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Limits to Alliances: In China, the United States and Its Allies Are Just Not Aligned

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Global attitudes toward China are hardening, but diverging interests prevent effective allied action to counter its rise. That's why America should focus on getting its own house in order. The key is better aligning U.S. multinational corporations' interests with national interests.

KEY TAKEAWAYS

- National interests in China are determined by the relative importance of four main factors: China's significance as a market, as a supplier, as a competitor, and as a geopolitical rival.
- U.S. interests in China are increasingly dominated by competitiveness and geopolitical concerns, whereas most of the world sees China primarily as a market and/or supplier. Only India shares U.S. interests along all four dimensions—for now.
- This fundamental misalignment of interests explains why the United States often receives a sympathetic hearing but little significant action when it appeals to allies in Europe and Asia for help in reining in China.
- Fortunately, America's triumphs over previous economic challenges from the Soviet Union and Japan suggest that alliances are much less important than what the United States does for itself.
- The most important priority for the United States is to get its own house in order by closing the gap between its corporate and national interests. This should be a key part of the Biden administration's Build Back Better agenda.
- If America's friends and allies see the United States revitalizing itself, they are much more likely to follow its lead in meeting the challenge of today's rapidly rising China.

INTRODUCTION

Throughout his campaign and administration, President Biden has stressed the need for America and its allies to work together to counter the rise of China and preserve a democratic world order. It's an appealing message for the post-Trump era. The United States and its allies face many common challenges from China: supply chain dependencies, economic competitiveness, state-sponsored capitalism, human rights violations, greenhouse gas emissions, intellectual property (IP) theft, Belt and Road investments, "wolf warrior diplomacy," increasing censorship, a rising military, a new space race, the origins of COVID-19, and more.

But while global attitudes toward China are hardening and there are many areas where cooperation makes sense, the interests of the United States and its allies are not aligned in many of the most important areas. Europe, the Asia/Pacific region, and the developing world have significantly less incentive to confront China than America does. Only India and the United States are closely aligned on the essential issues, and even this could easily change.[1] Given these differences, the modest results of the recent G7 and NATO summits are not surprising. The key to meeting the challenge from China is for America to get its own house in order. America's rapid withdrawal from Afghanistan has only reinforced this reality.

As shown in figure 1, national interests in China are shaped by the relative impact of four main forces: 1) China's importance as the *world's largest market* for many products and services; 2) China's role as the *world's largest supplier,* accounting for some 25 percent of global manufacturing output; 3) China's challenge as an ever-more capable *business competitor,* especially in advanced technologies; and 4) China's emergence as a major *military and geopolitical rival*.[2] Different nations and regions weigh these four dimensions in very different, not easily reconciled ways.

Figure 1: Forces shaping national interests in China

THE CHINA CHALLENGE IS NOT A RERUN

This four-part strategic framework helps us dispense with the idea that the challenge from China is like that of the Soviet Union in the 1960s, or Japan in the 1980s. The USSR was a military and geopolitical rival, but it was never any of the other three dimensions. Similarly, Japan was (and still is) strong in two dimensions: It remains a formidable business competitor as well as a major supplier in many industries. But it has never been an essential market for most U.S. firms, and since WWII, it has been a close Western ally. These limitations gave the United States considerable room to maneuver. It could impose strict controls on technology exports to the USSR without fear of retaliation, and it could leverage Japan's reliance on the American security umbrella to wrest important concessions in areas such as semiconductors and automobiles.

In contrast, China's rapid progress along the four dimensions largely defines its emerging superpower status, as all four areas were once dominated by the United States. This multi-dimensional challenge is much more difficult for America to respond to, as actions in one dimension often have adverse effects on another. Compared to the Soviet Union and Japanese challenges, there are few easy options.

However, these two earlier experiences are not without important lessons. Both histories suggest that what matters most is not alliances but rather the dynamics within the United States and China. The United States prevailed against the USSR and Japan partly because of things America did for itself, and partly because the weaknesses of its rivals were eventually exposed. Briefly revisiting both histories shows that the support of allies played a relatively minor role.

