

The China-West Rivalry

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NOVI Headquarters:

We don't really understand the whole China-West problem. For a long time, there didn't seem to be a problem, even during the Cold War. Recently it seems like they're fixated on each other, and not in a nice way. What are the roots of the rivalry, and why is it happening now? The news provides a running commentary on the status of the relationship but it doesn't give much explanation.

NOVI Field Team:

The explanation and characterisation are somewhat nuanced, so bear with us.

There has always been friction between the West and communist China. In 1972, China and the US decided to shelve their own Cold War so they could each focus on the USSR, but they kept a wary eye on each other. After Deng Xiaoping's rise and China's economic opening, the West increasingly saw China as a critical economic partner and hoped that it would continue to evolve away from its totalitarian roots. Once China joined the WTO in 2001, West-East business boomed, and the West was willing to overlook China's loose interpretation of the rules around trade and intellectual property protection. Tensions rose after 2008, when China saw the global financial crisis as a sign of Western decline and became more assertive in its own region, and the West started to worry about their growing trade imbalances with China. Friction was manageable, though, and nothing seemed to be on the horizon to cause a sharp deterioration in relations. This changed when Xi Jinping assumed power in China in 2012.

We need to try look at things from Xi's perspective to see why "managed tension", as the old relationship was often known, broke down. This will also be the Chinese Communist Party's (CCP's) perspective, at least after Xi purged the party of alternative points of view.

Even before discussing tangible rationales for confrontation, we can note that Xi has an old-school, hawkish view of the West. It is, in his outlook, jealously clinging to global dominance and using the rules-based international order to prevent China from attaining its rightful place in the world. In view of the West's wars of intervention and colonial past (including within China), its reference to rules of fair play are especially irksome. The CCP deeply distrusts the West, and this injects a national security element into even domestic plans and policies – what China does for and in itself is an aspect of building resilience against potential Western stratagems to keep China from self-realisation.

More tangibly, the CCP has long been concerned about the global prevalence of Western values. These values have been popularised through entertainment and media, they shape the principles of multilateral institutions such as the UN (its Declaration of Human Rights, for example, could be read as an ethical critique of the CCP), and they underpin the rules-based international order which the West established after World War Two to try to ensure global stability and reduce the chance of international power grabs.

The CCP is authoritarian, and its legitimacy in China depends on holding up its end of the social contract, namely guiding the country to enduring high prosperity and living standards. Until that point, there will be times when people get impatient or restive, and the CCP's legitimacy ebbs. If it diminishes too sharply, Western values around human rights, freedom and democracy could easily become the organising principle of political dissent. This happened in 1989, and liberal democratic values played a role in the USSR's demise, the Colour Revolutions and the Arab Spring. Thus, Western values are a problem. It is not enough to just eradicate them in China, as the CCP has largely done. The CCP would feel a lot safer if Western values also became a niche anachronism in the world at large. That view partly explains why Xi decided to go on the offensive on the level of ideas. The party's information machinery spins Western values (which the West regards as universal human values) as a self-serving contrivance designed to rationalise the West's global dominance. Western values would not be an acute problem if the CCP's legitimacy were assured, but it faces a stark challenge.

For decades, China has had an investment-led growth model, in other words growth has mainly been driven by creating infrastructure, production facilities and housing. The historical reasons for this are nuanced, but in a nutshell, after the chaotic Mao years, China was a poor developing country with only two main advantages: a highly centralised government better equipped to command than enable, and abundant cheap labour. China's growth trajectory began by becoming a "factory to the world". Then, after it climbed out of poverty, people could afford their own private housing, leading to a housing boom

that created more demand for domestic infrastructure. There was increasing household consumption, but it was a byproduct of investment-led growth. Eventually, China ended up with a massive overabundance of productive capacity. Just closing down excess capacity was politically untenable because it provided jobs and it still contributed to GDP, but it sucked up costs for little in return.

The decline of the housing market from 2021 was a serious challenge in its own right, but even had it remained stable, this structural imbalance was going to become a problem. With such high overcapacity, the domestic market cannot absorb enough output to keep capital assets profitably utilised, and local prices are so low that firms need to export to generate meaningful profits. Even aggressive exports, though, are insufficient to generate the growth the country needs to ensure that it does not fall into a middle income trap. That risk is all the more acute given China's declining population. If the risk played out, the CCP's legitimacy would face serious pressure.

