

China, the Illiberal Counter-Order, and the Role of Values in the Strategic Response

R. EVAN ELLIS, PHD

Introduction

The dynamics of the international order in the third decade of the 21st century are changing profoundly. The magnitude and complexity of the change are illustrated by Russia's invasion of the Ukraine, in both its initial failure, and in the ability of the Putin administration in Russia to sustain its costly campaign. The new international dynamics are further illustrated by Iran's ability to sustain a proxy campaign against Israel and moderate Arab nations in the Middle East, as well as by the failure of actions by Hamas, Hezbollah, the Houthis, and Israel to escalate into a broader conflict. In Latin America, the new dynamics are highlighted by the ability of the authoritarian populist regime in Venezuela to threaten military action against its neighbor Guyana over the Essequibo territory, without a firm response by the United States (US), Venezuela's neighbor Brazil, or other states in the region. Finally, the new dynamics are illustrated by the increasingly aggressive posture by the People's Republic of China (PRC) against Taiwan, as well as by its assertion of maritime territorial claims in the South and East China sea and its increasingly confrontational military posture toward the US and allied militaries in the region.

International relations scholars have long noted the linkage between the structure of the international system and its dynamics, debating whether an order dominated by one major actor (unipolar) or multiple actors (multipolar), or the transition between orders are associated with greater opportunities for conflict, among other characteristics.¹ Other scholars in the international relations literature focus on the role of institutions and multilateral frameworks in facilitating order, the avoidance of conflict, and the enforcement of norms creating the basis for the growth of international interdependence, and associated systems of trade, finance, communication and data connectivity.² Still others focus on the role of legitimating of ideas, such as democracy, human rights, and market-based versus state-led economies to explain international dynamics within broader structures of power arising out of state and other actors in the international systems, as mediated through institutions and other frameworks.³

Reflecting the synergy between each of these important perspectives, the dynamics and evolution of the contemporary international system are best defined by a complex interaction between the power of its actors (which is itself interdependent and evolving), and the effect of those interactions on formal and informal institutions and multilateral frameworks. Those dynamics are further mediated through and shaped by ideas and values, and the perceptions and discourses surrounding them, in an increasingly interconnected world in which information technologies themselves are transforming the transmission and perception of those ideas and values.

A complete characterization of the interacting dynamics transforming the international system is beyond the scope of this work. Instead, this work seeks to briefly characterize some of the most important elements of those dynamics, and to identify associated risks, opportunities and policy recommendations and argues that the most important driver of transformation in the international system is the ongoing rise and crisis of the PRC, and its synergistic interaction with an array of illiberal regimes, each pursuing distinct goals not necessarily coordinated with the PRC or each other. It argues that China's pursuit of its own, mostly economically based strategic objectives, and its work with illiberal regimes indirectly supports the survival of those regimes and the challenges they mount to the Western-led rules-based international order. The survival of those illiberal regimes, and their challenges to China's geopolitical competitors and the international order itself, in turn, indirectly advances the strategic objectives of the PRC, although also carrying a range of risks for the PRC. The deterioration of the international order and the potential for instability produced by it are magnified by the interdependence of the contemporary global system, and the associated development and synergies between new technologies encompassing "big data," artificial intelligence and the "internet of things," including the use of those technologies to both control populations and destabilize adversaries.⁴

This work concludes with recommendations for Western governments in addressing these challenges focused in two areas: (1) strengthening partner institutions and leading by example in a new values-based discourse regarding the value of the individual over the state in political and economic organization, and (2) hedging strategies to prepare to survive the potential destabilization of the international system and the violence which may accompany it.

The Strategic Value of the Rules-Based International Order and Consequences of its Deterioration

The rules-based international order is arguably a concept ambiguous in meaning and uneven in the degree and way these rules prevail and are applied in different parts of the world. Its institutions, relevant laws, and application have also arguably evolved considerably since the formation of some of the key political and economic institutions associated with it at the end of World War II, and particularly since the end of the Cold War. The rules-based international order is thus admittedly a concept whose origins, purposes, universality, and abstract justice can be questioned and deconstructed. Such issues notwithstanding, there is clearly a system of international institutions, agreements, norms, and supporting infrastructure which, however imperfect, has played a key role in the advance of the contemporary dynamics of global interdependence, and which has had some impact on global conflicts and other geopolitical dynamics.⁵

