

The West's Ineffective Containment

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I. Introduction

With Xi Jinping's state visit to Italy in March, the Mediterranean country is poised to get onboard with China's Belt and Road Initiative (BRI) by signing a non-binding memorandum of understanding. It is reported that Italy plans to open up four ports to Chinese investment, most likely by state-backed companies. Italy's participation in BRI, the first member of the Group 7 to do so, is a significant milestone for China in expanding its global project to Europe, and it is sure to cause much consternation and unease among U.S. and its other western allies.

Around the same time, the U.S. is struggling to persuade its European allies to ban Huawei, the Chinese telecommunication giant – from building 5G networks in the future. Notwithstanding repeated pleas and even warnings from the U.S. government, countries including Britain and Germany have made it clear that they will keep their options open and continue to allow Huawei to operate in their domestic markets.

These two events, happening within merely days from each other, are emblematic of the uphill battle facing the U.S. in its effort to rein in China's expanding global reach. China's rise, supercharged by its current leader Xi's unprecedented ambition to translate its economic might into geopolitical power, not only poses a serious challenge to the U.S. global leadership, it would also, if successful, upset and transform the existing international order since the end of the Cold War. Some of China's more assertive gestures in international politics, such as its position on the issue of South China Sea and Xi's signature global project, BRI, have made it clear to western countries that, to maintain the existing international order, it is necessary to counter or contain China's influence.

However, the importance and urgency of the issue is only matched by the ineffectiveness of the West to reach a consensus on a concerted action plan. So far, despite repeated efforts by the U.S., it has largely been unsuccessful in rallying its Western allies to formulate a unified strategy to address the challenges posed by China. The inability of the western countries to effectively contain China is a stark contrast to their generally successful track record in the past three decades. Even contemporarily, the West's response to Russia following its conflict with Ukraine and Crimea in 2014 has been swift and forceful. It is thus worthwhile to ask the following: why does the west's effort to counter China's rise fall short?

In this memo, I answer this question by trying to understand western countries' competing needs for collective security and economic self-interest. Analyzing data from ten years of cross-national public opinion surveys and economic statistics, I show that, for individual western countries, considerations of economic pragmatism in the near term often override that of collective security in the long term. This trade-off choice is further necessitated by two factors. First, the Chinese economy is highly integrated into the global economy; to sever economic ties with China would incur a high cost that many of the western countries are reluctant to pay. Second, U.S. commitment to multilateral cooperation is key in forging a concerted strategy, yet its retreat from global leadership under the Trump administration has caused many to doubt its commitment. Together, these conditions have propelled many of America's western allies to prioritize their national economic interest and continue working with China.

In the rest of this memo, I first examine the unique nature of China's rise that makes sanctions and containment difficult. Next, I use data to analyze how countries in the West perceive China and highlight their dilemma between collective security and economic pragmatism. In particular, I look at how these countries fail to sanction China even as they acknowledge that China poses a potential risk to national and regional security.

II. China's Highly Integrated Economic Power

For the most part of the last four decades since China embarked on its economic reform and modernization, on issues of foreign policy, the Chinese Communist Party had largely adhered to Deng Xiaoping's advice and subscribed to the doctrine of "keeping a low profile" in international affairs. Instead, the CCP government focused on gaining access to the global market to reap economic benefits from international trade.

However, after Xi Jinping took power in 2013, China has adopted a new posture in its foreign policy, one that is decidedly more assertive and more willing to challenge the existing international order. With the launch of his signature project, the Belt and Road Initiative (BRI), Xi seeks to translate China's economic might into geopolitical power by establishing a global commerce network centered on China, which involves heavy investment in infrastructure by Chinese companies overseas.

According to official statistics, as of September 2018, the total worth of all Chinese infrastructure projects overseas is over \$500 billion, and outward Chinese FDI has exceeded \$80 billion. Although most BRI activities are concentrated in Asia, Africa and Eurasia, China has signed memoranda of understanding or other forms of official documents on BRI with 123 countries worldwide, including some in Eastern and Central Europe. Albeit non-binding, the signing of these documents indicate a willingness of many countries to deepen economic cooperate with China.