The CCP knows that China's domestic households have the potential to be the country's biggest and most lucrative market, and if the consumer economy became more vibrant, it would put China's growth on much firmer ground. It would also help the CCP's legitimacy, because it would be delivering on its promise of better living standards. But the economy has been geared to production, and turning this around is complicated and risky. There are a number of serious pitfalls, but a significant one is that to enable a dynamic, adaptable consumer economy, consumers and private sector firms would need far more influence and information. That represents a degree of liberalisation which the CCP is unwilling to experiment with during what it sees as a very sensitive period in China's trajectory – there is already a degree of economic discontent and lifting the lid prematurely is, in the CCP's perspective, dangerous.

The CCP's solution is to build up wealth first to give itself a safe plateau to tackle domestic reform sometime down the road. To do this, it wants to become the leader in a number of valuable high-tech industries that are critical for the world's transition to the green, "new" economy. The world will need these goods, and China will provide them more cheaply than other countries' firms, since it will use its own internal market for initial economies of scale. Thus, China will capture global market share, and new product iterations, spares and upgrades will create a steady, lucrative revenue stream for years to come. As this happens, it will create better jobs in China, so it can start to deliver on the prosperity promise even before the party starts big domestic reforms. Ideally, the CCP might not even have to bother with major reforms if the export-centric plan really paid off. As an accessory to the core plan, China will deepen its current grip on the global market for intermediate goods and components, to sustain and build foreign dependence on Chinese manufacturing. That would also make it more difficult for countries

to take trade action against the coming influx of high-tech Chinese goods (restricting Chinese imports is far more difficult if Chinese components are embedded in just about any complex product no matter where it was made). There is more nuance to the wider strategy, but those are the basics.

This plan continues to make China very dependent on global access and networks. It already imports most of its food, fuel and raw materials, and a lot of the products it needs for its own industries. With its plan to dominate critical high-tech goods, export markets remain critical too. Since Xi came to power, China has done very well in building up new supply and trade networks, especially among transitional and emerging market countries of the Global South, who would not automatically take the West's side in a dispute. However, many of the countries China trades with do not want to be swamped with Chinese products that undercut their own industrial growth and transformation. Others worry about becoming dependent on China. Others still are starting to see Chinese investment as a carrot that can easily transform into a stick. China has already faced some pushback, and it will likely face more as it seeks to develop captive markets for its high-tech products. Its networks are not as secure or as locked-in as China would like. This would seem to be manageable if China did not feel like it had a nemesis, the West, looking for chinks in its armour.

In addition to its underlying suspicion, the CCP has a three-fold view of the West. One, it wants to remain the global centre of gravity and sees China's rise as a threat. Two, the West is in decline and knows it, and this makes it dangerously desperate. Three, the West, and the US in particular, are still powerful even if they are weakening. Thus, a major risk for China is that a desperate West mobilises its still considerable political-economic clout to push and exaggerate fears about China's intentions, lure away members of China's global networks, support trade action against China, and generally constrain China's global access. The West would do this knowing full well that if China's plan stuttered, the CCP could face serious problems at home. So, it would not just be an economic riposte but an actual, if indirect, attack on the CCP. Western values are one problem, then, but so too is remaining Western global influence. China feels like it needs to reduce it in order to safeguard its long-term plan and keep it on track.

A significant facet of the West's remaining global influence is the rules-based international order. Both China and Russia have had some success in undermining it, and nationalist populists, like Trump, are causing damage too. Thus, the rules-based order, consisting of international law, norms and principles, as well as international organisations that try to see that the rules are upheld, is fraying. Even so, it provides countries that feel aggrieved by unfair trade practices and territorial infringements with arguments and public fora to make their case. This is problematic for China. With its industrial policy, it

will not necessarily be dumping products, but it does need to aggressively capture overseas market share. China would also like to control large parts of the South China Sea in order to secure its shipping routes and increase trade leverage in the region. That ambition too comes up against the rules and incurs publicised grievances. Thus, the rules themselves hinder China's aims, and it would be far preferable if they gave way to a natural order in which bigger, stronger players could freely use their clout.