The post-World War II establishment of modern global financial institutions through the 1944 Bretton Woods Conference, and the 1945 establishment of the United Nations, is conventionally advanced as the reference point for the origins of the contemporary rules-based international order, although the scope of its application expanded greatly with the end of the Cold War. Its growth involved not only political agreements, but also an array of mutually reinforcing political, technological, and bureaucratic developments. The advent of containerized shipping transformed the economics and possibilities of global commerce, making possible today's global supply chains.⁶ The rapid adoption of the concept globally, however, have been possible without communications and computer technologies and international legal agreements together allowing the settling of international accounts within reasonable timeframes, and with reasonable risk. Such developments, in turn, would not have been possible without a critical mass of states willing to sacrifice some elements of national sovereignty to secure the economic and other benefits which came with such a system. That mass expanded significantly at the end of the 20th century with the end of the Cold War and the transformation of the PRC as the low-cost production center of the globe. The development of international investment and finance which also occurred in this period reflected a similar combination of technology solutions and infrastructure, vehicles, particularly reliance on the US dollar as the backbone of the international financial system, legal agreements that contributed to the enforceability of contracts in multiple national jurisdictions, and international organizations such as the World Bank, International Monetary Fund, and others, that facilitated the functionality, and to a degree, regulation, of the system.

Imperfectly, but importantly, international cooperation in the framework of the rules-based international order during this period also expanded in the realm of criminal law. Such cooperation has become increasingly necessary in combatting the expansion of transnational organized crime (including money laundering) which has been enabled by, and expanded with, the growth in global flows of people, goods, money, data and ideas in the international system. International cooperation on criminal matters has also been an important secondary enabler of international business, for current and past members of governments involved in transnational criminal activities, and to a lesser extent, those who violate their commitments under international law in domains such as human rights.

The apparent success of the rules-based international order, in the eight decades since the end of World War II, and the hubris of the West, accelerated by its victory in the Cold War led a veneer of inevitability to that order. The participation of the PRC as a key component of that system added to both its perceived value and international consensus regarding its continuation. Such factors also, however, helped to conceal the degree to which the continued functionality of that order depended on a range of impermanent conditions that enabled it. These included the relative dominance of the US in financial, commercial and geostrategic terms. That dominance contributed to the system in inherent ways, such as the availability of the dollar as a stable, quasi-universal instrument for international transactions, and as a store of value. US power and the perception of its willingness to use it also arguably contributed to perceptions of the viability of international institutions and the enforceability of contracts. As a corollary, the functionality of the rules-based order in the post-Cold War period also benefitted from the participation of most states to at least some degree, limiting the ability of criminal and other actors to hide from enforcement in such safe harbors. Critically, following the end of the Cold War, the rules-based order also benefitted from the absence of credible alternatives for obtaining resources or other conducting other transactions of value without participating in the system, making it effectively “the only game in town.”

In several ways, the rules-based international order always contained the seeds of its own transformation. From its inception, there have always been political leaders and other actors who see their power, freedom, and interests constrained or prejudiced by the system. With the expanding scope of the order, it became an increasingly visible political symbol, and thus, became increasingly plausible for political leaders, academics, journalists, and others, to blame the shortcomings in their own societies on the rules-based order, including inequality, lack of opportunity, corruption and insecurity in their societies. Disillusionment of populations with the status quo periodically led to empowerment of such leaders, who once in

office pursued policies that, to varying degrees, challenged or restricted their state's participation in, or challenging, the rules-based order. Prior to the current decade, however, such anti-systemic experiments were short-lived, with the policies of the perpetrator cutting the country off from an important part of international trade, investment and finance, leading to economic deterioration, popular discontent, and the expulsion of the anti-system elites either through an election or military coup. Such lessons served to both those in the country and in its neighbors, the importance of adhering to the precepts of, and participating in the rules-based order. The emergence of the PRC as an alternative, large-scale source of resources without demanding adherence to the rules of that system, arguably changed the dynamic which had for decades ensured that significant challenges to the system were temporary and isolated.

The Rise of China and its Strategic Objectives

The rise of the PRC as a powerful actor with enormous influence in global commerce, financial, institutional, and other domains that ultimately presented a challenge to the Rules-based international order, was ironically enabled by the order itself. As noted in the prior section, that order facilitated the growth of the physical, informational, and institutional mechanisms of global commerce, to which the PRC could connect as a global manufacturing hub, little-by-little attracting the capital and technology that allowed it to transform into an economic and military power with both the will and mass to change that system.

By contrast to the behavior of the Soviet Union during the Cold War, as the economic and military power of the PRC have expanded, it has generally not sought to impose a particular model of political or economic organization on other states in the international system, although it has periodically used military, economic and other forms of coercion to intimidate governments and other actors from criticizing it, or behaving in ways adverse to PRC interests. Its imposition of sanctions on Australia after that government called for investigation of the origins of the Covid-19 pandemic in Wuhan, China, and its cancellation of a \$5 billion swap line in response to declarations by Argentina's libertarian President that he would not do business with so called communists are two prominent examples.