Western countries have been alarmed by China's rapidly expanding global reach through BRI. Many are concerned that, although BRI focuses on economic cooperation, it bears profound geopolitical implications. One primary concern is that some countries participating in BRI are racking up unsustainable amounts of debt and would become beholden to Chinese interest if unable to repay or finance the debts, i.e. the so-called "debt trap." In 2018, the Sri Lankan government had to sign

over one of its ports to China on a 99-year lease after failing to meet its debt commitments. In a less explicit case, Djibouti allowed China to open its first overseas military base in light of its ballooning debts linked to Chinese investment.

In addition to BRI, China's new outward-looking foreign policy is aided by large Chinese technology companies such as Huawei, ZTE and Lenovo that have carved out a competitive advantage on the global market. Even though they are not state-owned or state-managed, many worry about possible backdoor access to private information these companies have to give to the Chinese state, as mandated by the Cyber Security Law of China. In particular, Huawei has become a successful global business and expanded its operation beyond just the developing world. Still without access to the American market, Huawei has nevertheless managed to establish itself in the European market as an integral player in local markets. In Germany, it has opened research facilities to develop new innovations; its market share in Britain has grown since 2013, with a five-year £3-billion government contract signed last year.

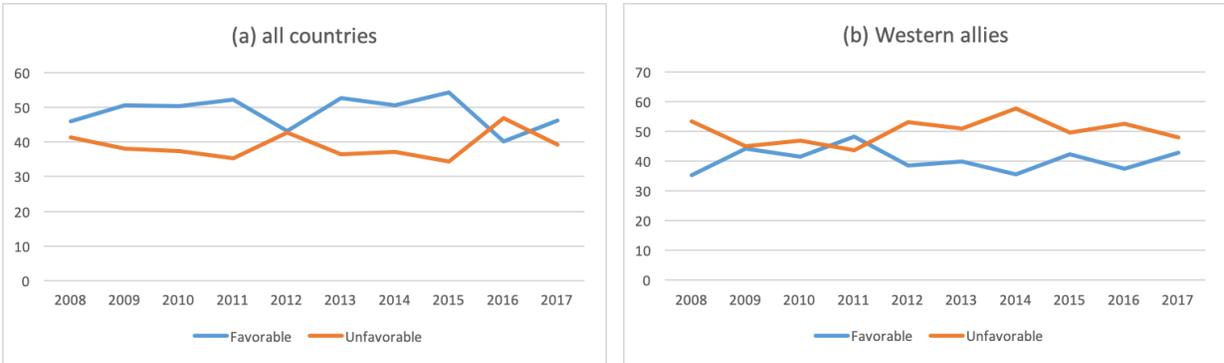
These activities by the Chinese government and companies have quickly accrued Chinese influence overseas. It is evident that China seeks to leverage its economic power to gain geopolitical influence. However, these activities also set China apart from most other emerging economies and make it hard for the West to contain China by imposing sanctions. Although the Chinese economy has large exposure to the international market and is still largely export-oriented, it does not rely on natural resources and commodities such as oil and crops for revenue; instead, the Chinese economy has upgraded and diversified itself on the global supply chain over time. As a result, it is now extremely costly to western countries if they want to diminish China's economic power by removing it from the international market. In other words, China's economic rise – and geopolitical rise, to a lesser extent – has been primarily based on mutually beneficial economic transactions. To impose sanction on China would lead to economic costs to the west.

III. Concerns for Collective Security

Although China has largely been a beneficial force on the international market, the West is clear-eyed about the many incongruities China has vis-à-vis the post-Cold War liberal international order. In this section, I analyze data from ten years of Global Attitudes Survey conducted by Pew Research Center in about 50 countries between 2008 and 2017, in an effort to understand the west's attitude towards China.

