

To: Secretary Pompeo
From: Edward M. Druce, Till H. Gross
Re: Grand Strategy to Meet the China Challenge

Issue: US administration policies over the past several decades have fallen short; engagement has failed to bring China inline with the international order, instead creating a strategic rival.

Analysis: China has assumed a growing role on the world stage, posing a threat for conflict in the Indo-Pacific, and diminishing sovereignty of many countries in the region.

- China's present objectives: keep the CCP in power; be the region's primary power.
- China aspires to dominate 11 key industries of the future (with 80–90% of global control), pitting a contest between industrial and market approaches.
- While stretched thin in other conflicts, the US and its allies have been sucked into China's economic orbit, turned a blind eye to its governmental structure, unfair trade practices and human rights abuses, and with WTO accession catalysed its growth.
- Despite China's pronouncements of a "peaceful rise", with the rapidity of its economic growth, emergent behaviors are likely to manifest.

US National Interests: Security of international trade routes and regional allies; US supplies of energy and critical resources; minimizing risk of kinetic warfare, nuclear weapons use and nuclear anarchy; preservation of the international system; a dependable domestic economy.

Strategic Options

1. **Cold War II:** Win race for supremacy in AI, space, quantum computing, 5G, military, and *self-sufficiency*. Stand ground militarily in Indo-Pacific; win favor of allies in region.

- *Pros:* catalyses US industry/innovation; modest disengagement could produce the results previously desired from engagement.
- *Cons:* global economic damage of decoupling; allies being forced to pick sides; cyber warfare; US dependence on China's rare-earth metals; high risk of kinetic war (South China Sea, proxy wars – potential escalation); as China's "century of humiliation" began with trade concessions, it is unlikely to capitulate.
- *Risk minimization:* negotiate cyber treaties; instal direct President-President phone lines.

2. **Indo-Pacific Treaty Organization (IPTO) – "Asian NATO":** Defence pact joining top 14 non-China Indo-Pacific countries (a combined GDP greater than China's) – crucially, *not* the US.

- IPTO isn't about "stifling China's growth", but providing ballast to the region's security.
- The US to underwrite the alliance for 10 years (to allow build-up of military capabilities), then withdraw (preserving only a nuclear protection commitment).
- Dissipates the biggest risk-factor of kinetic warfare (US military presence) and, while securing US national interests, reduces US' regional defence spending.

3. **Colonise Mars – Shared 2030 Mission:** "A dream for all humankind." A grand JFK-like space mission, binding China and the US.

- Use resources of space to alleviate Earth's problems. A shift towards heavy manufacturing in space while Earth is "zoned residential and light industrial".
- A project of great moral force encouraging international friendship and invaluable perspective, raising China's status – not just "world order", but a new "cosmic order".
- Lean on US R&D, paired with China's advances in 5G, supercomputing and space satellite launches.

Recommendation: Indo-Pacific Treaty Organization

- First run the plan by President Xi: offer as a route to US military withdrawal, leveraging in return for China's commitment to fair economic policies and handling of North Korea.
- Start the treaty with many countries at once (so China cannot individually retaliate). Joining countries don't need to be "like-minded democracies"; just pragmatic ones.

Talking Points:

- China will have its "want" of being the region's main power; the US its national interests (open trade routes, ally security, respect for the rules-based order) preserved.
- If China wants to be #1 in the region and have the US peacefully withdraw its military, it ought to get comfortable with other countries banding together – a new equilibrium.