

TEN ALTERNATIVE FUTURES FOR U.S.-CHINA RELATIONS

Kevin Rudd

WHAT is likely to happen in this dangerous decade ahead? The fixed factors at work in the U.S.-China relationship, including China's expanding military, the broad contours of Chinese President Xi Jinping's long-term strategy, and the growing intensity of strategic competition, may be relatively clear. But the variables are still vast. The most important of these include the content, continuity, and implementation of American strategy under President Joe Biden and its long-term political sustainability through the 2024 and 2028 presidential elections. There is also the question of how effective this strategy will be in rebuilding American military and economic

power at home and in reconsolidating America's alliances abroad after the trauma that was Trump.

Then there are the unpredictable third-country variables that are also at play—for example, the decision by the European Commission to forge a new investment treaty with China in the dying days of the Trump administration in January 2021. This also followed the decision by America's principal Asian allies in October 2020 to join with China in the Regional Comprehensive Economic Partnership—a far-reaching Asia-Pacific free trade agreement—while both America and India remained outside. Both developments indicate that America will still have a difficult task on its hands

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Few good scenarios on the horizon of U.S.-China relations

against the long-term lure of the Chinese economy. Even before the Biden administration was sworn in, the global gravitational pull of the great Chinese economic juggernaut was—as Xi Jinping had predicted—beginning to look irresistible. On the other hand, the European Parliament's decision in May 2021 to suspend ratification of the investment treaty with China (because of Beijing's intimidatory tactics against parliamentary members of the European Parliament who had opposed Chinese policies in Xinjiang) demonstrates just how politically volatile diplomatic and economic relationships with Beijing have become. Then there are the problems unfolding

in China's domestic growth model, referred to throughout this book, as Xi seeks to reassert party control over the private sector, depressing Chinese business confidence with as yet unknown consequences for long-term economic growth—and with some potential to unravel the fundamental domestic economic underpinnings of China's long-term claim to global geopolitical power.

It is hazardous, therefore, to attempt any single, authoritative forecast of what the U.S.-China relationship will look like by 2030. The best way to envision the future is to instead outline a range of scenarios based on different

assumptions, providing some indication of the consequences that are likely to flow from each of them.

SCENARIO 1: AMERICA’S MUNICH MOMENT

Under this scenario, Xi Jinping—with or without provocation from independentists in Taipei—decides to bring about a military solution to the Taiwan question before this decade’s end. The political motivation for such a course of action could include a radical turn in Taiwanese domestic politics following the 2024 Taiwanese presidential elections, a desire by Xi in the years leading up to the 21st or 22nd Party Congresses

Under [Scenario 1], Xi Jinping [...] decides to bring about a military solution to the Taiwan question before this decade’s end. This scenario assumes that the American military response would be nominal and that of its allies nonexistent.

to secure his ongoing position as paramount leader, and/or a conclusion that American domestic politics were in such structural disarray that the risk of U.S. armed intervention was minimal.

The military or paramilitary tactics Chinese action could take against Taiwan would be consistent with the patterns of Chinese war-gaming over recent years. They could include one or more of the following: organizing domestic insurrection within Taiwan (though unlikely to succeed alone, given largely negative Taiwanese public sentiment

toward the People’s Republic); a massive cyberattack against Taiwan’s civilian or military infrastructure; the military occupation of one or a number of Taiwan’s offshore islands as a warning for Taipei to seek terms; an economic blockade of the island; a preemptive long-range attack against the Taiwanese armed forces; or a full-scale air and amphibious assault on Taiwan itself.

This scenario assumes that the American military response would be nominal and that of its allies nonexistent. The Western response would, in this case, consist of the usual array of trade, investment, and financial sanctions, although these have already been

factored into Chinese scenario planning with relevant contingency planning already put in place to mitigate their impact. This would include preparing China’s financial system to withstand any assault from what would then be a weakened U.S. dollar and a weakened American capacity to mobilize the dollar-denominated international financial system to impose punitive financial sanctions. Chinese leaders feared this would happen over Hong Kong in 2020, but it failed to materialize. The UN will be silent, as China will have secured its position both in the Security Council

and the General Assembly through a growing array of compliant member states, including a number from the developed world. The UN will conclude that the Taiwan issue is an internal matter for the Chinese people to resolve. The EU as an institution will likely remain neutral, particularly in the UK’s absence and the ultimate geopolitical ambivalence of Germany and France on China-Taiwan.

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American treaty allies’ confidence in the credibility of Washington’s security guarantees would be undermined. It would likely be seen globally as America’s Munich moment, much as the original event effectively saw the end of the United Kingdom as a global great power.

