

Time for Competitive Realism

BY ROBERT D. ATKINSON AND NIGEL CORY

U.S. foreign policy over the last decade has seen a tectonic shift toward trade, technology, and economic security issues. Whereas the Cold War with the Soviet Union was principally waged with military might, the new geopolitical competition with China is at its heart a contest of economic power, which in turn hinges on technology leadership. As Chinese President Xi Jinping has stated, “Technological innovation has become the main battleground of the global playing field, and competition for tech dominance will grow unprecedentedly fierce.”

Yet the tenets and practice of U.S. foreign policy itself have not caught up with this new reality. Instead of adopting a pragmatic focus on the economic and technology “battleground” that China has set out to dominate, it remains guided by two overriding and increasingly outdated principles: U.S. hegemony and foreign policy idealism. The U.S. government operates as if America is such an undisputed leader economically and technologically that it can wield hegemonic power unilaterally to accomplish its goals. It also operates on the assumption that America should use its power to advance broad moral goals such as promoting democracy, advocating for free speech, protecting human rights, and fighting climate change, and not pursue narrow, national-interest goals such as bolstering economic competitiveness. Indeed, U.S. foreign policy doctrine subordinates the goal of maintaining, let alone maximizing, America’s global power advantage.

That formula will not succeed against the new China challenge. The U.S. government must adopt a approach grounded in what can be termed “competitive realism.” Otherwise, America will continue to lose ground

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its economic statecraft.*

THE INTERNATIONAL
ECONOMY

THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY

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Washington, D.C. 20002

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economically and technologically and fail to effectively limit the Chinese Communist Party's strategic goals.

NO LONGER THE HEGEMON

The United States was the global economic and technology hegemon from the end of World War II to the early 2000s because it led in most advanced industries, in some cases overwhelmingly. As recently as 1991, the United States accounted for over 70 percent of commercial jet aircraft exports, a share that fell to just 39 percent by 2009. Likewise, America's share of global semiconductor manufacturing has cratered by 70 percent over the past three decades.

This hegemon role gave U.S. policymakers the confidence to prioritize other foreign policy goals, even if that meant sacrificing the very economic and technology strength that was the source of America's hegemonic power in the first place. They did this when they signed trade agreements with inequitable terms, such as lower tariffs on foreign imports than on U.S. exports to trading partners in order to keep those partners in the U.S. orbit. America did the same when it used tactics such as banning U.S. exports to punish adversaries, even though that meant U.S. companies would lose global market share. Our policymakers acted like our status was immutable.

This has long been noted as an issue. A 1953 report prepared by President Truman's Public Advisory Board for Mutual Security called for the United States to eliminate "unnecessary" tariffs on industries producing automobiles, machinery, and consumer electronics, such as radios and televisions. These industries are so "highly developed and very efficient" that "this country has nothing to fear." The goal was to allow other countries unequal access to U.S. markets to

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secure them as allies against the Soviets. Thirty years later, Senator Russell Long (D-LA) charged that to "save the world from a great war," the State Department believed "it would be worth giving away every industry we have."

Those days of being able to trade away U.S. industry interests are gone. In 2022, the United States ran a \$1 trillion

The Idealistic Option

There are two main problems with the idealistic framing of techno-economic interests. First, it is ineffective. It does not make human rights in China better if U.S. technology companies are not there.

Second, keeping U.S. companies from selling non-sensitive goods to China cedes the Chinese market to U.S. competitors, reducing U.S. companies' revenues and increasing Chinese companies' revenues, which weakens the U.S. economy and hurts U.S. jobs while helping U.S. competitors.

—R. Atkinson and N. Cory

trade deficit, including a \$200 billion deficit in advanced industry goods. Moreover, the share of U.S. GDP comprised by advanced industries such as aerospace, electrical equipment, and semiconductors is actually 4 percent smaller than the global average according to the Information Technology and Innovation Foundation's Hamilton Index. China's advanced industries make up a 38 percent larger share of its economy than the same advanced industries do in the U.S. economy. In Japan, the advanced-industry share of GDP is 43 percent higher, in Germany 74 percent higher, and in South Korea and Taiwan it is more than double. Moreover, as measured by indicators such as scientists and engineers, patents, and valued-added in advanced industries, China's technology economy is 40 percent larger than America's.