In general, PRC objectives in engaging states and international institutions are best characterized as China-centric. In economic affairs, the PRC has worked through its State-Owned Enterprises (SOEs) and other entities, in coordination with its government in strategic sectors, to obtain secure access to the commodities, foodstuffs, markets and technologies it requires for national development and power. In the process, it has worked in a relatively concerted fashion to obtain as much of the value added and control of these sectors as possible.⁷

As the size and technical sophistication of the PRC economy has grown, its impact as a purchaser of commodities, foodstuffs and other goods from the rest of the world, as a potential partner, employer and generator of revenues has given it increasing leverage with political and commercial elites, even if they have often approached the PRC with distrust, calculating their ability to “manage the risks” in order to obtain the hoped for benefits from the PRC.

Such expectation of benefits and the fear of losing them, has impacted the global discourse about the PRC, including the willingness of political, business and other elites to speak critically of it, or confront it over its behavior, including Chinese government’s repression of democracy and the rights of minority groups such as the Uighur Muslims in the PRC itself, its violation of treaty commitments on Hong Kong, its technology theft from foreign partners, its militarization of artificial islands and the assertion of territorial claims in the South and East China sea in violation of the 1982 United Nations Convention on the Law of the Sea, or its military exercises and other aggressive behavior towards Taiwan.⁸

With China’s growing power, it has also engaged with and asserted increasing influence in international institutions, from the United Nations to regional bodies such as the Inter-American development Bank.⁹ As illustrated by its use of its position within the World Health Organization (WHO) during the Covid-19 pandemic to suppress discussion of its role in the origins and propagation of the virus, the PRC has repeatedly employed its presence in multilateral institutions in the UN system and elsewhere to both prevent them from acting to its disadvantage, and where possible, to shape their actions to benefit PRC interests and companies.¹⁰ One example is PRC work with the Interamerican Development Bank to establish co-financing funds, which the institution to award projects to Chinese companies, allowing them to receive additional funds from PRC-based policy banks.

In addition, the PRC has used its influence to create new mechanisms for international engagement, including regional forums such as the 14+1 forum in Europe, FOCAC in Africa, and the China-CELAC forum in Latin America, as well as the BRICS forum, expanded in August 2023 to include in a range of new illiberal states such as Iran and Saudia Arabia.

While the economic power and technical capacity of the PRC continues to expand, its trajectory is also being shaped by mutually reinforcing dynamics of deepening authoritarianism, economic decay, and aggressive self-confidence in its international orientation. These could converge in a moment of confrontation with the US and other key stakeholders in the Western rules-based international order to help escalate such a confrontation into a military conflict.

China’s deepening authoritarianism is shaped by Xi Jinping’s significant consolidation of political power, reflected in his securing of an unprecedented third

term in office, and the absence of members from rival political factions in Xi's Politburo.¹¹ Such power potentially removes feedback mechanisms and constraints that could moderate PRC behavior in a crisis, particularly on issues such as Taiwan, which are closely associated with the legacy of Xi Jinping's leadership over the country.

The PRC's economic decay is driven by the depth of its still unresolved crisis in the real-estate sector. As shown by the Chinese government's ability to weather the Covid-19 pandemic, despite enormous suffering wrought on the Chinese people by a sustained lockdown policy, Communist Party control over the country at all levels, including both information and the means of coercion, is sufficiently great to present an economic crisis from threatening Party control over the country. Nonetheless, the state will likely have to muddle through a sustained period of unusually low growth. An external environment increasingly hostile to the PRC and characterized by Western efforts at decoupling from it will decrease opportunities for further expanding exports to drive economic growth. On the other hand, past PRC overinvestment in infrastructure limits the possible returns on infrastructure investment to stimulate the Chinese economy. Finally, the effect of the real estate crisis in wiping out the personal savings of many Chinese, is reinforced by the traumas suffered by many during the Covid-19 lockdown, as well as persistent problems in the healthcare and education sectors, inducing Chinese to save for the future, rather than increase current consumption in ways that could stimulate the domestic Chinese economy.

In the international realm, a confluence of factors induces China to behave in an increasingly aggressive, self-confident fashion. These include China's accumulation of military, economic and other power over past decades, leading it within the framework of Chinese culture, to feel less obligation to behave with deference than when it was weak. Such disposition toward greater boldness is reinforced by the personal style of Chinese President Xi, whose charisma and self-confidence is greater than his more technocratically disposed predecessor Hu Jintao.

Such increased disposition to boldness by the PRC as it engages both rivals such as the US, and middle-level states, elevating the risk that such interactions could escalate through miscalculation.