However, the problem for China under this scenario would be the brutality of the military occupation that would be necessary to control an island with a mountainous geography, home to 25 million people with sophisticated skill sets, weapons, and a deep and widespread

animosity towards the Chinese Communist Party (CCP). China’s occupation of Taiwan would make the violence inflicted on Tibet and the measures taken in Xinjiang look peaceful by comparison. Taiwan would become a gaping wound in China’s side in the court of international public opinion for the remainder of the twenty-

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first century. It would also collapse whatever moral authority China had by that stage in the eyes of the international community. The world would brace itself for a return to an earlier atavistic age in which might made right, effective international institutions were little more than dreams, and the rules-based order lay in tatters.

SCENARIO 2: A SECOND MIDWAY

Beijing believes the likelihood of a full American military, economic, and cyber response to an attack on Taiwan is less probable than not. But its sense of strategic caution means this scenario remains the subject of active planning by the People’s Liberation Army (PLA). Based on public reporting of both American and Chinese war-gaming, the prospect that the United States could actually decisively “win” such a war is also less likely than the alternative. But this scenario leaves aside the question of how any such “win”

should be credibly defined. It could mean the “defeat” of all Chinese naval, air, and missile assets deployed across the Taiwan Strait; the cessation of Chinese military and paramilitary action against Taiwan; the withdrawal of any Chinese forces from Taiwan; the collapse of Xi’s rule; or the collapse of the CCP regime itself as a result of the total loss of domestic political legitimacy that would flow from such a dramatic military failure.

Each of these possibilities brings up a further range of contingencies, such as how the United States could possibly defeat Chinese forces committed to attacking Taiwan without also disabling the core of the Chinese command, control, and communications systems coordinating that attack. That would mean at least partially disabling the line of communication with the Central Military Commission in Beijing—thereby risking rapid and near-total escalation. This brings us to the question of escalation to a larger-scale conventional war with China, including the threat of nuclear confrontation.

The bottom line of this scenario is that given that the domestic political stakes in Beijing to secure victory would be higher than at any time since 1949, and given that the party’s number-one priority has always been

to remain in power, it is more likely than not that Xi would be predisposed to escalating a military conflict with America once one has begun in order to retain nationalist support. China is also deeply aware of the American public’s limited appetite for foreign wars, having observed closely the impact of public opinion on U.S. military engagements in Korea, Vietnam, Iraq,

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Syria, and Afghanistan. Xi is a keen student of the Chinese action against American forces in Korea, where Washington preferred to leave in stalemate rather than commit ground forces to fight in China.

Xi would therefore likely use whatever means are at China’s disposal to make a war with the United States over the Taiwan Strait as long and as costly as possible, enabling him to develop and deploy an effective domestic political narrative that would rally nationalist sentiment and mask any military defeats in the field. Xi is sufficiently realistic to understand that an American victory in response to Chinese military aggression against Taiwan—or even a stalemate that left Taiwan out of Beijing’s hands—would be terminal for his leadership. That is because returning Taiwan to Chinese sovereignty has occupied a bigger part of Xi Jinping’s political mission and mandate than any of his post-Mao predecessors.

SCENARIO 3: AN AMERICAN WATERLOO

As previously indicated, based on the current balance of forces and published reports of the most recent war-gaming by both sides, an American loss, at present, represents the most probable outcome of a full-scale American conventional military intervention in support of Taiwan. According to military analysts that run regular simulations for the Pentagon, most scenarios would begin with a massive barrage of Chinese missiles targeting Taiwanese and American aircraft, ships, and infrastructure in Taiwan, Okinawa, and Guam, overwhelming American missile defenses. RAND analysts describe projected American losses as “staggering,” and say the destruction of basic infrastructure would make it “exponentially more difficult to project power” into the region.

While American attack submarines near enough to Taiwan to respond would have an advantage, they would only be able to sink a limited number of ships in China’s amphibious invasion fleet, which would aim to land a PLA standing force of some 220,000 soldiers and marines

at 15 to 20 different beachheads on the island following lightning attacks by Chinese airborne and helicopter troops. The result: “Team Blue” would have “its ass handed to it for years,” according to David Ochmanek, a former U.S. deputy

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assistant secretary of defense. With the Taiwanese army generally considered to be undertrained, under-armed, and poorly organized, the Americans would likely only have a matter of one to two weeks to rush significant forces to Taiwan’s defense and would find defending the island especially difficult without striking the Chinese mainland. The results of recent war-gaming underline Beijing’s significant strategic success over the last two

decades in closing the military capabilities gap in the theater with the United States, China’s growing numerical advantage in weapons systems most relevant to Taiwan scenarios, and the overwhelming value of immediate geographic proximity—as opposed to fighting the war from Guam, Honolulu, and Washington.

But this scenario also presents real risks for China. Military success could only be guaranteed by taking out critical American bases—including Guam—which would constitute an

attack on the sovereign territory of the United States. This, in turn, would trigger the likelihood of large-scale military escalation by the United States, turning a Taiwan conflict into a general war in the western Pacific, with the possible participation of America's Asian treaty allies, including Japan.