The reasons behind the decline and eventual breakup of the Soviet Union are well known: the economic downsides of centralized planning, rigid and self-serving leadership, widespread corruption, ethnic tensions, and deep cynicism and distrust among the people. Although Japan's economic challenges have been nowhere near this severe, its once-great electronics companies—such as Sony, Fujitsu, Hitachi, Toshiba, and NEC—did not respond effectively to a rapidly changing digital world. Neither did once-great American companies such as Sperry, Burroughs, Digital Equipment, Wang Laboratories, Data General, and others. But unlike the United States, Japan did not have a start-up culture that enabled new firms to rapidly replace the older ones.

In short, both the USSR and Japan weakened substantially from within. But America also helped itself. The impressive scientific achievements of the Soviet Union in the 1950s and 1960s woke up a complacent United States, resulting in a vast expansion of research and development (R&D) funding, the creation of the Defense Advanced Research Projects Agency (DARPA), and the Apollo lunar missions that helped restore confidence in America's mixed-economy approach. Similarly, a range of competitiveness legislation in the 1980s, culminating in the 1989 Omnibus Trade and Competitiveness Act helped America respond to the Japanese challenge. For example, the 1987 formation of SEMATECH helped protect the U.S. semiconductor industry from Japanese competition until the personal computer and Internet industries changed the digital game in America's favor. Not surprisingly, there is now strong bipartisan support for similar government-funded technology initiatives.

The key message is that the United States prevailed in both of these previous struggles by doing important things that helped its own cause, combined with the eventual stagnation or slowdown of its rivals. Today, China has many potential weaknesses: an aging population, widespread corruption and pollution; ethnic tensions; vast income inequalities; and increasingly authoritarian and centralized leadership. Whether these will halt China's rise is unclear. However, the United States must also address its own societal and economic weaknesses and reinvigorate its still-great underlying strengths. America's development of multiple COVID-19 vaccines might be an early sign of this change, but the persistence of COVID-19 variants and the wrenching pullout from Afghanistan limit near-term optimism.

A BALANCING ACT: U.S. VERSUS ALLIED INTERESTS

The four-part framework illustrates the balancing act required to serve certain American interests without undermining others. It also provides a starting point for comparing U.S. interests with those of other nations. While all four areas are complex, each has one overriding policy question:

1. **China as a market.** For Apple, Intel, McDonald's, Starbucks, Nike, Hollywood studios, and many others, China is their largest non-U.S. market. These firms live in fear of potentially severe retaliation if the United States acts too aggressively against China, which explains why they stay silent on most United States/China controversies. American policymakers must decide: *To what extent should the United States limit China's access to strategic U.S. markets and technologies—such as 5G networks, leading-edge software, semiconductor products and equipment, and alternative energy innovations —even if these actions harm other U.S. companies operating in China?*

2. **China as a supplier.** The United States took far too long to realize that its reliance on low-cost Chinese manufacturing would lead to large and ongoing bilateral trade deficits, dangerous levels of U.S. dependency, and increasing competition higher up the value chain. Companies in the retail, electronics, health care, telecom, appliances, components, and other sectors are now scrambling to diversify—not decouple—their supply chains. *To what extent should public policy seek to accelerate this diversification through various pressures, incentives, or even mandates?*

3. **China as a competitor.** China now has world-class companies in computer hardware, Internet services, telecom, batteries, solar panels, steel, robotics, high-speed rail, autonomous vehicles, payment systems, and many other areas, as well as ambitious plans in just about every emerging high-technology field. No amount of trade enforcement can replace the need for the United States to remain globally competitive in these areas. *Given China's many state-supported projects and companies, what specifically should the U.S. government do to improve America's competitiveness in strategic industry sectors?*