The Synergy Between China and Illiberal Regimes

The PRC has engaged with a wide range of international partners in pursuing its economic and other strategic objectives, and in seeing to mold an international political, security, and institutional space that facilitates the continued expansion of Chinese power. It has arguably been particularly accommodating in its relationships with regimes seeking to defy the rules based international order. These

include its “no-limits friendship” with the Putin regime in Russia throughout its ongoing military campaign in Ukraine.¹² It also includes its commercial support to both the Islamic Republic of Iran despite international sanctions, and its engagement with dictatorships in Venezuela, Nicaragua, and Cuba in Latin America.¹³

Despite such support, the PRC has generally not sought military or other formal alliances with its illiberal (or other) partners. Nor has it sought to group those partners into coalitions unified around particular political, economic or other themes. Indeed, the PRC has shown a remarkable capability to engage with multiple illiberal regimes with conflicting ideological orientations, and sometimes direct rivalries. Significant PRC engagement with rivals Saudi Arabia and Iran, its simultaneous engagement with the theocratic regime in Iran and the kleptocratic regime in Venezuela, are some examples.

Although the PRC has generally engaged with each partner on its own terms and has not sought to formally create an illiberal anti-US alliance, in its rhetoric and diplomacy, the PRC is poising itself as a leader of the challenge to the rules-based international order in an increasingly direct fashion. In its Global Civilizational Initiative, for example, the PRC questions the knowability, and thus the enforceability of Western concepts of democracy and human rights, thus creating cover for friendly illiberal regimes that challenge them, in ways beneficial to those regimes.¹⁴ Such advocacy compliments the PRC Global Development Initiative and the increasingly prominent role of the PRC in the G77+ China in which the PRC positions itself as a champion of the rights of the developing, generally non-Western aligned states. For the PRC, such engagement with illiberal states has brought both significant commercial and other strategic advantages, while supporting the survival of illiberal regimes and their challenges to the US and the rules-based international order.

Commercial Benefits to the PRC

In the commercial realm, the relative isolation of illiberal regimes from the key Western capital markets and commerce, generally including sanctions by Western governments, has helped the PRC to negotiate deals for their resources, access to their markets, and projects with them on terms highly advantageous to the PRC-based companies involved. Often, the ability of these governments to make deals with the Chinese, with lack of effective checks and balances, lack of transparency, and a corresponding openness to bribes and other personalistic benefits, as well as bureaucracies chosen more for loyalty than for technical competency, all contribute to the favorability of the terms secured by the PRC and their companies in deals with such regimes. On the PRC side, the attention to bureaucratic and contractual

detail by the PRC, and coordination between the Chinese State and its companies further advantage the PRC over their illiberal partners in such dealings.

Prominent examples of such lopsided deals include Russia's sales of petroleum and agricultural goods to the PRC, after the former's invasion of the Ukraine led Western countries to impose extensive sanctions on it.¹⁵ Similarly, the PRC buys as much as 1 million barrels per day of Iranian oil at a steep discount, complimented by a massive deal worth up to \$400 billion in which Chinese banks loan money to Iran to facilitate works projects there by PRC-based companies.¹⁶ In Venezuela, the PRC was similarly able establish multiple lines of credit allowing its companies to perform infrastructure work and send Venezuela products, repaid by deliveries of discounted Venezuelan oil pumped out of the country through partnerships with Chinese countries.¹⁷ The PRC obtained at least \$64 billion in work projects from Venezuela in this fashion, almost all of which was repaid by oil deliveries.

In all of these cases, although PRC-based firms have experienced significant security and operational challenges in the illiberal countries in which they have operated, they have proved remarkably capable in structuring their relationships to ensure that they are paid, even when their work is not fully completed, has serious defects or environmental and social consequences, or fails to produce the promised value added for the country.

Contribution to the Survival of Illiberal Regimes

In each of the aforementioned cases, and others, PRC support has played a key role in enabling the survival of illiberal regimes and their ability to pursue interests that challenge the rules-based international order.

In the case of Russia, PRC purchases of Russia's petroleum and agricultural goods, providing to Russia an alternative to the US-controlled SWIFT system for conducting international financial transactions to evade Western sanctions, and the supply of components for military hardware, have all been critical to enabling Russia to sustain its expensive war effort against Ukraine for over two years, despite international sanctions.¹⁸

With respect to Iran, the previously mentioned PRC purchases of Iranian oil have arguably helped Iran's Islamic regime to navigate domestic discontent in the face of international sanctions. It has also arguably given Iran the resources to continue to support surrogate groups around the region supporting its objectives, including the terrorist group Hamas in the Gaza Strip, Hezbollah in Lebanon and elsewhere, and the Houthis in Yemen. In some cases, even arms such as China's C-802 anti-ship missile, appear to have been adapted by the Iranians and

provided to surrogates such as the Houthis, who have used them in attacks against Western shipping.¹⁹

In the case of Venezuela, PRC purchases of Venezuelan oil and other commodities, and its China's associated working of infrastructure projects and provisioning of goods for the Venezuelan state, including deals supported by at least \$64 billion in Chinese credit, arguably played an important role in the survival of the populist Hugo Chavez and subsequent Nicholas Maduro regimes as they consolidated power and moved against the Venezuelan opposition.²⁰ In the case of Nicaragua, diplomatic recognition of the PRC by the Daniel Ortega regime created the option for economic engagement with the PRC, including promised exports, loans, and PRC-worked infrastructure products, to compensate for increasing international sanctions against the Ortegas by the US and Europe, in response to the Ortega regime's repression of democracy, elections, and public opposition.²¹

In each of the cases, although PRC funds did not fully compensate for corruption, mismanagement, and economic isolation, they arguably provided a sufficient volume of transactions, with associated opportunities for associated graft and corruption, to incentivize elites affiliated with the government, to continue to support it and remain connected to such sources of income.

