



FACT SHEET

# Limit, Leverage, and Compete

## A New Strategy on China

The greatest geopolitical challenge in the 21st century will be how the United States—and the rest of the world—responds to the rise of China. The central contest of this century will be between the U.S. model of political and economic development and the Chinese model of political and economic development. If China’s vision prevails—if it becomes the dominant power of the 21st century—there is a risk the United States and the world will be less free, less prosperous, and less safe.

To turn this dynamic around, the United States must prioritize making critical investments at home and building a united front with allies and partners. With those fundamentals in place, the United States can then pursue a new approach toward China that limits China’s ability to exploit U.S. openness; leverages China to contribute its growing capabilities in ways that benefit the global common good; and positions the United States to compete more comprehensively over the long term. Instead of betting U.S. prosperity on its ability to shape China’s trajectory, the aim is to put the United States in a strong position regardless of what China does. It can achieve that with three-part approach:

### LIMIT CHINA’S ABILITY TO EXPLOIT OUR OPEN SYSTEMS.

The United States values open markets and free speech. China is exploiting that openness to distort markets and influence U.S. policy toward China. The United States can counter with enhanced transparency and screening, addressing legitimate security concerns in ways that strengthen core democratic values rather than undermining them.

- **Investment transparency.** Require Chinese firms to disclose their ownership structure and funding sources before entering the U.S. market.
- **Propaganda transparency.** Require disclaimers on direct foreign government propaganda.
- **Funding transparency.** Mandate transparency for U.S. educational and civil society institutions receiving Chinese government funding.
- **Update and enforce foreign influence rules.** Overhaul the U.S. legal framework on foreign interference; stop allowing Chinese security services to operate illegally within U.S. borders.



This document summarizes the 2019 CAP report “Limit, Leverage, and Compete: A New Strategy on China.”

## LEVERAGE CHINA'S GROWING CAPABILITIES.

China wants to be seen as a responsible global leader. The United States should use that to push China to carry its weight on public goods, freeing the United States to shift resources toward other objectives while still leaning in enough to set the standards Beijing must meet to receive global validation.

- **Regional development needs.** Use transparency and competition to leverage China's Belt and Road Initiative.
- **Humanitarian assistance and disaster relief.** Encourage China to build capacity and take on more complicated operations in the Asia-Pacific region.
- **Sustainability.** Partner on global efforts and push Beijing to do more.
- **Pandemic disease.** Push China to meet its responsibilities to the global community.

## COMPETE AT FULL STRENGTH.

China employs gray-zone tactics to strengthen its global position and shift the U.S.-China dynamic through a series of incremental moves designed to avoid provoking direct conflict. The United States must target the broader pattern instead of the tactical moves and immediately shift to full-spectrum competition.

- **National Economic Competitiveness Initiative.** Invest in education, workforce development, public infrastructure, and moonshot research and development.
- **Fight back on trade in partnership with allies.** Rally other nations to jointly file a nullification and impairment case against China at the World Trade Organization and negotiate a digital trade agreement with allies and partners.
- **Launch a next-generation digital infrastructure initiative.** Lead an effort among democracies to adopt common governance principles for artificial intelligence and next-generation digital infrastructure; make digital infrastructure financing a high-priority focus for overseas aid.
- **Network a new Asia-Pacific regional security architecture.** Create an Asia-Pacific democracy network; launch a strategic advantage initiative with India; boost funding for maritime capabilities in Southeast Asia; and transform the East Asia Summit.
- **Make the necessary defense investments to ensure effective deterrence and defeat aggression.** Rethink how the U.S. projects power in the region and make strategic investments in targeted capabilities.
- **Work collectively to uphold and defend democratic values.** Lead an effort to protect and revitalize the global governance system, push Beijing to clarify its global governance intentions, and hold China accountable for its domestic human rights abuses. In addition, launch a comprehensive, whole-of-government Taiwan Relations Act implementation assessment.
- **Position U.S. policy for success.** Launch a federal human capital strategy on China, improve U.S. policy integration, and invest in the Chinese language pipeline.

While China presents the most serious economic and security challenge to the United States in a generation, the good news is that, throughout history, the United States has always excelled and advanced when it faced a strong peer competitor. Although competition with China brings significant downside risks, it also provides a critical strategic opportunity for the United States to get its own house in order.