Finally, China has long been irked by the US military presence and defensive alliances in East Asia and the Pacific. These are partly a legacy of the American war effort against Japan, and China sees them as potentially serving the same purpose against itself – hemming it in and even blockading it in the event of acute tensions or war. US support for Taiwan is an element of this potential threat, and is problematic on a purely symbolic level too since China sees Taiwan as a rogue province. Ultimately, having US and allied armed forces in proximity to China, and the potential direct effect on China in the event of a conflict, raises China's threat perception of the West and makes the imperative of weakening it even stronger.

To global audiences, Xi does not openly say that he wants to undermine the West or see China significantly displace it, but a reading of CCP statements, policy and action together paints a telling picture. For a long time, the West was not particularly concerned about China's rise and influence. It seemed to be win-win economically and there was no clear signal that the CCP had threatening ambitions. Xi effectively took the gloves off and the signals have become impossible to ignore. The West has taken up the gauntlet. Since about 2018 it has been trying to counter China's economic plans, and after Russia's invasion of Ukraine in 2022, when it was clear that China was enabling Russian aggression, the national security dimension has grown. The West's current conception of China is somewhere between "systemic rival" and outright threat.

NOVI Headquarters:

Why, after decades of "managed friction", did China kick off this contest relatively recently?

NOVI Field Team:

It is partly about Xi's personality. His predecessor, Hu Jintao, was regarded within the CCP as somewhat indecisive and unwilling to tackle big challenges head on. Hu was also a relatively mild mannered leader. He did not see himself in grandiose terms. Xi is the opposite – he has an urgent reading of China's situation and a compulsion to forestall anything like the USSR's fate, he is a control freak, and he wants

to go down in history as a grand leader on par with Mao. He was not going to wait for China's problems to get worse.

For Xi, and many economic experts, China's structural imbalances were a festering and serious problem, especially in the context of a declining population. Xi was going to address it one way another. But the urgency ramped up in recent years. Starting in 2021, the collapse of the housing market, which was a complex form of investment bubble, hurt the economy and starkly exposed inherent fragilities. It also undermined consumer confidence, since many people saw their personal wealth decline. Along with this was covid, and the CCP's use of long and draconian lockdowns. The economy more or less recovered from covid's direct effects, but the experience has been a lingering drag on consumer confidence. That was the final nail in the CCP's notion that boosting domestic spending might be a solution to the structural imbalance. The current industrial policy is broadly based on the CCP's "Made in China 2025" plan, and it was first announced in 2015. So, the CCP did not create the industrial policy in response to these recent pressures, but they have certainly ramped up the party's sense of urgency.

Many outside observers agree with this sense of urgency. There could be a limited time window for China to climb free of a slow-growth purgatory. Ageing demographics have only just begun to take a toll, specifically in terms of constraining consumer spending as people save to look after old parents. A decade from now, though, China's labour pool and productivity will also feel the effects. Second, China's slowed growth has become very noticeable to ordinary people, especially youth seeking jobs in a tight labour market, or working long hours for low pay. The phenomenon of "lying flat" (giving up on life and taking it easy) is a worrying sign – it signifies resignation, but resignation's flipside is frustration and anger. Social unrest is a valid concern, despite the CCP's totalitarian controls. Finally, the West has been complacent about China for a long time, and it still does not have a cohesive response. China has a first-mover advantage in this contest for control over the evolution of the global order, and if it does not make the most of it, the West might overcome its inertia and jointly act before China has made solid gains.

In Xi's thinking, the current period of China's trajectory is a make or break moment. What China is doing is a huge gamble. It is betting on dominating key industries, growing its already massive reliance on exports, and delaying critical structural reforms, all in a global context where there is bound to be pushback. But in spite of the risk, Xi sees it as the safest way to safeguard China's future, and on a more prosaic level to make China and the world safe for the CCP. The last point is important. The CCP holds itself in high esteem, but it has deep insecurities too. Having garnered total control in China and

thoroughly eradicated any political alternatives, the buck stops with the party. If it ever lost its lustre, it would be in a very tenuous position.

NOVI Headquarters:

China might have kicked off this contest, but what more can you say about the West's rationale to confront China's ambitions?