Strategic Benefits to the PRC

Beyond economic benefits to the PRC and its companies, the survival of illiberal regimes and associated challenges to the rules-based order enabled by that survival strategically benefits China, albeit with an associated risk both within the country, and geopolitically, that China must manage. In the case of Russia, its invasion of and sustained military campaign in Ukraine has obligated the US and Europe to dedicate significant resources and attention to supporting the latter, while hedging against Russian aggression elsewhere. In the process, Russia, once a peer rival of the PRC, has become ever more dependent on it and subject to its influence.²² Russia is also cooperating with the PRC in other areas, such as the Arctic against their shared rival, the US.²³ In operational terms, Russia's campaign in the Ukraine has also allowed the PRC to learn from the military campaign and the Western approach to imposing sanctions against Russia, in ways that help the PRC to prepare for similar Western responses to its own possible future aggression against Taiwan, or other conflicts with the West in the Indo-pacific region.

Iran's actions in the Middle East through surrogates including Hamas, Hezbollah and the Houthis, have similarly obligated the US to expend considerable resources and attention supporting Israel, seeking to prevent escalation of the conflict. In the process, it has undercut Israeli rapprochement with moderate

Arab states through the broadening of the Abraham Accords, which would have strengthened Washington's influence at the expense of the PRC.

In Latin America, the survival of anti-US dictatorships such as those in Cuba, Venezuela, and Nicaragua undermines US efforts to strengthen a values-based consensus and rule of law in the Western Hemisphere. The attention that Washington has been obliged to pay to high level engagements trying to induce the Maduro dictatorship to allow free and fair elections in Venezuela, the contribution of Venezuelan refugees to migration crises not only at the US southern border but throughout the Americas, and the Maduro regime's threats to forcibly take control of the Essequibo territory from Guyana, have all consumed scarce US resources and distracted Washington from advancing its policy objectives elsewhere.

Beyond strategic benefits to the PRC from the actions of individual illiberal regimes, their economic engagement with the PRC has also facilitated the broader PRC global strategic objective of advancing the use of the Chinese currency, the renminbi (RMB), at the expense of the dollar. Most illiberal states, from Venezuela to Saudi Arabia, have agreed to transactions which, in varying ways, use the RMB rather than the US dollar. Often, the structuring of transactions in ways that avoid using the US dollar or Western currency clearing mechanisms such as SWIFT, are designed to reduce the vulnerability of illiberal states to US and other Western sanctions.²⁴

For the PRC, a turn to the RMB increases its financial leverage over the illiberal partners as a control mechanism, while supporting the broader PRC objective of RMB internationalization. For the US, the long-term strategic effect of decreased interest in the international financial system in conducting transactions in dollars would be catastrophic, to China's advantage. In addition to reducing the ability of the US to use financial sanctions as a tool of influence, it would decrease US ability to borrow large amounts of capital on international markets at reasonably low interest rates, weakening future US growth vis-à-vis China, and forcing the US to make difficult decisions to limit spending in areas such as defense and infrastructure, critical for its strategic competition with the PRC.²⁵

A more indirect strategic benefit to the PRC of the survival and proliferation of illiberal regimes, as noted in the prior section, is to complicate the ability of Western governments to combat organized crime and enforce contracts and other legal norms in the international system. To the extent that such impediments to the rule of law facilitate corruption and insecurity in US democratic partners, they create expanded flows of drugs and migrants to the US, or other crises requiring resources and attention for the US to address, particularly when such crises occur near the US. By weakening the performance of such democratic partners, they also further opportunities for anti-US populist governments to come to power,

who are then drawn to the PRC for resources and security cooperation, as an alternative to the US

In the military domain, the survival of illiberal regimes expands possibilities for PRC strategic presence globally, including in close proximity to the US in strategically sensitive sectors, even without formal alliance or basing agreements. Illiberal regimes are generally more open to purchasing Chinese military equipment and engaging in other forms of military cooperation, from populist Venezuela's purchase of K-8 fighter aircraft and radars to Cuba's hosting of Chinese military trainers and signals intelligence operators.²⁶ It also includes potential PRC operation and control of dual-use space facilities, such as that agreed to by the prior populist Peronist government of Christina Fernandez in Argentina.²⁷ It further includes PRC access to ports and other dual-use infrastructure that could be used against the US with the formal or tacit approval of illiberal host governments.