4. **China as a military and geopolitical rival.** China's military power in East Asia is growing rapidly, and its economic success creates influence all around the world. America clearly wants to maintain its global security and promote the virtues of free societies and democratic principles. *But how far should the United States go to protect the interests of its Asian allies by maintaining military superiority in the Asia/Pacific region?*

In recent years, America's China-policy priorities have been shifting—from areas 1 and 2 toward areas 3 and 4. But applying this same four-part analysis to Europe, Asia, India, Russia, and the developing world reveals that other nations are much less keen on this shift. Although public opinion is turning against China in many countries, business and political leaders still believe their nations have much more to lose than gain by taking a more confrontational approach. Most do not see China as an existential threat to democratic world order—and even if they do, they see the value of letting the United States fight that fight while they continue to reap the benefits of Chinese trade.

Europe Chooses Not to Choose

Given that the United States and Europe have many shared concerns regarding China—especially supply chain dependencies, industrial competitiveness, IP theft, human rights, and greenhouse gas emissions—it isn't surprising that China is an increasingly important topic at G7, NATO, and other international gatherings. However, the strategic framework helps us see why the dynamics within each dimension tend to divide U.S. and European interests. Consider the realities:

- China has surpassed the United States as Europe's largest trading partner; it is now an essential market for German machinery and French and Italian luxury goods. The United Kingdom has enormous financial services and other interests in Hong Kong that have been largely unaffected by the new security laws China imposed in June of 2020. Indeed, the United Kingdom sees even greater financial-services opportunities in China itself.
- Unlike the United States, Western Europe's global imports and exports are roughly balanced, and thus Europe doesn't face the same trade-deficit pressures that shape the American mindset. Imagine how different America's political and public opinions would be if it didn't have enormous trade deficits, both globally and with China.
- Whether by chance or strategic design, China competes much more directly with key U.S. industries than it does with the major European ones (at least for now). Moreover, when it comes to digital technologies, Europe is highly dependent on the United States, and many see the United States as more of a threat than China. In many digital domains, Europe actually welcomes an alternative to U.S. suppliers, especially as America and Europe engage in complex negotiations in areas such as antitrust, taxation, cross-border data flows, and privacy.
- Europe is more concerned with Russian meddling in its neighboring nations than it is about the balance of power in the Asia/Pacific region. For example, NATO's recent Brussels Summit Communique discusses Russia at length, but says relatively little about China. Although European leaders often criticize China's and Russia's human rights, environmental and IP practices, such concerns rarely outweigh important business considerations, as evidenced by the EU's support of the Nord Stream 2 pipeline from Russia to Germany, which the Biden administration has acquiesced to.

In short, Europe doesn't feel the downside effects of the rise of China nearly as much America does. While both the United States and Europe are concerned about their dependency on Chinese suppliers, they differ in the other three areas. America worries about its huge global trade deficit; Europe doesn't have one. America is concerned about China's challenge to its world-leading technology industry; Europe lost the digital competition many years ago. The United States fears China's military strength in the Pacific region; Europe has far less at stake and generally believes it can live under the U.S. defense shield. It's very difficult for shared concerns about human rights and wolf warrior diplomacy to overcome these differences. Finally, while the EU played some role in containing the threat of Soviet expansionism—in large part because it was on their doorstep—it shows few signs of wanting to block the rise of China.

This explains why U.S. calls for Western unity against China usually receive more rhetorical than substantive support. Most European leaders would rather not form blocs or choose between the two superpowers. Many would prefer not to talk about China at all, although this position is becoming untenable. The Biden administration was heartened to see the European Parliament put the EU-China Comprehensive Agreement on Investment on hold, and hopes it is a harbinger of changes to come. But the differences in interests and orientation remain, and this delay may well be temporary. Perhaps U.S. and European priorities can't be truly aligned unless China becomes a near-term economic threat to core European industries such as automobiles, aerospace, chemicals, and machine tools.