Not only did the foreign policy establishment assume the U.S. lead was unassailable, many simply ignored the issue. The view was that it didn't matter what the United States produced—"potato chips, computer chips, what's the difference?" As long as the Federal Reserve limited business cycle downturns, all would be well. Emblematic of this view was an off-the-record statement by the head of a major U.S. foreign policy think tank when asked about a decade ago how much manufacturing the United States could lose and still be okay. He responded, "All of it." On top of that, the foreign policy establishment largely dismissed the notion the United States was in any real way in economic competition with other nations, as when economist Paul Krugman wrote in a *Foreign Affairs* essay that "the notion that nations compete is incorrect . . . countries are not to any important degree in competition with each other."

If it simply does not matter what the United States makes or how strong our companies and economy are, then foreign policy can concern itself with other matters. But we can no longer pretend that is true, let alone take actions that actively hurt U.S. firms.

TIME FOR REALISM

Because the United States is no longer the world's techno-economic hegemon, it must base its techno-economic foreign policies on realism. Yet idealism is deeply entrenched. Former CIA station chief Haviland Smith summarized the difference in a 2011 essay in *American Diplomacy*:

There are essentially two distinct approaches to foreign policy. First, a "realist" foreign policy places national interests and security above ideology, ethics, and morality. The second or "idealist" school posits that foreign policy must reflect the ethical, moral, and philosophical values of the country.

The extent to which idealism reigns was on full display when Congress was able to easily pass legislation blocking imports from China if they are made with forced Uyghur labor. It has not passed legislation to block imports from Chinese firms supported by innovation mercantilist policies such as state-sanctioned intellectual property theft that hurt U.S. companies and workers. The former serves idealist goals; the latter would serve realist ones.

Likewise, many foreign policy idealists argue that American companies should not sell to China because doing so supports the oppressive regime of the Chinese Communist Party. Joe Westby of Amnesty International argues that "Google should be fighting for an internet where information is freely accessible to everyone, not backing the Chinese government's dystopian alternative." Former World Bank President Paul Wolfowitz and the American Enterprise Institute's Bill Drexel attack Hollywood for "selling out to the CCP" when they make changes in their movies to satisfy Chinese censors. New York University Professor Michael Posner says that when it comes to China, "technology companies need to develop company-endorsed human rights policies that address privacy, free expression, and other rights issues, using international norms as a baseline."

The dominant idealist view in American discourse is rarely even questioned. For example, few noted that John Kerry, President Biden's special envoy on climate, was effectively giving up vital leverage over China on other issues of significantly more national importance than climate when he stated: "China is 30 percent of all emissions. We need to get China." China is more than happy to make some meaningless promises on climate to reduce pressures on techno-economic matters.

Because most in the foreign and economic policy establishment still see the United States as the hegemon and don't want to alienate our allies, they worry that adopting assertive trade and industrial strategies to help America compete would hurt other nations. But that is the nature of competition: America would gain global market share and the rest of

the world would lose it. (Although, even then, it would also likely spur greater competition, and thus more innovation, which would benefit the world.)

On international trade and technology competition, hegemonic idealists believe the United States should remain committed to the principles of free trade and multilateralism via the World Trade Organization, even if the actual operation of the global trading system, especially with China involved, is unfair and does not operate in accordance with WTO rules. Not only do hegemonic idealists privilege such global systems even when the systems are not working, they dismiss the threat such a system poses to the United States.

Moreover, the debate over techno-realism is not really a debate. When anyone questions the idealist position, they are usually tarred as only carrying the water for U.S. companies seeking to boost profits, rather than advocating for U.S. techno-economic power. Indicative of this was Senator Elizabeth Warren (D-MA)'s criticism of Secretary of Commerce Gina Raimondo for "lobbying on behalf of big tech" in Europe when she pressed the European Union to stop discriminating against U.S. technology firms.

There are two main problems with the idealistic framing of techno-economic interests. First, it is ineffective. It does not make human rights in China better if U.S. technology companies are not there. In fact, U.S. companies' presence might marginally improve human rights as they are likely to put up at least some resistance to Chinese censorship and other authoritarian practices (albeit tepidly), unlike the Chinese companies that now dominate the marketplace. Indeed, moralistic, feel-good statements like Senator Warren's ignore that it is irrelevant what Google or the U.S. government fight for, because the CCP will still control the internet in China. Shaming Google, Disney, and other U.S. companies to abandon China or other similar totalitarian nations will do nothing for free speech. But it will hurt the U.S. economy.

