

A three-pillar strategic framework for competing with China

*China is not yet a military challenge as Russia is (or the Soviet Union was during the Cold War), but neither is it simply an economic competitor. In this article, **Peter Watkins** introduces a series of blog posts that LSE Business Review will be publishing along the next couple of weeks. The series summarises the new report '[Protect, Constrain, Contest](#)', by [LSE IDEAS](#), the foreign policy think tank at LSE. In the report, academics and China watchers set out the important policies needed to put Western relationships with China on a firmer and more manageable footing.*

The past year has seen a growing realisation in the traditional “West” – including the United States, the European Union and the United Kingdom – of the challenge posed by China. There was unease before, particularly in defence and security circles in the U.S. But the dominant narrative, especially in the EU and the UK, was of China as an economic opportunity. Although few Western politicians simplistically “blamed” China for causing the coronavirus pandemic, the latter helped crystallise the change in tone. Commentators have generally agreed that the pandemic would accelerate existing geo-economic and geopolitical trends (including the shift in economic power from the Euro-Atlantic to the Indo-Pacific). Additionally, the Chinese authorities’ handling of the initial outbreak in China and their subsequent behaviour towards Australia and Hong Kong highlighted the Chinese Communist Party (CCP) leadership’s nationalistic and authoritarian instincts and values.

China is not yet a military challenge in the same way as Russia (or the Soviet Union was during the Cold War). But neither is it simply an economic competitor. It is something in-between that conventional Western analytical and policy frameworks struggle to define. There are three interlinked elements:

1. The sheer size (and rate of growth) of the Chinese economy. This would not of itself be unmanageable were it not for the fact that...
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2. Chinese compliance with the international rule-set (intended to limit the market distorting effect of size or other factors) has been selective. China has limited international access to its domestic market (while enjoying largely unfettered access to others’), heavily subsidised certain domestic industries, pursued large-scale state-sponsored industrial espionage, etc.
3. It has become increasingly apparent that this pattern is driven not by economic protectionism, but by the political agenda of the CCP which is irreconcilable with Western liberal values.

It is this combination which constitutes the challenge – and the Western policy response has to be tailored accordingly. Some of the required adjustments may not be comfortable – crossing previously preferred analytical and institutional boundaries between economic policy and security policy as well as taking precautionary steps to protect the West’s own vital economic interests, which may sit uneasily with a fundamentally free-market approach.

Taken together, the five perspectives summarised by their authors in this set of blog posts provide the basis for a strategy with three main pillars or lines of effort:

Protect: Transatlantic allies need to better protect and control access to those Western technologies that are still ahead of Chinese ones – and which the Chinese state therefore seeks to access through fair means or foul. Technologies can become vulnerable through exports (either directly to China or third countries) or through Chinese inward investment in companies in the West. This requires tougher and more dynamic national export and foreign direct investment (FDI) controls – and, crucially, more effort to identify gaps or inconsistencies between national regimes. Read the upcoming blogs by Ashley Lenihan, Francois Chimits, and Anthony Vinci.

Constrain: Allies should act to strengthen the international framework – the World Trade Organisation (WTO) and the various international standards-setting bodies – from which China as well as the West have benefited, so that China is less able to “tilt” the playing field to its advantage. You will see Stephen Paduano’s blog on current issues with the WTO and his recommendations to address them — and also Anthony Vinci’s proposals for additional measures, including mutual aid, which groups of like-minded countries could take collectively to deter uncompetitive behaviour by China and mitigate the impact of coercive economic measures taken by China against one or more of them.

Contest: Sustaining the West’s position in the face of the China challenge cannot be a purely defensive game. Nations must reduce their dependency on certain Chinese technological applications (such as Huawei’s 5G technology, which became a *cause célèbre* in several countries in 2020), ensure that such dependencies do not recur with future critical technologies (e.g., artificial intelligence), and regain the lead in key technologies, which would enhance the competitiveness of Western economies and the resilience of their societies (e.g., clean energy). This would better enable countries to deter Chinese economic brinkmanship – and compete more effectively for the support of the “in-between” states which have been the target of recent diplomatic and economic seduction by Beijing. You will see Jonathan Liebenau’s blog for specific proposals.

A successful strategy requires a sophisticated toolset, applied coherently and judiciously by and among like-minded partners – there are no short-cuts. But much work has already been done. A new administration seeking to “repair” the U.S.’s alliances and the upcoming UK-chaired G7 meeting in June provide timely opportunities to add impetus to this agenda.



Notes:

- *This is the first in a series of blog posts based on the new LSE IDEAS report [‘Protect, Constrain, Contest’](#).*
- *The post expresses the views of its author(s), not the position of LSE Business Review or the London School of Economics.*
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