A Cautious Asia

The three most strategic countries in terms of countering China in the Pacific Rim are Japan, South Korea, and Australia. The framework helps us understand their individual situations and identify the most likely scenarios going forward. A strong desire not to rock the boat is the overriding theme:

- China is an essential market for all three players. Japan and Korea sell many advanced and high-tech products to China, while Australia sells mostly food and extractive goods as well as educational and tourism services. Like American companies doing business in China, the Asian business community prefers to avoid controversy. They've seen how China punished Australia economically after Prime Minister Scott Morrison called for an inquiry into the origins of COVID-19. (They've also seen how little Australia's friends did in response.)
- Although China is a major supplier to all three countries, Japan, Korea, and Australia enjoy overall trade surpluses, so they are generally pro-trade, both inside and outside the Asia/Pacific region. All three have joined 12 other Pacific nations in the Regional Comprehensive Economic Partnership (RCEP) trade agreement. The United States (and India) have not.
- Japan and Korea face increasing manufacturing competition from Chinese companies in areas such as consumer electronics, appliances, components, machine tools, motorcycles, and, increasingly, automobiles, but thus far the economic downsides have been much less severe than in the United States. Australia has fewer competitiveness concerns.
- All three nations see China as a military threat even more than the United States does, as there are many potential flashpoints and bottlenecks in the region. All three are also close U.S. military allies, although they can't be sure how far the United States will or won't go to protect their interests. Geopolitically, all three are closer to the United States than China, but believe that openly choosing sides is risky, and not in either their short- or long-term interests.

Then there is Taiwan. As the world's most advanced semiconductor manufacturer, its importance can't be overstated. Both the United States and China are highly dependent on Taiwanese chips, and thus both nations see Taiwan as crucial to their future. If China eventually absorbs Taiwan the way it has Hong Kong, the regional and digital balance of power will shift decisively unless Western dependence on Taiwan has been reduced, as the United States would be dependent on China for critical semiconductors, including those used in advanced weapons systems. As it is widely believed that President Xi sees China's sovereignty over Taiwan as a capstone to his legacy, it's highly unlikely that this threat will go away. Perhaps the best America can hope for is that Taiwan's *strategic ambiguity* continues at least through the 2020s, giving the United States time to develop alternative semiconductor sources.

This analysis explains Asia's cautious approach to China—one that is at odds with America's desire for stronger and more-urgent actions. Businesses mostly prefer the status quo; Asian trade balances are generally favorable; the competitive challenges have been manageable; and public opinion has—at least until very recently—been less affected by COVID-19. Many Asian leaders must doubt whether in the long run China's military dominance of the region can really be stopped. Therefore, there is a strong preference for stability, and little interest in confrontation and escalation. Business and national interests within Asia are significantly more aligned than they are in the United States.

Common Ground in India

The framework also helps us see why India could become America's most important bilateral relationship in terms of countering China over the course of the 2020s. As discussed below, there is close alignment along all four dimensions:

- With a population that will soon surpass China's, India will be a huge domestic market. Although its gross domestic product (GDP) will not match that of China's in the 2020s, or even the 2030s, it can help offset China's scale advantages, especially once it gets past the devastation wreaked by COVID-19.
- India has a large trade deficit ($190 billion in 2019) and thus wants to reduce its reliance on products supplied by China. It also hopes to compete with China as a manufacturer, expanding from its current base in the life sciences to become an alternative to China in mobile phones, batteries, solar panels, and other areas of great importance to America.
- India makes a huge contribution to U.S. competitiveness. Americans of Indian heritage have a deep and high-profile presence in Silicon Valley. So do Indian professors and students at elite American universities, a presence that will become even more important if the number of Chinese students attending these schools declines. Similarly, many U.S. companies now do advanced innovation and R&D within their expanding Indian operations, in addition to the back-office services they have come to depend on.
- Because India is a democracy, has territorial and other tensions with China, and has a large and successful community within the United States, it's become an increasingly close military, geopolitical, and cultural partner.