While the United States has not committed to a no-first-use nuclear doctrine (which would not permit the use, or even the threatened use, of American nuclear forces even in the event of likely conventional military defeat), in practice—given historical evidence—the United States would be extremely unlikely to respond with nuclear force. If Washington declined to use nuclear weapons in Korea, Vietnam, and the Taiwan Strait crises of the 1950s when there was negligible risk of any form of nuclear retaliation, the United States would not do so over Taiwan in the 2020s, when the escalation risks are much greater.

Under this scenario, whatever form a Chinese military victory over the United States might take, the bottom line is that it would signal the end of the

American Century—not just in Asia but for the rest of the world. America's treaty allies and security partners would then likely seek varying levels of strate-

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gic accommodation with Beijing, as governments across the world would conclude that American military power no longer offered effective protection against the next global superpower. Xi Jinping would be further emboldened to prosecute China's remaining outstanding territorial claims in the East China Sea, the South China Sea, and against India. Europe—historically predisposed toward maximizing its economic interests in China while regarding China's security challenges as an Asian rather than a European concern—would quickly return to its long-running strategic drift toward Beijing. Indeed, Europe may see China as its best long-term strategic leverage against Russia, given that Beijing sees Berlin, Paris, and Brussels—not Moscow—as major economic, trade, and investment partners. Moscow would likely become anxious that a bold and confident China might even try to reclaim what was once Chinese territory

lost to the Russian Far East during the czarist period. Beyond treaty allies and partners, the world under this scenario would gravitate quickly toward a global order anchored in Beijing, with global institutions increasingly compliant with Chinese foreign policy interests and values. America's military defeat by China over Taiwan would likely be seen as an American Waterloo, heralding the beginning of a new and uncertain Chinese Century.

SCENARIO 4: CHINESE AND AMERICAN MILITARY STALEMATE

This is a possible extension of scenario 2 and is drawn from the lessons of the Korean War, which involved more than three years of protracted, seesawing military conflict with large-scale casualties. It is difficult to project what such a stalemate would look like, given that China's military strategy of air-sea denial against American forces would probably tend toward more decisive outcomes in the maritime domain. But some military theorists suggest that continued U.S. investment in similar standoff area denial weapons, this could lead to the region's ocean surface and airspace becoming a no-man's-land, creating something like a maritime version of World War I's trench warfare.

Nonetheless, the political imperatives of survival for the CCP would never allow any formal concession of defeat. The party's deep experience as a revolutionary

army, which faced near extinction at various times during its century-long history, would cause it to regroup and continue the fight once strategic circumstances changed. Additionally, its army grew up on guerrilla warfare, in which major battlefield wins are not required to prevail, only wearing down the enemy over time in what Mao called "protracted war." Therefore, for China, a military stalemate is an acceptable—albeit not a desirable—outcome. But it would be difficult to see Xi Jinping surviving for long under such circumstances, even if the party itself did. The same cannot be said for the United States, whose political system and culture is more predisposed toward final resolution and less tolerant of rolling ambiguity or drawn-out conflict, especially after the experiences of Afghanistan and Iraq. Still, American military commanders are likely to have options at their disposal for long-term, lower-level military engagement (such as a blockade on crucial Chinese shipping) that could also deny China a clean victory.

SCENARIO 5: WASHINGTON'S BEST-CASE SCENARIO

In the best-case scenario for both Washington and the current government in Taipei, it is possible that they could successfully deter China from seeking to take Taiwan for the duration of Xi's reign. This would be achieved through combined economic and technological strength, military preparedness, and diplomacy. It would

depend on the United States rebuilding its national economic power in the post-COVID period and sufficiently funding the U.S. military to reassert American dominance in the air-sea gap across the Taiwan Strait. It would also require Taiwan to intelligently upgrade its military weaponry and training (supported, where necessary, by American arms sales) and cyber and civilian defenses in order to present a credible national deterrent against attack or internal subversion by the mainland.

Such a scenario would require Taiwanese diplomacy toward the mainland to become more dexterous than in the recent past, capable of exploring new forms of long-term political accommodation with Beijing while preserving Taiwan's democratic system and absolute political autonomy. It would also be premised on Beijing becoming more conscious of its constraints in the use of its national hard power. Such constraints might include any weakening of Chinese economic growth, new budgetary limitations on the future growth of Chinese military spending because of competing domestic spending priorities deemed

necessary to preserve social harmony, or a failure to keep pace with critical new game-changing military technologies developed by the United States.