Beyond direct military collaboration of illiberal regimes with the PRC, in time of a major war between the PRC and the West, illiberal regimes sustained by PRC economic engagement also create expanded risks for the projection of power by other US rivals against the US in the Western Hemisphere and other strategic locations. The survival of anti-US regimes in Venezuela, Cuba, and Nicaragua, in combination with the survival of the Putin regime in Russia and a radical Islamic theocratic government in Iran, for example, expands the risk of Russian and Iranian projection of military and other threats against the US from proximate illiberal states such as Venezuela and Cuba, in support of their mutual partner, the PRC.

Risks to the PRC

Despite such strategic benefits to the PRC from the survival of illiberal states, the actions by illiberal states only partially within China's domain of influence also creates continual risks which the PRC must manage, both in each country in which its companies and citizens operate, and at the broader geostrategic level. At the country level, the illiberal states in which the PRC seeks to operate have been beset by institutional deficiencies, often reinforced by their own policies. These, in turn, create recurring difficulties for Chinese companies seeking to successfully execute projects, as well as threats to the safety for Chinese personnel operating there. At the broader geostrategic strategic level, Chinese work with illiberal regimes creates reputational risks when PRC-based companies are tainted by corruption, poor project and environmental performance and corporate social responsibility, or the failure of their projects to produce value-added by their societies. The virtual absence of value created by \$64 billion of loan-based projects in Venezuela, and the disastrous performance by Chinese companies in building

the Coca Codo Sinclair hydroelectric facility for the prior anti-US authoritarian government of Ecuador, are but two examples.²⁸

Beyond economic projects, Chinese engagement with illiberal states may undercut China's efforts to portray itself as non-threatening, or negatively impact its global engagement objectives in other ways as well. PRC political, economic, and military support to Russia in the Ukraine, for example, has arguably increased the number of political and other actors in the European Union and elsewhere that see the PRC as a threat, thus indirectly accelerating increasing efforts by those actors to protect their markets and technologies from China's advance as well.

Beyond reputational risks to the PRC, its empowerment of illiberal actors creates the risk of expanded military conflicts which can impact the PRC through damage to the global economy, even if the PRC itself manages to escape association with the aggression of its partners. The escalatory potential of Russia's actions in the Ukraine, Iran's actions through surrogate groups against Israel and the West in the Middle East, North Korea's nuclear program and aggression against its neighbors in the Pacific, and even Venezuela's threats of military action over Essequibo, are all examples.

Deleterious Effects on the International Order

As established in the preceding sections, the interaction between the PRC and illiberal states pursuing their disparate objectives, progressively undermines the rules-based international order which has served as the basis for the modern interdependent global economy, and the management (however imperfect) of the challenges of transnational organized crime and associated insecurity.

The survival of illiberal regimes which only selectively honor contracts or cooperate with international law enforcement when it serves their interests, including giving safe harbor to criminals and terrorist groups, complicates the fight against such groups and associated money laundering. In the process, it contributes to the strength of such groups and expanded illicit flows. In the process, it facilitates expanded corruption and insecurity, undercutting the faith of already skeptical citizens of democratic regimes in the ability of their political and economic systems to deliver results. It thus creates a reinforcing cycle of discontent which opens the doors to illiberal governments, whose policies often lead them into greater political and economic distance from the West, and greater collaboration with and dependence on the PRC, as well as leading their countries into even worse economic performance, corruption, and the erosion of the democratic institutions that permit future peaceful change.

The proliferation and strengthening of illiberal regimes with the facilitation of China also harms other states in other ways. Russia's invasion of Ukraine put the

existential survival of its democratic neighbor at risk, as well as imposing severe strains on its European neighbors by obliging them to significantly expand defense spending to help Ukraine defend itself, as well as providing humanitarian assistance and fiscal support to sustain the functionality of the Ukrainian government and economy in the conflict. Russia's invasion also imposed strains on European and other economies through millions of Ukrainian refugees, as well as through the impact on European farmers from the opening of European markets to low-cost Ukrainian agricultural production.²⁹

In the case of Iran, the conflict unleashed by the October 2023 terrorist attack against Israel undermined the comity and pragmatic interactions between Israel and moderate Arab states previously nurtured by and reflected in the Abraham Accords. It also led to a humanitarian crisis with tens of thousands of civilian casualties from Israel's subsequent campaign against Hamas in the Gaza Strip and fostered a polarizing debate with internal political repercussions, from Latin America to US college campuses.