NOVI Field Team:

As noted, for a long time the West did not see China as a threat. The increase in China's military and economic power, combined with clear evidence that the CCP saw the West as innately hostile, caused unease in intelligence and defence circles. However, Western politicians felt that the economic benefits of business-as-usual outweighed vague national security concerns. Even the clarity of Xi's ambitions was not enough to shake off complacency. Instead, it took increasing, direct anti-Western activity. This has included dense collaboration with Russia, Iran and North Korea; indirect but critical support for Russia's war machine in Ukraine; cyber attacks and probes on Western critical infrastructure; hassling dissidents living in Western countries; and hostage diplomacy against Westerners. China's crackdowns in Xinjiang and Hong Kong were factors too, especially Xinjiang, where repression amounted to industrial-scale human rights abuses and cultural genocide. That strongly affected Western public opinion towards China, and added to governments' willingness to recognise China as a threat.

The above helps to see how the West finally came around to seeing China as a threat, but it obscures an important nuance. The challenge in trying to find a clear Western rationale is that there is no longer a cohesive West. Under Biden, the West was united around the threat to Western values, and even ultimately the Western way of life. Xi harks back to China's dark totalitarian past, and Westerners feel that if they do not rise to the challenge, at some point they might have to toe Beijing's line, wherever that might lead. Economic dependence and the notion that China's economic rise was increasingly at the West's expense were shared concerns too, but values were a significant motivator.

In Trump's first term and even more starkly in his second one, the US, by far the most powerful Western country and previously the West's clear leader, has taken a nationalistic, US-centric view of the China problem. Trump, and his nationalist populist ilk, are mainly concerned about China's trade dominance and its effect on US manufacturing, and China's growing military power as it relates to US interests in Asia. Trump does not care about the implications of China's ambitions for Western values, since he sees no merit to them himself, believing that only power and leverage matter. In a similar vein, while a

classical Westerner values alliances because they are based on trust and shared interests, Trump only sees alliances as extended transactions that the US undertakes if they help to get what it wants.

The classically Western perspective and Trump's America First outlook converge on economic concerns. There was a view for a long time that the West had somehow moved beyond manufacturing and could just buy what it needed from countries with a comparative advantage in it, such as China. Their own economies would naturally drift towards services and financialisation. Now, Western countries are recognising that they have their own serious structural imbalances. Excessive financialisation increases exposure to financial instability, and trade deficits and the consequent decline in manufacturing decrease employment and ultimately lead to import dependence. Dependence might not be a serious issue if a country's import sources were diversified, but China predominates and it is no longer just a normal trading partner. For all of these reasons, almost all Western countries are anxious about sustaining and building their innovation and manufacturing bases, particularly as the AI-enabled "Fourth Industrial Revolution" looms. China's intention to dominate global manufacturing in key industries, to the point of destroying competition, is deeply concerning to America-Firsters and classical Western thinkers alike.

The shared concern about China's global economic intentions is driving a degree of Western cooperation, and despite the Trump effect there has been increasing coordination on countering China's political and subversive efforts against the West. However, the split in Western motives, and especially the erosion of trust within the bloc, will hinder the creation of a joint strategy and mutual commitment to it.

NOVI Headquarters:

What does each side want, if they could have it their way or came out on top?

NOVI Field Team:

China wants a world in which governments act on their national interest (however they define it), and in which aggregate national power is the main factor in relative advantage. Before Trump, the West's vision made "...the world safe for democracy" and aimed to counter might-makes-right behaviour. By contrast, China's vision makes the world safe for the CCP and gives China the advantages it deserves as a powerful and cohesive country. It would be free to apply economic leverage, threats and inducements as it saw fit for its national interest, without being constrained by notions of fair play or Western reactions. China would be sensitive to its image and reputation in order to not incur a global backlash, and it would need

other countries to be in reasonably good economic health so that they remained strong markets for its exports, but those would be the only constraints on its freedom of action.

With respect to China's industrial strategy, its ideal outcome would be a world beholden to China for the products that underpinned sustainable economic growth and socio-economic performance. If it managed to remake the international order in the way outlined above, not only would it not have to worry about trade rules and norms, but it could apply carrots and sticks as it saw fit to sway reluctant buyers.