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However, there is another possibility: that America and Taiwan might succeed in deterring a Chinese military assault but fail to prevent a comprehensive cyberattack that disables much of Taiwan's critical infrastructure. This, in turn, would pose the question of how Washington and Taipei might retaliate in such a scenario while avoiding escalation into a general war. Therefore, a successful deterrence strategy under this scenario would need to prevent the full range of mili-

tary and paramilitary actions by China and against Taiwan—not just physical armed attack, amphibious assault, invasion, and occupation.

SCENARIO 6: A LIMITED WAR IN THE SOUTH CHINA SEA

Perhaps one of the most likely—albeit unintentional—scenarios would arise from a collision between Chinese and American naval vessels in the South China Sea. There have been a

number of near misses in recent years, as Chinese naval commanders have maneuvered within yards of American destroyers at full speed. In each of these cases, the U.S. vessel changed course to avoid a collision. This will not necessarily prevent collisions in the future. While there are bilateral military protocols effective from the Obama period—aimed at both avoiding and managing incidents at sea—future collisions could result in a general escalation between combatants within the wider area.

A second possibility could also involve Chinese vessels deliberately ramming or attacking non-U.S. allied naval vessels conducting freedom-of-navigation operations in the South China Sea. China's unofficial media, such as the *Global Times*, have already threatened that this could happen to Australian naval vessels. While such an attack would likely trigger the mutual assistance provisions of America's formal defense treaties with its Asian allies, China might regard this as a lesser risk than a direct assault on an American naval vessel. Besides, such an attack could be carried out with enough ambiguity that the struck vessel would not be able to prove it was not an accident, making it more difficult for the United States to retaliate. A similar

situation could arise in the air, with Chinese military aircraft colliding with American or allied planes—as happened with the 2001 EP-3 incident in the South China Sea.

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rial and maritime claims across the South China Sea presents a growing number of possibilities for future incidents at sea. There are several hundred Chinese vessels engaged in such activities in the region at any one time, meaning the probability of incidents at sea continues to rise

exponentially. These could also involve American treaty allies such as the Philippines, which has, together with Vietnam, the largest conflicting territorial and maritime claims against China. For these countries, the importance of these claims is not just theoretical, as they often center on areas crucial to their local fishing industries. Philippine vessels' response to Chinese actions would be less likely to adhere to the level of restraint adopted by the U.S. Navy, which has standing encounters-at-sea protocols in place with their PLAN counterparts. Should the Philippine domestic political climate take a turn toward more

anti-Chinese populism, such confrontations between Manila and Beijing could easily escalate.

One further set of possibilities arises if China resumes its efforts to reclaim further “islands” in the South China Sea or continues militarizing the seven it has already built. China’s last reclamation exercise began under President Obama when Biden was vice president, and Beijing was delighted it was able to succeed without any real American military resistance. China may be inclined to push the envelope once more. But given the radical change in the political environment toward China in Washington since that time, it is much more probable that the United States would provide a military response.

The critical factor in all of these sub-scenarios is that their trajectories and outcomes, beyond the immediate triggering incidents themselves, are all uncertain. It was in an effort to deal with these uncertainties that the Obama Administration negotiated protocols with China on the management of both air and naval collisions referred to

above. However, that was possible at a time when the bilateral political relationship, while fraught, was still stable. That is no longer the case. Furthermore, if any of these incidents did result in escalation, including the deployment of weapons systems, while it might be possible to quarantine any ensuing military exchange to combatants operating within the South China Sea, the integrated theater command structures governing both the Chinese and American militaries would make fighting a strictly limited war very difficult. All the political and military variables at play, including the nationalist sentiment, would likely push in the direction of escalating rather than containing any such conflict.

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SCENARIO 7: FIGHTING JAPAN & THE U.S. IN THE EAST CHINA SEA

Under this scenario, the immediate combatants would be the two claimant states to the Senkaku/Diaoyu Dao Islands, located in the East China Sea: China and Japan. However, in the event of a conflict over the Senkaku Islands, Washington has already publicly declared that its mutual defense treaty with Japan would apply. This makes

any incident involving the collision of Chinese and Japanese vessels and aircraft particularly dangerous. The risk of escalation is both real and immediate. If America failed to militarily back Japan in any such conflict against China, it would automatically herald the demise of the U.S.-Japan defense treaty and could trigger a new debate in Tokyo on the need to rapidly increase its relatively constrained military expenditure or even acquire its own nuclear deterrent.

Nonetheless, China is wary of Japan’s current military (and particularly naval) capabilities, even in the absence of American intervention—as it would be politically catastrophic for the CCP to find itself in a war with its old foe Japan and not win decisively. Given the historical role Japan and its navy played in China’s Century of Humiliation, failing again would destroy the CCP’s legitimacy in the eyes of the people, especially given the decades of triumphalist propaganda. Japan’s expanding naval and air capabilities, combined with the real risk of American military intervention are likely to continue to act as an effective deterrent against any preemptive Chinese military action.