As illustrated by graph (a) in Figure 1, China's favorability rating worldwide has been largely consistent over the last ten years, with slightly more respondents having either a "very favorable" or "somewhat favorable" opinion on China than those having a "very unfavorable" or "somewhat unfavorable" opinion. If we look at western countries alone in graph (b), we see that they overall have a more negative perception of China. Perhaps more importantly, we also observe a gradual but steady trend that China is becoming more unfavorable over time, especially after Xi took power in 2012.

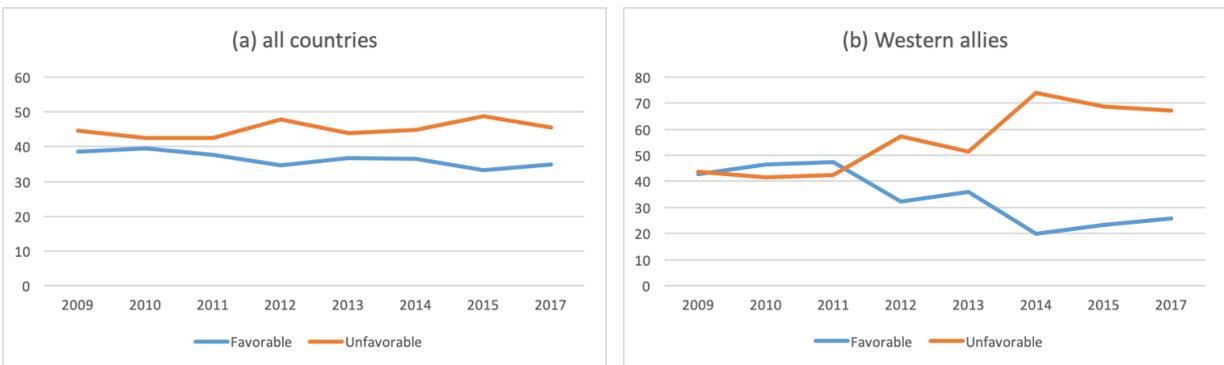
Figure 1. China's Favorability with Foreign Countries



The upward trend in unfavorability begets the puzzle of *why* the West has not moved to address the many infractions by China and counter its growing geopolitical influence. A comparison between China and Russia is both interesting and instructive in looking for an answer to this question.

According to the same surveys, Russia's favorability ratings worldwide and with the western countries, respective, exhibit similar characteristics to that of China. As shown in graph (a) of Figure 2, despite the fact that the "Unfavorable" is consistently higher than "Favorable", the favorability rating by all countries has been very stable over time. Moreover, like in the Chinese case, the West has a more negative perception of Russia, and there has been an upward trend in unfavorability since Putin took the office of presidency in 2012.

Figure 2. Russia's Favorability with Foreign Countries



The similarity between the two countries in the eyes of the West does not stop here. Similar numbers of respondents in the West perceive China and Russia, respectively, as a threat to their

national security; the numbers for China even surpassed that for Russia in 2016 (Figure 3). Moreover, the governments in both countries are perceived by the West as not allowing much personal freedom in their societies (Figure 4).

Figure 3. Perceived Threat to Security

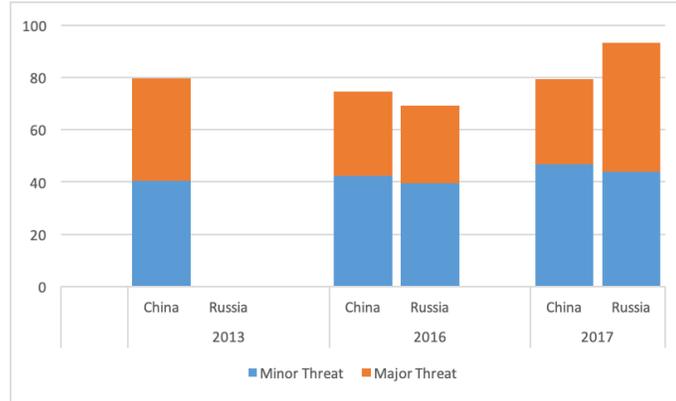
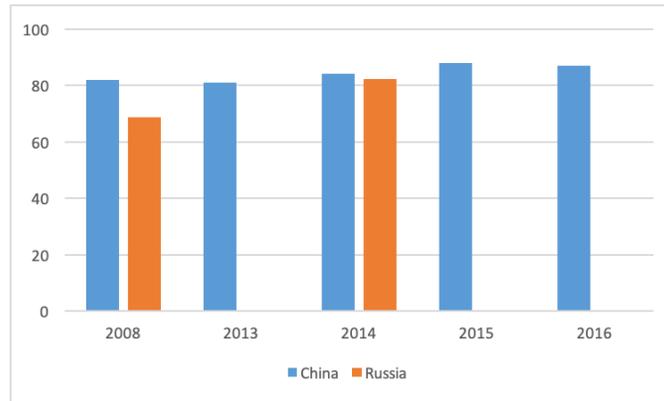