However, this high level of alignment can't be taken for granted. Although it's easy to see the United States and India as natural partners—two democracies working to contain a rising Communist China—today's cooperation is only a recent phenomenon. Throughout the Cold War, India was among the leaders of the Non-Aligned movement, which sought to avoid taking sides in the competition between the United States and the Soviet Union. And during the 1980s, the United States was much more closely aligned with India's most direct rival: Pakistan.

This history suggests that United States/India relations could easily change once again. Prime Minister Modi is up for re-election in 2024; the border tensions with China could recede; India's long history of nonalignment might well resurface; India and China share many compelling economic interests; and India has its own self-sufficiency, *Atmanirbhar Bharat,* movement. Although the Quadrilateral Security Dialogue between the United States, India, Japan, and Australia provides a forum for collective efforts to curb China, its ability to go beyond the dialog stage is anything but assured.

A nightmare scenario for the United States would be the strategic combination of China's manufacturing prowess and India's strong software, professional services, and English language capabilities. If this scenario were to play out, the world's economic center of gravity would likely shift decisively to the East. Maintaining close and productive ties to the Indian government and the Indian people should be among the Biden administration's top diplomatic priorities.

A Possible Post-Putin Reversal in Russia?

Arguably, no nation has more unique interests in China than Russia. Russia greatly values China as a market, mostly for its fossil fuels and military equipment. These sales are sufficient to broadly balance Russian imports from China, so concerns about China *as a supplier* are limited. There is also relatively little direct competition between Russian and Chinese firms, although this will change as Chinese military equipment becomes increasingly sophisticated. Lastly, China's emergence as a military and geopolitical force has been broadly welcomed by President Putin as it supports his efforts to reduce America's global leadership position. Russian business and national interests are very much aligned in these areas.

It's difficult to see these dynamics changing as long as President Putin remains in power. However, in a post-Putin world, Russia might rediscover its European roots and bristle at being the junior partner to an unpopular, authoritarian China. There are also potential Russia/China rifts in both central Asia and the northern Pacific. Any such shifts in Russian allegiances could be profound from a military and a geopolitical perspective. However, as Putin is just 68 years old, and shows no sign of retiring, America can't expect anything like this any time soon.

Developing World Neutrality

Although every country and region has specific interests and priorities, there are distinct patterns across the Middle East, Africa, Latin America, Eastern Europe, the ASEAN nations, and Central Asia. Most of the focus is on China as a supplier (of goods, construction services, and financing) or on China as a market (for fossil fuels, minerals, raw materials, food, and other commodities). There is much less concern about directly competing with China, and even less about China as a military rival. Many authoritarian regimes overtly or quietly support China's controls on the media and the Internet, and welcome the ability to play one superpower off of another. Many also identify as part of the oppressed "South," fighting the century-long dominance of the North, a sentiment China plays to very well.

Thus, the United States will continue to find it difficult to rally the developing world in sustained opposition to China. No wonder American leaders spend so much time discussing China with their European and Asian allies, and relatively little with everyone else.

HOW CHINA SEES EACH DIMENSION

The four-part framework also helps us see the world as China sees it, especially how China sees the United States.

1. The United States was once *the* essential market for China's goods. However, America now accounts for just 20 percent of China's exports. Additionally, China's emphasis on exports is declining as it seeks to boost consumer spending and raise living standards. This means that tariffs and other restrictions that reduce China's sales to the United States—although still important—will not have the impact they would have had in the past, especially as China could manipulate the value of its currency to offset tariff costs.

2. China's strategy as a global supplier is shifting, as the country seeks to put less emphasis on low-cost commodity goods and more on higher-value products. Through its Made in

China 2025 initiative, China seeks to end its dependence on American technology suppliers, especially in software, semiconductors, biotechnology, and aerospace.