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Despite this, the scope and intensity of Chinese and Japanese naval, air force, coast guard, and other deployments have been increasing and are considerably greater than those between China and the U.S. in the South China Sea. China has ramped up the pace and scale of its incursions near the Senkaku/Diaoyu Dao Islands, with a total of 88 Chinese vessels entering Japanese territorial waters in 2020. By November 2020, Chinese coast guard vessels entered and operated inside Japan’s contiguous zone for a total of 283 straight days in 2020, setting a new annual record. Japanese officials emphasize that this pattern of behavior continued to accelerate, oblivious to the state of diplomatic engagement between Beijing and Tokyo at any given time.

Moreover, while Chinese strategists may regard the East China Sea as only their third-most important territorial claim, Senkaku/Diaoyu Dao is still referred to in Chinese strategic literature as one of China’s core interests. In an ideal world, at least from Beijing’s perspective, the East China Sea problem with Japan could wait until after China demonstrated the finite limits of American power

over Taiwan and the South China Sea, assuming that American failures there would lessen Japanese resolve. However, the history of international relations tells us that crises are rarely resolved in such a neat and linear sequence.

Chinese strategic thought normally cautions against provoking incidents across several fronts simultaneously, but China's decision in 2020 to increase the tempo of its activities across all its disputed boundaries (the East China Sea, the South China Sea, the Taiwan Strait, and the Indian border) as well as domestically (in Xinjiang, Inner Mongolia, and Hong Kong) provides a cautionary tale to us all. Indeed, the experience of 2020 points to a more fundamental factor at play in Chinese politics and geopolitics: if the party believes it is under threat at home, its default instinct is to demonstrate resolute strength abroad.

History also suggests that any incident in Sino-Japanese relations is capable of rapid political escalation, and the toxicity in the relationship dating from much of the twentieth century is still capable of triggering raw, nationalist responses on both sides. The bottom line is this: while the Sino-Japanese dispute over the East China Sea may receive less public attention in Washington and the West than Taiwan and the South China Sea simply because it is relatively well managed, the East China Sea remains inherently volatile. And if war were to

erupt there, the global consequences of a likely involvement of the world's three largest economies would be profound, potentially sending Asian economic growth into a tailspin for a decade.

SCENARIO 8: A U.S.-CHINA CONFLICT OVER NORTH KOREA

This may seem a remote possibility, but the absence of sustained international media attention on the future of the North Korean nuclear program since the 2018 Trump-Kim Jong-un summit in Singapore does not mean that the problem of North Korea has disappeared. Nor should we forget that the only time Chinese Communist forces have fought American troops was on the Korean Peninsula, when China judged that its immediate national security interests were at stake. From Beijing's perspective, there are immutable principles of strategic geography to consider when it comes to the Korean Peninsula, including a deep neuralgia about any adversary being able to threaten its continental territorial integrity. These concerns are reinforced by China's historical view that Korea lies within the ancient Confucian world—and now within China's legitimate modern sphere of influence. For these reasons, Beijing likely retains a series of redlines regarding any new American strategy toward North Korea.

But now that Trump's rolling circus act with Kim Jong-un is over, China may seek to help the U.S. apply further

pressure on Pyongyang to dismantle its nuclear and/or missile program. However, if North Korea refuses, China will not apply any effective energy supply sanctions against the North to force any policy change. Beijing refused to do so in the past when Xi's relationship with Kim was in bad repair. And after several years of improved interpersonal relations between the two leaders, Xi will be even less likely to do anything dramatic that would worsen his hard-won relationship with Kim. Xi's bottom line is that as long as Kim does not point his missiles at China, his weapons program doesn't fundamentally harm China's wider national security interests. A North Korean nuclear capability would likely be exclusively targeted at China's strategic adversaries: the United States, Japan, South Korea, and even Australia. Complicating these countries' threat environment may enhance China's overall interests rather than the reverse.

In particular, China is adamantly opposed to the idea of a unified Korean state on its borders. With the possible exception of Russia, Beijing does not see any of its neighbors as sufficiently strong to challenge China's national security, foreign policy, or economic interests. China has no interest in changing the political status quo on the peninsula, even if it resulted in a neutral Korea and certainly not if it involved a pro-American, unified Korea. China's view would be unlikely to

change even if a unified Korea was no longer formally allied to America. China may seek to position itself as South Korea's best security guarantee against any nuclear threat from the North, with Beijing working to limit Pyongyang's nuclear expansion in exchange for continued economic support for the regime. Ironically, China, rather than the United States, would then become South Korea's nuclear guarantor.