China's vision is China-centric, but at the same time it is also, in international relations-speak, realist. Realism posits that international relations are ultimately shaped by states' self interest and the pursuit of power, and an ardent realist would regard any other premise for international behaviour, for example shared values or values-based rules, as unrealistic (hence "realist") and unsustainable in the face of the power imperative. In a sense, China has taken realism as its international political position, and is trying to remove artificial impediments (values-based rules, relationships and interventions) to the way world should really operate. Realism is an academic theory, not an ideology or principle, but that never stopped anyone from using it as such when it suited their aims. It is noteworthy that the Trump administration in the US has a very similar perspective to the CCP's – it too puts its own national interest first and feels that it should be able to wield its power with no strings attached.

As for the West, again its lack of cohesion makes it hard to provide a straightforward answer. Classical Westerners committed to their values ultimately want China to encounter a very rough road in trying to push its own ideal global order. Then they want China to see that working within the Western rules-based order is preferable – it can rise, just not in a zero sum game. There is little talk of regime change in Western defence circles, because many Western experts share the CCP's view that sudden political change in China could risk serious disarray with consequences for the whole world. However, Westerners hope that Xi gives way to a more relatable Chinese leadership which, ideally, would again start moving China away from its totalitarian roots. Then it would have a less fearful view of the West, which in turn would not need to sustain expensive capabilities to deter China or even, potentially, to fight it. The West would settle for less, as it did for decades before Xi came along, and even turning the clock back about 15 years would suffice. However, an outcome that included an enduring shift in the CCP's orientation would be preferable.

The Trumpian, or US nationalist populist, aim is to maintain American global leverage, ensure that China does not displace the US as the main economic power in the world, and counter China's grip on markets for manufactured goods so that the US can rebuild its own manufacturing base. It would like to see China's export-oriented strategy flounder so that China was forced to address its domestic consumption. That would take pressure off of the US' own manufactured exports, and potentially even grow the Chinese market for US goods. As we noted earlier, much of the West shares the US concern about manufacturing and economic dependence. But for Trump, these predominate as objectives.

We have not referred to purely military-related objectives. These are relevant insofar as they heighten mutual threat perceptions, but they are an outcome of the wider contest over global influence and values. In some cases, military objectives are the principal shaper of a player's relations with another state or bloc, for example as when two states have had a long and tense standoff about a sizeable piece of contested terrain. They are not a core factor in this case. While there is a potential for war over Taiwan and in the South China Sea, that is only a facet of the wider contest, which is really about the shape of the world for a long time to come.

When we look at both side's aims, we can see how deeply rooted and potentially intractable the contest is. Their visions are mutually exclusive, whether one takes the classical Western vision or the America First vision as the point of comparison. It is notable that the Trumpian vision of US economic leadership and rebuilding US industrial might is just as problematic for China as the values-based vision. Indeed, Trump's vision for the US is roughly a mirror image of China's, making that aspect of the wider contest very direct.

NOVI Headquarters:

How has the contest been playing out?

NOVI Field Team:

There is a lot of news on every twist and turn, and it is not particularly instructive to delve into detail. On a broader level, the economic aspect has been at the forefront. In his first term as US president, Trump initiated tariffs on a range of Chinese goods, and he and then Biden led a Western effort to limit the transfer of key technologies to China. China has been forging ahead with trade and supply links in the Global South, but Western markets remain much larger. The growing trade friction, particularly since Trump's second term began, is detrimental to China's export-oriented strategy. China has been building up financial and direct investment in Western countries to increase its economic leverage, and as noted

earlier, some Western countries have been easing off on their own efforts to counter China's ambitions because of US trade policy towards them. But the economic arena will remain hotly contested. That is only one aspect of the contest, though. It has been occurring in a number of arenas. Some of the more significant ones include the following:

- The allegiance, however transactional, of middle powers and the Global South
- Linked to the above and a significant reason to seek traction in the Global South is access to natural resources, particularly minerals and hydrocarbons
- Technological innovation that could be critical to military advantage, and to economic growth and efficiency
- Rare earth minerals – China has won round one, but the battle will continue with the hunt for new sources, undersea mining exploration and the ongoing development of substitute materials
- Soft power and influence in the sphere of ideas, perceptions and values (Trump has not helped the West in this respect but his brand of me-first politics and purely transactional deal-making has its own appeal with governments that see Western values as a threat, and this competes directly with China's own appeal among authoritarian and less-than-liberal regimes)
- Economic resilience and trade links, in order to be able to outlast each other in the event that one side or the other puts up barriers or initiates large-scale delinking
- Shipping routes and hence trade access in Southeast and East Asia (China's territorial claims and belligerence in the South China Sea versus US Pacific and Asian alliance networks)
- Taiwan – it is an aspect of the above, but it has symbolic value for both sides and it is also hub of semiconductor innovation and manufacturing
- The Arctic – as Arctic ice melts, its significance for shipping, resource extraction and military power projection increases
- Global military power projection, including bases, naval power, and long-range strike capabilities
- Cyberwarfare and increasingly also space warfare capabilities.