3. China understands that while global supply chains are the biggest issue today, head-on competition will characterize the United States/China relationship in the 2020s and 2030s. Although the United States has made many mistakes in recent years, its companies still dominate most industry sectors, including information technology, financial services, health care, the life sciences, agriculture, entertainment, energy, aerospace, defense, university education, professional services, and more. Global competition in the 2020s will be defined by whether China can catch up and/or surpass the United States in these areas.

4. China's military progress (both in size and technological sophistication) has been rapid and continues—and having all its resources in the Pacific region gives China important advantages within this geography. However, China's soft power is in flux. Because of its economic muscle, China has made rapid gains in this area, overcoming the fact that it has few, if any, real allies, even in its own backyard. However, between Xinjiang, Hong Kong, rising censorship, politically motivated arrests, COVID-19 cover-ups, and the way it treats its own people, President Xi may well be overplaying his hand.

For many years, China followed Deng Xiaoping's advice: "Hide your strength, and bide your time." But recently, China has adopted a more confrontational, wolf warrior approach, pressuring both other nations and its own citizens to bend to its will. China believes, with good reason, that it would likely prevail in any trade war versus the United States alone, so it's very much in China's interest to keep America and its friends divided. Fewer bullying words and actions would surely help China toward that end. However, it's unclear whether President Xi is inclined to or capable of softening his approach.

The Wuhan Wildcard

After more than a year of denial, America and much of the world has woken up to the possibility that the COVID-19 pandemic may not have emerged from a wet market in Wuhan but rather from one of China's two institutes doing coronavirus research, both of which just happen to be located in Wuhan. China's refusal to share information about both its gain-of-function research and its early COVID cases has added to these suspicions, as have its efforts to intimidate anyone who looks into these matters. There is no better example of China's vast global influence than the way it has been able stifle discussion of this issue for so long. Even today, many governments, including that of the United States, seem reluctant to aggressively press China on this issue, essentially accepting China's total lack of cooperation.

But with millions of worldwide deaths and trillions of dollars in economic costs so far, one can only imagine the repercussions if the scientific and public consensus were to shift decisively to the laboratory-accident theory. An early checkpoint might be the Winter Olympics scheduled to be held in Beijing in February 2022. If leading nations conclude that, in all likelihood, the virus came from a government lab, democratic governments and corporate sponsors will need to rethink their level of participation, even if the athletes are permitted to attend. However, as of this report's publication date, this scenario still seemed unlikely, as the United States had labeled its latest inquiry as "inconclusive."

More broadly, the COVID-19 narrative may be shifting. What began with China managing the pandemic far better than America and Europe, might end with the West developing the vaccines that get the virus under control. As the pandemic disrupts life on every continent, the West is increasingly seen as part of the solution, with China increasingly getting the blame. China will struggle to accept any major shifts in global perceptions, let alone demands for accountability or reparations. While the full truth may never be known and the pandemic is far from over, the origins of COVID-19 remain a potential game changer.

MISALIGNMENT WITHIN THE UNITED STATES

It's challenging enough that America's interests in China are often so different from those of even its closest allies, and that there are so few easy China policy options. But equally problematic are the misalignments within the United States itself. In recent years, Americans have heard a lot about how their elites failed to see the dangers of a rapidly rising China. But this is only half of the story. The less-discussed problem has been the way the interests of U.S. multinational companies and the American national interest have diverged ever since China joined the World Trade Organization in 2001. Put bluntly, the rise of China has diminished America, yet provided a huge boost to many of America's largest and most influential firms.

The framework helps us see this misalignment. If asked, most Americans would surely say that China's supply chain dominance, increasingly competitive companies, and rising military power are much more important challenges than the protection of U.S. business interests in China. However, for many American companies, sales within China are among their highest priorities. Starbucks has over 4,000 shops in China, McDonald's has 2,200 restaurants, Marriott 400 hotels, and Walmart 430 stores. Apple's China revenues are over $40 billion, Intel's are over $20 billion, and Nike's over $6 billion. China is the NBA's and Hollywood's largest non-U.S. market. These businesses are understandably reluctant to undermine their hard-earned China positions, which create jobs and other economic benefits in the United States.