For these reasons, in the absence of any other negotiating leverage applied by Washington toward Beijing or any political implosion in Pyongyang, the Biden Administration will discover that, on the central question of the elimination of North Korea's existing nuclear arsenal and missile program, Xi Jinping is unlikely to be helpful. In fact, given the general deterioration in the U.S.-China relationship since 2018, Xi may actively seek to hinder any progress through his newfound warmer relationship with Kim Jong-un. This would represent a further setback in the U.S.-China relationship, but would be unlikely to result in any form of confrontation on the peninsula.

However, should Kim recommence his nuclear and/or long-range missile testing program, the U.S.-North Korea relationship would immediately be thrust into a new crisis. The United States would have to confront the reality of allowing North Korea to become

a full-fledged nuclear weapons state, able to threaten nuclear blackmail against South Korea, Japan, Australia, and potentially other allies including

the United States itself. This, in turn, would trigger regional debates across Asia on the need to develop independent nuclear deterrents in case the American nuclear umbrella proved insufficiently reliable—a different sort of strategic nightmare for China. Any such decision by the North could thus trigger several unforeseen consequences across Asia.

An alternative scenario would be for the United States to militarily preempt any such effort by North Korea to secure a full-blown nuclear and missile capability. However, if this happened, it would likely result in large-scale military action by the North against the South, risking a second Korean War. Once again, direct Chinese military engagement could result in support of the North against the South—including the South's principal ally, the United States. In early 2020s, such scenarios may seem fanciful, but that is based on the absence of a genuine North

Korean effort to achieve a full nuclear break-out and produce nuclear-tipped missiles in large numbers. Any resumption of hardline American diplomacy toward North Korea could prompt just that. Biden's imperative is therefore to convince Beijing to forestall any such action by Pyongyang.

SCENARIO 9: XI'S OPTIMAL PLAN

Under this scenario, by decade's end and in the lead-up to the 22nd Party Congress in 2032, Xi would have achieved all his major domestic and foreign policy objectives to the point of establishing China's regional and global preeminence. This would be accomplished without China facing any major political or economic setbacks or having to fire a shot. This is certainly Xi's optimal plan. To achieve

it, the United States and its Asian and European allies would need to conclude that the sheer critical mass of China's strategic, economic, and technological weight had given it unstoppable momentum and that to arrest or even slow down its ascension would require a crippling expenditure of blood and treasure.

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What would Xi's definition of success be under this scenario? Certainly, Xi's political position would be as secure as Mao's had been during his last decade in power, having "rectified" all his potential opponents within the party and having established a watertight surveillance state. Xi's economic model—while delivering suboptimal economic growth—would have still

managed to stay sufficiently high, through rising private consumption and public investment, to narrowly avoid the middle-income trap and create the largest consumer market in history, drawing the rest of the world into its economic orbit. Xi's China would have achieved an early peak in carbon emissions by

2025 without upsetting domestic economic output and established a trajectory for reaching carbon neutrality as soon as 2050—becoming a leader on global climate-change action. Hong Kong would have been calmed and made compliant through the National Security Law, while its economy would have been absorbed as but one part of a Greater Bay Area economic zone incorporating Shenzhen and the rest of the Pearl River Delta. Xinjiang would also have been pacified, with no tangible response by the West.

Taiwan would have concluded that America would not defend it, and Taiwanese domestic politics would include those conducting secret negotiations with Beijing on some form of greater Chinese confederation in the face of a China prepared to make a decisive move to take the island before 2035. On the South China Sea, China would have concluded its code-of-

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conduct negotiations with ASEAN and operationalized its first major joint maritime resource extraction projects with individual Southeast Asian states, thus securing de facto control of the South China Sea. China would also have declared an air defense identification zone over the South China Sea of the type it declared in

the East China Sea in 2013. These combined actions would have increasingly rendered future freedom of navigation operations in the area futile in the eyes of regional states, as they became increasingly resigned to China's overall maritime and territorial claims. In the East China Sea, partly because of Japanese political and military resilience and despite the continued escalation in Chinese deployments to Senkaku/Diaoyu Dao, an uneasy status quo would have been maintained without conflict. South Korea would have moved more

into China's strategic and economic orbit, creating even deeper splits in South Korean politics between right and left, while Xi Jinping would have succeeded in persuading North Korea to refocus

its military threats away from Seoul and toward Tokyo and Washington. North Korea would have achieved its independent nuclear deterrent without an American preemptive strike.

Center-left governments in Seoul would also have requested a reduction in American forces on the peninsula. Xi would have cut a deal over the Sino-Indian border with India's then leader, perhaps leveraging the threat of full-scale military action to secure the border on China's terms.

China would then turn India into a new mass consumer market for Chinese goods and services while opening the Chinese market to India through a new free trade agreement. This would finally wean Delhi away from its strategic engagement with the United States, Japan, and Australia.