Second, keeping U.S. companies from selling non-sensitive goods to China cedes the Chinese market to U.S.

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competitors, which weakens the U.S. economy and hurts U.S. jobs while helping U.S. competitors. Because Google does not sell its services in China, Baidu and other Chinese internet companies are stronger, not only in China but in many other nations as well. If Hollywood walks away from China, then more foreign and Chinese movies will be shown there, and there will be significantly fewer jobs and export earnings in America. Idealists discount these and other realist effects that abandoning the Chinese market will have on U.S. economic and technology interests. For U.S. companies, there will be less research and development and investment, and lower U.S. global market share. Chinese companies will step into the vacuum. How can that possibly be in the U.S. national interest?

Third, abiding by global rules—a key value for hegemonic idealists—only works if the United States is the hegemon, or if there are strong multilateral institutions to enforce fair play. That is clearly not the case with respect to China, which has lived up to few of the promises it made when it joined the WTO two decades ago. And neither the United States nor the WTO have been willing or able to adequately contest China's behavior.

Finally, going to China on bended knee and asking it to help us on global issues usually has it backwards. Regarding climate change, for example, China is far more vulnerable to global warming's negative effects than the United States. Xi Jinping should be asking America to help China address the climate crisis. Why is it America's responsibility to address climate change and not China's?

OPERATIONALIZING COMPETITIVE REALISM

Most other countries already pursue competitive realism. They would be happy to let the United States continue to be the techno-economic idealist while they reap the benefits of their realism. It is time for the United States to wake up and acknowledge that it is much weaker technologically and economically than it used to be and that Washington can no longer subvert techno-economic trade interests to advance other foreign policy goals. The administration and Congress should instead ensure that all existing and future trade agreements with friends and allies are fully reciprocal. It is ironic that the European Union, which complains about U.S. protectionism, imposes a higher tariff on imports of U.S. motor vehicles than the United States does on EU imports. This kind of imbalance should not be allowed to persist.

America also should push back vigorously when allies take actions that hurt U.S. techno-economic interests. No ally is more guilty of that than the European Union, which has been ramping up its protectionist digital sovereignty regime to actively discriminate against U.S. technology companies. To date, the Biden administration has generally turned a blind eye to this, in large part because it wants a strong transatlantic alliance and is afraid of rocking the

boat. But similar to global warming—and as with America's strong support for Ukraine in its war with Russia—it's the European Union that needs the partnership with the United States more than the opposite.

In dealing with adversaries, especially China, U.S. policy needs to be based on stark self-interest. If an action helps U.S. firms and hurts Chinese firms, almost by definition it should be supported, regardless of its effect on moralistic values. Policymakers should stop demonizing U.S. companies that seek to sell in China. This, to be fair, is quite different than transferring technology or intellectual property to China, which is in China's interest and often against American interests. But by and large, selling movies, video

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games, hotel services, search engine services, and standard computer chips to China is in the U.S. national interest. That is one of the main reasons why the United States elected to endorse China's entry into the WTO in the first place.

Under a competitive realist regime, export controls on non-military products should only be instituted against China if it's clear that American firms will not be hurt. All too often, unilateral controls don't keep China from obtaining a technology; they just keep it from being American technology.

Hegemonic idealism is unsustainable. But competitive realism has not yet gained enough favor to replace it. There are elements of competitive realism in Biden administration policies such as the CHIPS and Science Act and recent use of export controls in coordination with allies, but the administration's approach is more clearly defined by its enduring commitment to idealism. It continues to prioritize spreading democracy and defending human rights both abroad and online, as when it trumpeted a vague and largely toothless "Declaration for the Future of the Internet."

Political scientist Hans Morgenthau, a chief proponent of realism, wrote that an effective strategist "must put himself into the other man's shoes, look at the world and judge it as that man does." In the face of China's techno-nationalism, it's time for the United States to recognize hegemonic idealism is no longer an effective strategy. America must retool its economic statecraft based on competitive realism to better shape future outcomes at both home and abroad, hopefully in alignment with like-minded allies. ◆