U.S.-based companies in financial services, health care, professional services, media, entertainment, travel, agriculture, energy, insurance, and education don't see China as a major competitor (at least not yet). They see it as a market opportunity they can't afford to miss. In contrast, only three major sectors—manufacturing, information technology, and aerospace/defense—see China as their main competitor. While these are critical (and politically important) industries, they make up only a small share of the U.S. economy. Similarly, only a few industries are highly dependent on China as a supplier. Electronic devices, industrial equipment, and household goods account for the bulk of America's trade deficit with China.

These fundamentally different business interests explain why proposals for strong U.S. actions against China often struggle to get broad-based business support. Companies that successfully do business in China don't support them because they fear retaliation; companies that are heavy importers from China don't support them because they tend to raise costs, disrupt operations, or both. The main support comes from those manufacturing firms that face intense competition from China, as well as from political and military leaders and much of the general public. Until recently, these latter voices lost the China policy debate more often than they prevailed.

CLOSING THE GAP

Fortunately, there is at least one area where America's business and national interests are aligned. Many U.S. importers want to reduce their dependency on China and would like to find alternative sourcing—from the United States, Mexico, India, Vietnam, the Philippines, Malaysia, Indonesia, or elsewhere. Given sufficient incentives and public pressure, a steady reduction in dependency is achievable, although it will take time. China continues to have significant advantages in logistics, shipping, supply-chain clusters, scale, skills, and related business services, resulting in considerable inertia. Policymakers should help U.S. companies overcome these barriers, as doing so would weaken China, at least at the margin, while providing more security to the United States, and more degrees of freedom to take action.

More aggressive measures such as tariffs, quotas, sanctions, and outright bans still face resistance from many corporate interests. The Trump administration, however clumsily, was willing to override these concerns and put national-security and competitiveness issues first, as evidenced by its 5G, software, and semiconductor bans on Huawei. The Biden administration has kept most of these policies in place, and hopes to get U.S. business support for an expanded China agenda, but seven months into the new administration, specific plans have yet to be articulated. The recent decision to allow Huawei to buy U.S. semiconductors for use in automobile components suggests a slight softening of position.

In developing its policies and pursuing its "Build Back Better" agenda, the new administration should try to close America's alignment gaps and avoid an economically damaging go-it-alone confrontation with China. Such an initiative should include policies that:

- Task the U.S. Department of Commerce with better aligning business with the national interest;
- Increase transparency by requiring U.S. companies to provide detailed information about their imports from China, sales in China, and other business dealings with China;
- Incentivize reshoring by improving domestic tax credits and rewarding U.S. employment and value added;
- Insist on reciprocity in U.S./China trade relations, especially regarding market access;
- Make "Made in X" country labeling much more explicit, particularly online;
- Increase employee bargaining power through unionization, putting employees on boards, expanding employee stock ownership, and related efforts; and
- Collect more relevant China data, establish scorecards and metrics, measure change, and reward results.

These and similar actions can enable U.S. businesses to continue to succeed in China without having to sell their home nation short. Over time, they could help reduce America's dependencies, bring jobs back to the United States, and give employees a greater stake in their companies' success. Coupled with the needed increases in government funding for R&D and related strategic manufacturing that are now receiving bipartisan support in Congress, they can steadily improve both America's competitiveness and its balance of trade.

Importantly, these actions could be taken without demanding or expecting China to change its ways, and without relying on overtly anti-China policies or rhetoric. They could also be done with or without the support of America's allies. Indeed, many U.S. friends should adopt similar policies, as it's in their interest to do so. To remain world-leading companies through the 2020s and beyond, American businesses need to succeed in China. But in pursuing these opportunities thus far, they have accelerated China's rise. With the proper policies, incentives, and support, they could do the same for America's resurgence—and if they do, the friends and allies of the United States will surely follow.

About the Author

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ENDNOTES

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