China would have become the largest economy in the world by a large margin, thereby accelerating its international acceptance as the next global

economic superpower. China would also have secured military dominance over the United States across East Asia and the western Pacific, having sustained the pace of its military modernization

Taiwan would have concluded that America would not defend it [under Scenario 9], and Taiwanese domestic politics would include those conducting secret negotiations with Beijing on some form of greater Chinese confederation in the face of a China prepared to make a decisive move to take the island before 2035.

program, completed its regional reorganization, and sustained its naval expansion plan. More broadly, across Asia, China would have leveraged its influence to succeed in joining the CPTPP trade agreement, while the United States continued to languish on the outside due to continuing protectionist political sentiments. By decade's end, Xi would also likely have given the green light to liberalize the Chinese capital account, including the floating of the Renminbi and the full and

open circulation of the digital Renminbi globally, putting it on a path to become the preferred currency for global digital commerce. Xi would have scaled back the financial scope of the Belt and Road Initiative, turning it into a more sustainable infrastructure investment program.

In Europe, China would have built on its 2020 China-EU Investment Treaty (by then unfrozen and successfully ratified) with a comprehensive free trade agreement as it continued to peel the

continent away from the United States on trade, investment, technology, capital markets, and ultimately digital commerce. As for the rest of the world, Africa would have progressively become China's long-term source of needed commodities and its next big consumer market after India. Brazil would be developed as China's long-term supplier of its iron-ore needs, Beijing having concluded that Australia was no longer secure because of its umbilical security relationship with Washington. Perhaps Afghanistan and Central Asia, successfully kept stable, would also contribute their vast mineral reserves to the Chinese economic machine. And finally, in what remained of the UN and the Bretton Woods institutions, China would have become the single largest source of finance for much of the global multilateral system, which would have become increasingly compliant with Chinese interests and values. Consequently, the UN Human Rights Commission would have been redirected toward American and Western failures rather than examining the political excesses of authoritarian states, and China would have succeeded at entrenching its set of global human rights norms that privileged collective economic development over individual rights.

What is the likelihood of such a scenario coming to pass? On the balance of probabilities, Xi's current prospects for success appear reasonable. However, this outcome depends on

three critical variables. First, the success or failure of Xi's adjustment of China's domestic economic model in generating sufficient long-term, sustainable growth while avoiding social instability and also funding China's large-scale military needs. Second, the success or failure of China's new national technology strategy in closing the gap between Beijing and Washington on the critical technologies of the future—particularly artificial intelligence, semiconductors, and quantum computing. And finally, the (in)ability of the American system of divided democratic government to successfully rebuild American power at home and harness the collective energies of American allies abroad in order to meet the China challenge.

The jury is still out on the first and second of these. On the third (at least for now), the odds appear to lie with China. America and much of the rest of the collective West appear to have lost confidence in themselves, their mission, and future. The danger of this loss of common purpose is highlighted when contrasted with the ruthless discipline of China's Leninist state and the softening economic seduction of access to the world's largest market. In many respects, the greatest asset the CCP has is its ability to bluff the rest of the world into believing that China is much bigger, more powerful, and more fiscally solvent than it really is. In doing so, China successfully masked many of its domestic failures,

weaknesses, and vulnerabilities from the rest of the world. To some extent, this masking strategy continues to succeed today, always capitalizing on a residual Western gullibility. Now, however, the gap between the image and the reality of Chinese power is much narrower than it was before, although a significant gap still exists.

SCENARIO 10: A DEFEATED AND HUMILIATED XI

It would be easy to assume that this scenario is simply the reverse of the previous. To some extent, that is true. But it would also involve Xi being judged harshly for failing on a wider set of domestic and foreign policy objectives. This would include an outbreak of factionalism within the party as a reaction to the series of party purges Xi has instigated since 2013. But more importantly, it would be defined by economic stagnation and static income levels, rising unemployment, and a once-vibrant entrepreneurial class now on a private investment strike. One further liability would be China's long-standing problem of its financial system stability, given a total debt-to-GDP ratio already standing at around 300 percent. Slowing growth would compound the problem of unsustainable

corporate debt, and bank liquidity and the capacity of the system to sustain the collapse of financial institutions would be insufficient. This has long been the ticking time bomb within the Chinese financial system, fueled by debt-driven growth, threatening those whose pro-

If China's political leadership continued to balk at the prospect of liberalizing the capital account and allowing its currency to be freely traded before decade's end, it would undermine China's efforts to replace the United States as the recognized center of the global financial system.

jections for the future of the Chinese economy have always been naively bullish. Such a financial crisis would cause governments around the world to reappraise the scale and sustainability of the Chinese economic miracle, on which a raft of foreign policy and security policy judgments are being made. Furthermore, if China's political leadership continued to balk at the prospect of liberalizing the capital account and allowing its currency to be freely traded before decade's end, it would undermine China's efforts to replace the United States as the recognized center of the global financial system. Another major blow to Xi would be a significant forced retrenchment of the BRI, were it to become financially unsustainable, given that it is one of Xi's longest-running signature personal projects.