Figure 4. No Respect for Personal Freedom



These statistics suggest that, on the ground of both security concerns and ideological values, western countries consider both China and Russia as serious challenges to the existing liberal international order that need to be addressed. However, the west’s responses to these two countries differ vastly. In the case of Russia, following its conflict with Ukraine and the subsequent annexation of Crimea, the West reacted swiftly and imposed sanctions on Russia in a concerted manner. In the case of China, in contrast, notwithstanding Xi’s aggressive foreign policy and China’s recent violation of human rights and civil liberty, the West has not been able to come up with a unified strategy to respond to China.

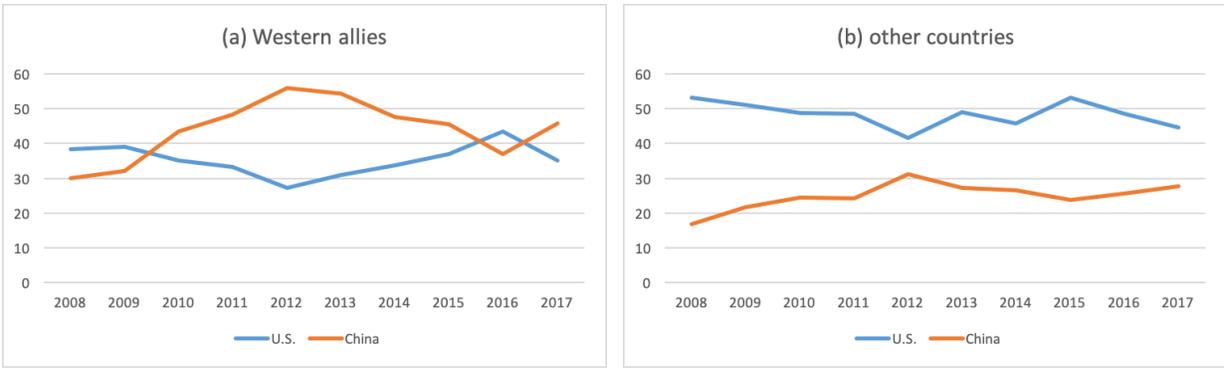
IV. Self-Interested Economic Pragmatism

China's growing influence has been most acutely felt in its neighboring region, Asia Pacific. Concerned about China's strong position in the region, countries in the Asia Pacific have responded proactively in cooperation with the U.S. The Obama administration participated in the negotiation and signed the Trans-Pacific Partnership (TPP) with twelve other countries in an effort to establish a multilateral framework that would reduce the signatories' economic dependence on trade with China. The Trump administration withdrew the U.S. from TPP, but proposed a new strategy, dubbed the Indo-Pacific strategy, designed specifically to counter the influence of BRI in the region by promoting infrastructure investments by private American companies (rather than directly channeling investments like China in the case of BRI) in countries in the region.

While Asian countries are anxious to rally around the U.S. to address China's increasing presence in the region, the European allies of the U.S. are much slower to respond. As discussed earlier, China has successfully integrated itself into the global economy, and its integration has so far been beneficial to the developed world by supplying goods and services at a competitive price. In this section, I look at how the western alliance views China's economic power and how their perception could inform or instruct their decisions regarding collective strategy of containment. I argue that the western alliance's inability to formulate a unified response to China's rise can be largely attributed to their recognition of China's economic status. To be more specific, it is their acknowledgement that China has become an indispensable player in the global economy that has led them to be more resigned of China's growing geopolitical influence, since any sanction or containment would be economically costly to these countries individually.