NOVI Headquarters:

Who's winning?

NOVI Field Team:

China has made considerable headway on all fronts. That is to be expected given that China initiated the contest and had a head start, and that the West was relatively complacent even after China became

more assertive, or indeed aggressive. The West remains far more powerful overall, but the fact that the West is not a cohesive bloc fragments this power. The US alone is still stronger than China. However, China's global influence seems to be higher now, partly because it has made a long and concerted effort to deepen relations across the Global South while the West has been very sluggish in that arena. More recently, China's influence has directly benefited from the Trump administration's cutting resources for soft power levers such as aid, diplomacy and global public broadcasting.

The West has not suffered any irrevocable losses, though. Thus, it is premature to estimate a winner, and in any case, this contest is not the only change driver on the global scene and the whole context could shift. It is probably more instructive at this point to look at some relevant variables. These are myriad but we can trim it down to a few key considerations, as follows.

Western cohesion: This is a critical factor. If the West quickly became as cohesive as it was during the Cold War, it would prevail. But the split between the Trump-led US and Europe in particular is significant. Nationalist populism in all Western countries, and especially in Europe, also weakens the internal cohesion of Western states, creating a reluctance or even inability to firmly commit to joint international initiatives. It remains to be seen if the West can pull itself together.

There is an interesting possibility in the wider cohesion question. Nationalist populism has strained Western cohesion by pitting classical Westerners against those who reject Western values. But if nationalist populism prevailed in most of the West, the current split could be resolved and perhaps counter-China momentum would build. There is a potential complication in this possibility, though. The European hard right is sympathetic to Putin and would likely accept a degree of Russian influence in European affairs. Russia might use that to seek Europe's non-participation in the US-led pushback against China.

In counterpoint to the above, there is a possibility that Trump becomes a lame duck president and later loses re-election. He might be replaced by a classical Westerner, and that would take some wind out of the European hard right's sails too. In any case, the current lack of ideological alignment hinders Western performance in the rivalry, and gives China cracks to exploit to weaken overall Western resolve.

China's economic issues: China's plan is designed to boost wealth and leapfrog the crevasse of a sluggish consumer economy. It is not aimed at addressing the country's structural imbalances. Those will continue to drag on economic performance. China is in a race against time. If the plan does not work as intended, it could marginally improve China's growth, but it would not be the panacea the CCP had

hoped for. Depending on how off-track the plan was, the party might have to shift at least some attention back to reforms to create a dynamic consumer economy. That would be distracting for the CCP, and it would not be able to spare as much focus for its global ambitions, which might actually need to be revised in this context. It is noteworthy that this scenario reflects the West's objectives in the rivalry.

The West's economic issues: The West has its own problems. By and large, Western economies are more diversified than China's and they are more fluid and adaptable. They evolve organically as the aggregate effect of many private firms seeking profit, as opposed to China's economy in which a small clique is trying to chaperone growth in a straight line. That gives them a degree of inherent resilience. However, the West's economies, as noted, have their own imbalances. They are highly financialised and vulnerable to investor pessimism and panic. These reflect wider economic trends but can also considerably exacerbate them. Financial crises tend to make governments put recovery first, at any cost, including meeting global strategic imperatives such as countering China. Among non-US states, China would exploit this tendency by offering investment or trade deals to help aid recovery in exchange for reduced commitment to US-led pushback.

Middle power strategies and behaviour: The contest between China and the West is playing out in an increasingly complex global arena in which middle powers seek their own objectives. Turkey, Brazil, Indonesia, India, South Africa and the Gulf states, for example, have their own geostrategic reach, and their own strategies to achieve security and prosperity. None of them want to be corralled into taking a great power's side or made subservient to its interests. The same can be said of regional powers like Egypt, Kenya or Vietnam. The plans and actions of these other players are wild cards in the China-West rivalry. Many of them would also like to see a breakup of the global order, but not one that results in a lack of bargaining power with Beijing.