In foreign and security policy, Xi's ambitions would fail as a result of America's comprehensive international

strategy that would respond effectively to Chinese pressure and include all Washington's major treaty allies and economies, such as India, Indonesia, and Mexico—a situation that the Biden administration took a step closer to

achieving in June 2021 with a closer alignment on China through the G7. Under those circumstances, Xi would be critiqued internally for being too assertive too soon in China's development, thereby inducing a strategic reaction before China was able to prevail. Any movement to transform the Quad into a full-fledged quadripartite security treaty, resulting in Chinese strategic en-

circlement, would be criticized in the same terms among Chinese political elites. But as disastrous as that would be, any rapprochement between Russia and the United States would create the greatest levels of alarm in Beijing, given that China's freedom of strategic maneuver has, for decades, been predicated on the security of its long northern border. On human rights, failure would come from China being indicted before international tribunals for its treatment of its many ethnic minorities but particularly in Xinjiang. This would be seen as a major loss of

face for both the party and the country. Further failure would result from large-scale protests in Hong Kong or elsewhere and any bloody repression of such unrest.

In foreign and security policy, Xi's ambitions [c]ould fail as a result of America's comprehensive international strategy that would respond effectively to Chinese pressure and include all Washington's major treaty allies and economies, such as India, Indonesia, and Mexico.

But the ultimate failure for Xi Jinping, as noted above, would arise from a military crisis with the United States that resulted in any form of Chinese defeat. This would be especially terminal if it occurred over Taiwan, as Xi's colleagues and competitors would round on him for producing a political and strategic catastrophe. The same would likely apply over any disas-

trous escalation of a crisis in the South China Sea. That is why any decision by China to escalate would probably be deeply calibrated against the likelihood of Chinese success and/or American retreat. The consequences for Xi's serious miscalculation in this regard would be career-ending. It is impossible to attach any degree of probability to this Xi-fails hypothesis. There are multiple permutations and combinations of what such a failure might consist of. And at this stage, comprehensive failure would appear to be more of a possibility than a probability. It is,

nonetheless, one that haunts all Chinese political leaders, given the stark consequences that flow from it.

FOUR ADDITIONAL FACTORS

None of these scenarios are definitive. It is not possible to predict which of these scenarios may come to pass during the decade ahead. There are simply too many moving parts in the overall strategic equation. But if there is no sustained counterstrategy from the United States over the next several administrations that effectively rebuilds American power, reenergizes alliances, and creates a credible global economic alternative to the long-term gravitational pull of the Chinese market, the overall trend lines appear to favor Xi's China.

However, of all the moving parts at play in these scenarios, there are four in particular that should be analyzed most closely: three domestic economic factors and one external, where the policy settings lie largely in Chinese rather than American hands. The first remains the long-term sustainability of the emerging Chinese economic growth model, given Xi's move to the left on Chinese economic policy, and the uncertain effects this will have on private-sector business confidence. The second is the extent to which China's

rapid demographic decline brings about earlier-than-anticipated impacts on domestic consumption, labor market cost, and government finances. The third is whether China can succeed in closing the semiconductor manufacturing gap between itself and America and its allies, given that

The ultimate failure for Xi Jinping [...] would arise from a military crisis with the United States that resulted in any form of Chinese defeat.

silicon chips underpin the future drivers of the global digital economy, military technology, and the artificial intelligence revolution. Finally, it remains to be seen how China will resolve its current internal dispute between its rising wolf warrior generation and its older traditional cadre of professional diplomats on how Chinese diplomacy should be conducted. How this is answered will determine whether Beijing continues to unite the liberal-democratic world against it or whether a return to an earlier, more positive pattern of global diplomatic engagement will allow China to fracture that coalition. Taken together with the future trajectory of American strategy toward China, these five factors will do much to determine the outcome of the great strategic race between Washington and Beijing over the course of the next decade.

The problem for all of us around the world is that five of the ten scenarios outlined here involve

one form or another of major armed conflict. Wars radically change the course of human history, often in radically unpredictable directions. For example, the collapse of three global empires with world war and the rise of fascism and Bolshevism as a result. The international anarchy of the interwar years came with the absence of any effective international system, leading ultimately to World War II and then the rise of the U.S.-led order following World War II and its triumph in the Cold War over the Soviet Union. International developments of this scale were not in any way predictable beforehand, deter-

mined instead by the chaos of the battlefield.

Such profound geopolitical and military unpredictability should therefore weigh heavily on the minds of decisionmakers in both Washington and Beijing. As should the unknowable human and financial costs of war. For these reasons alone, it would be worthwhile for leaders to consider what measures might be available to manage the deeply engrained competitive impulses of China and the United States, thereby maximizing the prospects for continued peace. ●