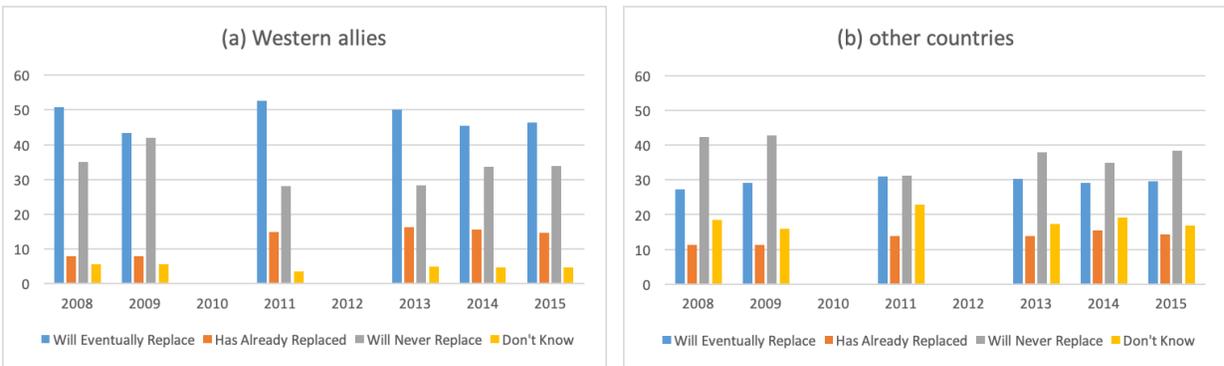
According to the Pew surveys, when asked about which country is the world's leading economic power, significantly more respondents in the West chose China rather than the U.S. As show in Figure 5, the U.S.'s Western allies are much more bullish on their evaluation of China's economic might than the rest of the world. Although public opinion is only an indication of perception, yet economic expectation based on perception often becomes a self-fulfilling cycle. The confidence that these countries have in the Chinese economy prompts them to increase their economic interaction with China, which in turn further strengthen the Chinese economy. In contrast, while these countries are committed to their alliance with the United States, especially when security issues are concerned, they no longer view the U.S. as the only economic center, much less a point of growth.

Figure 5. World's Leading Economic Power



Similarly, not only do the western countries perceive China as the leading economic power, they also see the potential – or inevitability – that China would use its economic might to attain the geopolitical superpower status. When asked about whether China would eventually replace the U.S. as “world’s leading superpower” (Figure 6), approximately half of the respondents in the West believe China would eventually replace the U.S, with an increasing number of them over time believing that China has already replaced the U.S. In the meantime, only about one third believe that U.S. will never be replaced. This sober recognition that the U.S. will not forever be the global hegemon further increases western countries’ reluctance to actively work against China.

Figure 6. “Will China replace the U.S. as world’s superpower?”



An interesting finding borne out by the data is that the other countries in the world, most of which developing countries and many of which direct beneficiaries and participants of BRI, still consider the U.S. the sole hegemon on the international arena, both economically and geopolitically. This in part reflects the breadth and depth of the American global influence; it also suggests that many developing countries are currently hedging their bet in the U.S.-Sino rivalry.

Taken together, the data suggests that although China’s economic strength is more manifest in the developing world with Chinese investments and projects, the developed countries in the West are more ready to recognize China’s status as world’s leading economic player. This perception in turn

feeds into the decision-making by businesses and government in these countries and reduces their willingness to cut economic ties with China.

V. Conclusion

Perception is sometimes reality. Although the U.S. allies in the West remain staunch in their commitment to multilateral cooperation on security issues, they also recognize the importance of China as a key player in the global economy. Their perception of China as an economic powerhouse makes it difficult for the U.S. to effectively organize a concerted strategy to counter China's rise, as these countries each individually continue to benefit from their economic interaction with China.