The above are the most directly relevant considerations, but we can note some other, indirect ones.

First, Russia's moves are relevant to the China-West contest. Overall, aside from supplying cheap resources, Russia is not an ideal partner for China, being something of a political basket case by comparison and too openly rogue even for the CCP's taste. Russia's main benefit to China is splitting the West's attention with its aggressive antics. The flip side of this benefit, though, is potential Russian overextension or miscalculation that could galvanise even the US against a newly defined "axis of evil" which could include China, and cause a global economic crisis that would severely hinder China's export

prospects. Russia might be a friend to China, but it is another joker in the strategic picture, and it is not just the West who has apprehensions.

Second, there are longer-range factors too. Ronald Reagan mused about the potential benefits for world peace if a hostile extraterrestrial force ever showed up in earth's orbit. The world faces homegrown versions of that hypothetical menace. For example, the world has failed to meet emissions targets and climate change is starting to have serious effects. When they become dire enough, then no matter what the geostrategic situation is, or however attached some governments are to fossil fuels, countries might have no choice but to deeply cooperate or face disaster. AI might pose another global challenge too, if advances lead to intelligence that connives to free itself of human control or otherwise goes rogue.

Finally, there is an almost philosophical point to be made about the character of the CCP, especially under Xi. We could discuss each form of government in the context of this rivalry, including Trump's illiberal populism and other Western states' norms-based bureaucratism. However, the CCP is a very unique form of leadership and given its total control in China, its character is a relevant, if indirect, consideration.

Following his ascension after the Mao era, Deng Xiaoping loosened constraints on the formation and discussion of different perspectives within the CCP, and sought to reduce the risk of a return to one-person rule. While the CCP retained a hard-line, anti-reform tendency, it was balanced by moderates warning against rigidity and enforced uniformity. Xi purged and suppressed those moderate voices in the process of again turning the CCP into a highly doctrinal, leader-dominated institution. China's overall government manifests many of the problems of personalised rule, including yes-men and groupthink, fear of alternative thinking, vague and sweeping orders being issued without full knowledge of the facts on the ground, and the repression of initiative. Additionally, Xi has thoroughly undone succession channels and has yet to indicate a potential successor, but he is 72 years old.

From Xi's perspective he is central to China's future. From China's perspective, it has staked its future during a critical period on the wisdom of one man and the competence of a narrow leading clique. From an outsider's perspective, a valid question is whether a rigid, top-heavy structure is sufficiently adaptable and resilient for complex, uncertain times. This consideration is abstract in the context of a discussion about the China-West rivalry, but it is indirectly germane and might, at some point, become critically relevant.

Alongside the question of who might prevail, there are a number of popular scenarios about how the rivalry, or key aspects of it, might evolve. We can run through some just for interest's sake:

- Because of US and allied trade protectionism, China's plan stalls and it also fumbles domestic economic reform. The CCP needs to rely more heavily on hard-core, militant nationalism to retain its status. An outcome of this is an effort to take Taiwan by force. A Chinese victory would embolden the CCP and give China de facto hegemony in the South China Sea. It would also kick off a stronger military aspect to China-West rivalry, similar to the old Cold War. Conversely, defeat (which would largely depend on the US response) could break the CCP's legitimacy and destabilise China.
- A variant of the above scenario sees China's economic growth flounder and a build-up of socio-economic frustration, with a "doom loop" forming between infighting in the CCP over how to handle the emerging crisis (leading to policy paralysis), and worsening economic performance – leading to serious instability. The only difference here is that the CCP does not try to take Taiwan as a last ditch gambit to bolster legitimacy, perhaps because the party becomes too distracted or factionalised to lead a complex military campaign. Note that this overall scenario of economic stagnation and a potential political crisis is precisely what Xi is trying to avert with the push to extend China's economic and political control in the world.
- Decoupling or delinking accelerates as China and the West seek to reduce dependence on each other. The world bifurcates into two major economic blocs, one dominated by the US and the other by China, with some middle power networks spanning both sides. The two blocs would be separated by high trade and export barriers but would still trade in non-sensitive, non-strategic goods and services.
- The rivalry could contribute to the formation of spheres of influence. The US might "take" North and South America and leave at least part of East Asia to China, and lately there has been talk about the US (Trump) acquiescing to Russian hegemony in Europe, enforced through Russian nuclear blackmail. These spheres would become somewhat insular but would still engage with each other.
- There is a twist on the above. It is in the context of the Trump administration's 2025 national strategy: it seems to suggest that the US will support hard-right parties in Europe, most of which are quite friendly with Putin, and this could lend credence to the above postulation that the US will abandon Europe to Russian domination. Thus, a scenario is that Europe decides to align itself with China. Since China would be able to influence Russian strategy towards Europe, this