In Latin America, illiberal regimes in Cuba and Venezuela have historically contributed to subversive efforts to destabilize neighboring democracies through working with radical movements in neighboring democracies, including the dissemination of propaganda and disinformation through social media and other channels, with the help of Russia.³⁰ They have also played a possible role in the weaponization of legitimate protests in other countries of the region, such as Ecuador and Chile.³¹ The augmented survival of those regimes and ability to engage other countries in the region thus enhances their ability to undermine democracy in the region.

Beyond direct contributions to the destabilization of democracies such as Venezuela and Nicaragua in Latin America, as with Russia's Ukraine invasion and the war provoked by Iran's surrogate Hamas, consolidation of power by illiberal governments have unleashed refugee crises that have strained the socioeconomic fabric of neighboring democracies. More than seven million refugees have left Venezuela, significantly impacting the countries they have fled to, from Colombia and its neighbors to Central America and the US. Beyond the economic strains, the massive refugee flows have brought political repercussions for host countries. It has even had criminal impacts, including the migration of cells of the Venezuelan prison gang *Tren de Aragua*, which has moved with and exploited desperate Venezuelans along their journeys.³²

Beyond the direct effects discussed in this section, the proliferation and strengthening of illiberal regimes, facilitated by engagement with the PRC, also undermines the faith of democratic governments in the reliability of international institutions and legal and contractual frameworks to protect their citizens abroad, the

commerce and investments of their companies, and their national security against external threats. Such erosion of faith has a self-reinforcing effect on the deterioration of the international system, obliging states to take unilateral measures such as expanded defense spending, and decreased cessation of sovereignty to international institutions and treaties, to more effectively guarantee their own interests.

The Compounding Role of New Technologies

To the extent that the range of direct and indirect effects of PRC engagement with illiberal regimes are problematic, the destabilizing effects of this dynamic on the international system are expanded by the advance of and synergistic, reinforcing effects from new information technologies. Democracies and free market economies in Latin America and elsewhere in the world have long been under stress from the effects of increased connectivity, including the displacement fostered by new commercial and social interactions accompanying the expanded global movement of people, money, data, and ideas in the contemporary world system. As noted previously, the globalized commerce and expanded communication enabled by the rules-based international order, in addition to its many beneficial effects, also expanded inequality and displacement within countries and societies not adequately prepared to effectively leverage the opportunities that globalization provided. At the same time, increasingly ubiquitous connections through modern cellphones, the internet, and social media expanded and accelerated the transmission of information, and with it, the ability to develop perceptions and communities at a global level, to coordinate across them, and to fight between them.

In addition to expanding the rate and volume of communication, however, new technologies such as social media, have also permitted their transmission and targeting of recipients in an increasingly decentralized fashion. In addition to fostering a fragmentation of communities of interest, the combination of increased volume, number of sources, and targeting of smaller groups, has made it increasingly difficult for recipients to process it with the appropriate skepticism, as well as greatly complicating the ability of governments and other entities to monitor those communications and manage their effects, let alone control them.

As a compliment to the expanded rate, volume, decentralization and targeting of information, new technologies such as artificial intelligence are exponentially expanding even further the capacity to generate information in ways that blur the line between human generated content, objective images and data, and computer-generated content. The result has arguably been to facilitate the potential weaponization of communication, as well as expanded uncertainty and polarization within societies, further eroding faith in institutions and governments.

As a counterweight to such uncertainty, societal polarization, and fragmentation, the new technologies are also giving governments and other groups unprecedented tools for monitoring and targeting those individual users and groups, constraining their information flows, and impacting them in financial and other ways. The PRC has had multiple comparative advantage in developing such technologies, including substantial investment in applied research, an infrastructure for the appropriation of the technology of others, a regulatory environment with less emphasis than in the West on the protection of individual privacy, a large population across which to develop such technologies, and a Party-led state with both the interest in and budget for technologies that facilitate such monitoring and control. In many parts of the world, the development and application of technology by the PRC is linked to perceptions of its economic success, efficiency, security, and social order, attributes often lacking in the other parts of the world. Although the PRC government is generally restrained in promoting itself as a model, the perceptions in the rest of the world about the role of the PRC government and technology in success, efficiency, security, and social order, impacts debates in the observing societies regarding the appropriate role of government and technology, and the sacrifice of individual privacy and other protections to obtain those hoped-for benefits.

