence with the U.S. bloc and building up China’s ability to resist U.S. pressure and, if necessary, fight and win a war. The United States is gambling that it will succeed in permanently subordinating China and, thus humbled, China’s leaders will capitulate to U.S. demands. If either of these bets turns bad, the United States will be facing a bitter enemy with no stabilizing investment in the U.S. system.

A similar process is playing out on the U.S. side. Rather than seeing Chinese society as deeply fragmented, driven by a range of cross-cutting and often contradictory impulses, the securitized sensibility in the United States perceives China as a monolith with Xi Jinping pulling the levers while everyone else carries out his orders. It interprets Xi’s objective as geostrategic domination aiming to “displace” U.S. power, rather than a combustible mix pursuing domestic economic growth and upgrading, preserving the legitimacy of the Communist Party, raising China’s international status, reducing its vulnerabilities, and carrying out the only hazily defined historical mission of revitalizing the Chinese nationality.

⁴⁵ Katja Drinhausen and Helena Legarda, “Comprehensive National Security’ unleashed: How Xi’s approach shapes China’s policies at home and abroad,” Mercator Institute for China Studies, September 15, 2022, <https://www.merics.org/en/report/comprehensive-national-security-unleashed-how-xis-approach-shapes-chinas-policies-home-and->

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Such an account of Chinese foreign policy behavior imposes an unrealistically rigid interpretation on a reality that is far messier. It attributes a finality to Chinese strategic calculations that are, at least for the moment, more malleable. It usually starts from the presumption that Chinese aims are malign while those of the United States and its allies are good and that the two sides are incompatible. The possibility of a larger structure of zero-sum tension driving disagreements is thereby excluded. China's goals that are potentially compatible with U.S. interests and could contribute to overcoming zero-sum pressures are instead cast as threatening attempts to gain geopolitical advantage that must be countered.

Within such a framework, forms of Chinese self-promotion once seen as harmless or even comical are increasingly interpreted as nefarious "influence operations" to brainwash the American people. The ability of often ham-fisted Chinese propaganda to sway audiences outside China is rarely gauged. Instead, a procession of Chinese official statements, media campaigns, everyday bureaucratic routines, government denunciation of critics, and popular boycotts is presented in undifferentiated fashion, mixing together the highly objectionable with the perfectly banal, leaving the impression that the Party's tentacles are penetrating every inch of U.S. society.

As Susan Shirk put it in her dissent to one such report on Chinese influence activities in the United States, "The report discusses a very broad range of Chinese activities, only some of which constitute coercive, covert, or corrupt interference in American society and none of which actually undermines our democratic political institutions. ... The cumulative effect of this expansive inventory that blurs together legitimate with

illegitimate activities is to overstate the threat that China today poses to the American way of life.”⁴⁶

These same habits of thought are increasingly prevalent in foreign policy circles. The tendency of securitized thinking to redefine every act associated with China as part of a malicious geopolitical agenda is often seen in the “gray zone” literature, which investigates China’s coercive techniques short of armed violence. One important RAND Corporation study, for example, implies that China’s national security laws, civil–military fusion, and Party presence in companies have given Xi’s government the power to deploy all of Chinese society to coerce U.S. allies. On tactics directed at Japan, in addition to Chinese military movements around the East China Sea dispute, the study lists such activities as making common cause with South Korea against Japanese prime ministers visiting the militarist Yasukuni Shrine, small numbers of Chinese citizens in Japan organizing protests against pro–Hong Kong democracy demonstrations, and the purchase of forest land in Hokkaidō.⁴⁷ No evidence of Chinese government involvement in the latter two is provided – the persuasive effect arises purely from the assumption that every Chinese person might be acting on the government agenda.

Such an approach is motivating hundreds of pieces of proposed legislation in Congress to restrict or exclude China.⁴⁸ One bipartisan bill, for example, would require the United States to cut off Chinese development finance from the Inter–American Development Bank (IDB), despite a worrying shortfall of capital investment in the region.⁴⁹ According

⁴⁶ Susan Shirk, “Dissenting Opinion,” in Larry Diamond and Orville Schell (eds.), *China’s Influence and American Interests: Promoting Constructive Vigilance*, Report of the Working Group on Chinese Influence Activities in the United States, rev. ed. (Stanford, CA: Hoover Institution Press, 2019), 217.

⁴⁷ Bonny Lin, Cristina L. Garafola, Bruce McClintock, Jonah Blank, Jeffrey W. Hornung, Karen Schwindt, Jennifer D. P. Moroney, Paul Orner, Dennis Borrman, Sarah W. Denton, and Jason Chambers, *Competition in the Gray Zone: Countering China’s Coercion Against U.S. Allies and Partners in the Indo-Pacific* (Santa Monica, CA: RAND Corporation, 2022), 67–93.

⁴⁸ Blaise Malley, “In Washington, China is a four–letter word and the excuse for everything,” *Responsible Statecraft*, May 2, 2023,

<https://responsiblestatecraft.org/2023/05/02/in-washington-china-is-a-four-letter-word-and-the-excuse-for-everything>

⁴⁹ Santiago Acosta–Ormaechea, Gustavo Adler, Ilan Goldfajn, and Anna Ivanova, “Latin America Faces a Third Shock as Global Financial Conditions Tighten,” IMF Blog, October 13, 2022,

<https://www.imf.org/en/Blogs/Articles/2022/10/13/latin-america-faces-a-third-shock-as-global-financial-conditions-tighten>.

to cosponsor Sen. Bill Hagerty (R-TN), “The U.S. is the IDB’s largest shareholder, but the PRC has leveraged the IDB to enhance its growing, nefarious influence in Latin America. I’m pleased to introduce this bipartisan legislation that will help put an end to the CCP’s attempts to use the IDB to advance its goals in Latin America.”⁵⁰

The growing prevalence of such think tank studies and legislative initiatives is the surface indication of deeper dynamics: individual careers and interest group agendas in the U.S. political system are increasingly advanced by elaborating the rising edifice of China exclusion policy. Even leaving aside the very real possibility of a new presidential administration in 2025 that, unlike Biden’s, would pursue exclusion in all domains as an end in itself rather than as a selective tool to achieve China’s subordination, exclusion is in danger of becoming a self-sustaining process.

With pressures for confrontation building in both countries, a new and inclusive direction for the relationship is required to break the momentum toward conflict.

The Biden administration, having taken the exclusion process up to this point, would like to stop and “build a floor for the relationship.” Great power animosity in a zero-sum global system is not so easily tamed. With pressures for confrontation building in both countries, a new and inclusive direction for the relationship is required to break the momentum toward conflict. The United States needs to recognize that it will not be able to exclude China. Only a shared project with China and other major countries to revitalize the global system will make “competition, not conflict” possible.⁵¹

⁵⁰ Press release: “Hagerty, Menendez, Rubio, Kaine Introduce Bipartisan Bill to Force Transparency on China’s Malign Influence at IDB,” July 25, 2023, <https://www.kaine.senate.gov/press-releases/hagerty-menendez-rubio-kaine-introduce-bipartisan-bill-to-force-transparency-on-chinas-malign-influence-at-idb>.

⁵¹ I discuss the reasons to think such a project is possible and principles for pursuing it in Werner, “Common good diplomacy.”

About the Author

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