might be the lesser of two evils for Europe. If this played out, there would be no more “Western” effort to counter China, only a US effort, and it would face a much bigger challenge.

- Another scenario is increasing fracturing and fluidity in the international system. Great powers find it impossible to control middle powers, some of which become challengers in their own right. China and the US would remain heavyweights in a complex adaptive international system, but neither would be able to dictate its evolution. In other words, messiness prevails.
- China’s increasing economic dominance gives it more gravitas in the world than anyone else, and the world enters a period of “Pax Sinica”. Global peace is good for China’s export-dependent economy, so China takes a leading role in conflict resolution and prevention.
- Finally, both the US and China press ahead with their manufacturing-led growth strategies, and increasingly find that they cannot do it without each other. Because of domestic economic concerns, they ease off contestation while still trying to shield their own unique advantages.

Some of these possibilities are more musing than analytical output but they can still be instructive when trying to see ahead. It is inevitable that the China-West rivalry will see significant twists and turns, and scenario analysis on it needs to be open to possibilities that might seem specious from a given now.

NOVI Headquarters:

More realistically, though, what are the timeframes involved before we see how this could be shaping up?

NOVI Field Team:

China is up against the clock, as noted. It probably has five to 10 years before it knows whether its export-centric plan is going to do the trick, or if it needs to shift focus to the domestic economy.

However, the CCP’s choice is not strictly either-or. It might go back and address the consumer spending problem while still keeping up its efforts to gain global market share and influence, perhaps not doing very well with either but at least managing some overall progress in terms of economic resilience.

Interestingly, one problem that the CCP has, the threat from Western values, might not be significant looking ahead. Trump and illiberal tendencies elsewhere in the West seem to be doing what China has been hoping to achieve – turning Western values from a global beacon into a quaint historical anecdote. If they did become irrelevant, then the CCP would feel less threatened and ease off on some dimensions of the contest, such as in the (dis)information space, and focus more on economic contestation.

NOVI Headquarters:

Is there a risk of war?

NOVI Field Team:

There is some risk of armed conflict in this equation. In a scenario mentioned earlier, the CCP might feel that taking Taiwan and / or enforcing its claims to the South China Sea are necessary to shore up domestic nationalist ardour and the CCP's own legitimacy, or perhaps China's military buildup finally gives it a comfortable margin. Despite deliberate ambiguity, there is a reasonable probability that the US and its regional allies would get involved, since the subregion is a critical trade node. Nuclear brinksmanship is conceivable. For example, China might use a tactical nuclear weapon to effectively say to the US specifically, "Do you really want to take this kind of risk for turf that is thousands of miles away from your own home?" If the US did not back down, there is some risk of a wider regional or global war, depending on the progress of China's power projection capabilities by the time that happened. Russia might help China, but it is unlikely – it would not want to take its eye off Europe, it would not want to be among American nuclear targets should it come to that, and it might be relieved that for once China was the one distracting the West rather than vice versa.

There is a risk of conflict associated with the rivalry elsewhere in the world too. The USSR and US never came to direct blows but they backed and even instigated proxy wars around the world. In their search for advantage, particularly resources, the US and China might start doing the same thing, backing their preferred winner in a war or civil war in exchange for resource access. It is unlikely that such conflicts would lead to the US and China shooting at each other, but their intervention would make conflicts more violent and intractable. Intractability is an even more serious concern in the context of a breakdown of the rules-based international order, because there would be little will or leverage for multilateral conflict-resolution or peacebuilding initiatives.