Beyond the impact of perceptions of the PRC example, the reality of the trade-offs between technology and the protection of the individual is being impacted globally by the expanding market share of Chinese technology companies such as Huawei and Hikvision, and Chinese products in sectors such as security systems, telecommunications, cloud computing, the internet of things, and “smart cities,” among other products. The increasing dominance of Chinese companies and products in these sectors, and their associated opportunities to lock in their advantages and the trade-offs inherent in their products through the setting of standards, is creating a reality on the ground across the world, increasingly in favor of results and efficiencies, over protection of the individual.³³

In the context of an international order under multidimensional stresses, the evolving synergy between the new technologies give the PRC and collaborating illiberal governments unprecedented new capabilities to control information and their own populations, while potentially destabilize those of their democratic adversaries. The PRC has already exported control systems to illiberal allies, including providing the “fatherland ID card” system to the Maduro regime in Venezuela, telecommunication management technologies in Cuba, as well as national monitoring systems built for the prior anti-US authoritarian regime of Rafael Correa in Ecuador, and to the populist regime of Evo Morales in Bolivia.

The ultimate balance within the evolution of technologies between facilitating control versus polarization and chaos is arguably still indeterminate. Within the context of the synergistic interaction between the PRC and illiberal states discussed in this work, however, the near to mid-term impacts of such technology developments is likely to expand the power of the PRC and the illiberal states to which it provides its technologies, to maintain control of their own societies and thus extend their own longevity, power, and by implication, behaviors that undermine the rules-based order and otherwise serve PRC strategic interests. On the other hand, the impact of the new technologies in straining democratic states, will be complimented by their ability to be weaponized in the hands of the PRC and its illiberal partners for targeted use against its democratic adversaries, further accelerating the deterioration of democracies and the rules-based order.

Recommendations and Conclusions

This work has argued that the nature of the challenge posed by the PRC to the international system cannot be fully understood in terms of a bipolar world order, such as that which imperfectly characterized the era of the Cold War. Nor is the role played by mid-sized illiberal regimes such as Russia and Iran sufficiently independent from the PRC to characterize the order as multipolar in classic terms. Rather, the key dynamic currently shaping and transforming the international system is the synergistic interplay between an increasingly powerful PRC pursuing its own economic and other strategic interests, and a range of illiberal states whose survival and ability to challenge the international system is enabled by their engagement with the PRC. Those interactions strategically benefit the PRC, while at the same time, create risks at both the country and geostrategic level that the PRC must manage. Over the long term, this work argues that the dynamic between the PRC and illiberal states erodes the functionality of the international system in ways that could prove destabilizing, undermining the security and prosperity of all.

Finally, this work has argued that the erosion and destabilization of the rules-based international order is accelerated by the convergence of new communications technologies, big data, artificial intelligence and the internet of things. Collectively, these technologies advance polarization and instability within democracies, while giving the PRC and its illiberal partners enhanced tools to control their populations, extending their own longevity and power, while also using the new technologies as weapons to destabilize their democratic rivals, accelerating the demise of the system.

In this dangerous new international environment, it is not enough for Western democracies to merely strategically compete with the PRC and other illiberal rivals. The West must start by compensating for the sociopolitical debates

currently dividing and paralyzing it from effective action. It must improve and resolve the impediments to its own tools for engaging with and strengthening the institutions of its democratic partners, thus better helping them to succeed against the myriad of challenges that they face.

While the West must “get its own act together,” apply additional resources, and fix broken institutions and engagement tools, in the face of the enormous, systemic, self-reinforcing challenge described by this work, doing so alone will not be enough. The necessary key element for the West is the re-thinking, re-formulation, and re-assertion of its discourse on values.

If the West defines leadership on values as merely sanctioning or calling-out regimes for their corruption and non-democratic behavior, in a geopolitical context in which China provides other options, the West will fail. What the West requires is the formulation more effective values-based arguments, more effectively and sensitively delivered, to inspire the world to make their own positive choices, not about why they should align with the US, but about why their own societal interests are best served by principles such as the protection of individual rights, individual choice as the foundation of government legitimacy, and individual ownership and initiative as the principal generator of economic value and technological progress. The West must convince others not that it will offer them more than China, but why it is in their own long-term interest to pursue a democratic path privileging individual rights, market-led economies, and the rule of law, and to cooperate and sacrifice to sustain an international institutional framework that sustains such values.

At the end of the day, the US and the West must also be prepared for the possibility that such engagement may be too little, too late. The prudent, while working to preserve the current order, should prepare plans that permit their nation, or firm, to navigate its collapse, and the chaotic, violent, dark period which will likely follow. □

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R Evan Ellis, PhD

Dr. Evan Ellis is a research professor of Latin American Studies at the US Army War College Strategic Studies Institute, with a focus on the region’s relationships with China and other non-Western Hemisphere actors, as well as transnational organized crime and populism in the region. He has published over 500 works, including five books. Dr. Ellis previously served as on the Secretary of State’s Policy Planning Staff (S/P) with responsibility for Latin America and the Caribbean (WHA), as well as International Narcotics and Law Enforcement (INL) issues. He has given testimony on Latin America security issues to the US Congress on various occasions, has discussed his work regarding China and other external actors in Latin America on a broad range of radio and television programs, and is cited regularly in the print media in both the US and Latin America for his work in this area.