The Washington Quarterly

ISSN: 0163-660X (Print) 1530-9177 (Online) Journal homepage: www.tandfonline.com/journals/rwaq20

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To cite this article: Gangsheng Bao (2025) China's Strategic Calculus: It's Not Just About Economics, The Washington Quarterly, 48:2, 43-58, DOI: 10.1080/0163660X.2025.2516978

To link to this article: https://doi.org/10.1080/0163660X.2025.2516978

Published online: 07 Jul 2025.

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China's Strategic Calculus: It's Not Just About Economics

On April 2, 2025, President Donald Trump announced a sweeping set of tariffs targeting numerous regions and countries—including China, the United Kingdom, and the European Union—effectively initiating a new global trade war. Within forty-eight hours, China responded with a decisive 34 percent retaliatory tariff on US exports, becoming the first major economy to counter Washington's measures. Despite repeated assurances from the White House that the US tariffs remain open to negotiation, Beijing's swift and assertive response once again confounded expectations in Washington.

In fact, Beijing's strategic decisions *often* confound Western policymakers and analysts—not because of cultural inscrutability, but because of the unique logic of China's political system. Washington and the West often assume that China's economic interests will drive Beijing's decisions, leading it to prioritize cooperation over confrontation when facing external pressure. Yet time and again, China defies these expectations.

The US-China trade war exemplifies this miscalculation. In March 2018, during his first term, Donald Trump launched a trade war against China by imposing tariffs on billions of dollars' worth of imports to force a new trade agreement. Confident that China's reliance on the US market and technology would compel it to yield, Washington assumed Beijing would accept a deal on American terms.[1] At the time, the United States was China's largest trading partner, and

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© 2025 The Elliott School of International Affairs
The Washington Quarterly • 48:2 pp. 43–58
https://doi.org/10.1080/0163660X.2025.2516978

exports to the United States accounted for over 22 percent of China's total exports. In 2017, China exported $505 billion in goods to the United States while importing only $130 billion, yielding a $375 billion trade surplus.[2] "It is the largest deficit of any country in the history of our world. It's out of control." Trump declared.[3] Without its surplus with the United States, China's overall trade balance would have been nearly even.

From Washington's perspective, China's rise was closely tied to US engagement. Since the late 1970s, despite periodic frictions, the United States has played a key role in integrating China into the global economy, normalizing diplomatic ties, and facilitating its entry into international trade as well as financial networks. By the 2010s, China had emerged as the world's second-largest economy. Given China's deep integration into this system, Washington assumed Beijing would avoid a disruptive confrontation. Yet, China's response defied the White House's expectations. Initially, Beijing defended its trade policies, condemning Trump's tariffs as economic aggression. As tensions escalated, it conceded to negotiations, agreeing to increase US imports and implement structural reforms. The result was the Phase One trade deal, signed on January 15, 2020—a landmark, enforceable agreement. However, the COVID-19 pandemic soon disrupted its implementation, leaving many commitments unmet.

Why does China so often defy external expectations in its strategic decision-making?

To outside observers focused on economic rationality, Beijing's resistance seemed puzzling. The trade war inflicted damage on both sides: US consumers and businesses absorbed higher costs, while China's share of the US market shrank, and its access to high-tech imports and foreign direct investment (FDI) weakened. Why, then, wouldn't Beijing choose to compromise? This article explores that very question: Why does China so often defy external expectations in its strategic decision-making?

Western policymakers and analysts often misinterpret China, viewing it through a Western-centric lens that overlooks its historical and cultural distinctiveness. In *When China Rules the World*, British journalist Martin Jacques argues that while Western nations are nation-states, China is a civilization-state—a concept crucial to understanding its governance, policies, and global ambitions. This fundamental distinction, he contends, fuels persistent misunderstandings, as the West "mirror images," applying its own paradigms to another country operating on an entirely different foundation.[4]

This article argues that the key to understanding China's behavior lies in its distinct political system and the strategic calculus it dictates. Beijing's responses to external pressure are shaped less by historical tradition or economic logic and more by the political imperatives of its regime. Recognizing this is critical for global policymakers. If the United States and other powers misread China's motivations, they risk dangerous miscalculations. Conversely, a deeper understanding of why Beijing acts as it does can lead to more effective strategies in dealing with China.

China's political system shapes five key strategic considerations—including decision-making goals, historical narratives, strategic thinking, national prestige (or saving face), and the role of senior officials in shaping policy. By integrating these factors, all shaped by China's political system, this article aims to provide a comprehensive perspective on China's foreign policy decision-making and offer practical insights for both Washington and Beijing.

Political Calculations Over Economic Gain

From a Western perspective, China is often viewed as a highly centralized authoritarian state—lacking the competitive elections, constitutional checks, and liberal markets which define Western democracies. However, without the pressure of electoral competition, China can operate with greater strategic flexibility in decision-making. Western leaders sometimes assume that, when challenged, Beijing will act as a rational economic actor, prioritizing growth and material well-being above all. By that logic, intense US trade pressure should have compelled China to concede—both in 2018 and again this April—in order to safeguard its critical access to American markets and high technology. But this assumption misreads how the Communist Party leadership perceives its own security and legitimacy.

For the Chinese Communist Party (CCP), political stability outweighs economic gains. Preserving the party-state's authority—and the ideological narrative which sustains it—carries greater weight in Beijing's strategic calculus than short-term economic fluctuations. Even though President Trump's tariffs were framed as an economic dispute, Chinese leaders saw them as a broader challenge to their political system. In their view, yielding to Washington's demands under pressure was not just a commercial concession but a symbolic surrender of China's political autonomy and an unacceptable blow to CCP authority. As the *New York Times* reported at the height of the trade war, any

For the CCP, political stability outweighs economic gains

major concession by Beijing would be perceived domestically as a political failure—socialism capitulating to capitalism, especially amid a surge of nationalist sentiment.[5] Economic compromise, in this view, risked being reframed as political defeat.

This mindset reflects a broader shift in China's approach since Xi Jinping took power in 2012. For the previous thirty-five years or so, during the eras of Deng Xiaoping, Jiang Zemin, and Hu Jintao, China largely treated trade frictions and economic disputes as technical matters, negotiated pragmatically and separated from ideology. But under Xi's leadership—often termed the "New Era"—Beijing has increasingly politicized international disputes. Political scientist Elizabeth Economy defines this radical shift as China's Third Revolution since 1949.[6] Decisions are now assessed through an ideological lens, weighing their impact on the CCP's stature and the perceived strength of China's party-state system.

Nationalism within China has intensified since the 2010s, and the leadership remains highly sensitive to accusations of being "soft" in the face of foreign pressure. In this context, yielding to US tariff demands during the trade war risked triggering dangerous perceptions: that the CCP was weak, that China's socialist system was vulnerable to Western coercion, and that the Party's mandate to restore national greatness was in jeopardy. No amount of economic stimulus or trade diversification could offset the damage such perceptions would inflict on the CCP's legitimacy.

Beijing's firm response to Trump's tariffs, retaliating despite economic costs, becomes clearer when viewed through the lens of political signaling. By standing its ground, Xi's government reassured both the Chinese public and Party elites that foreign pressure would not dictate China's course. In April 2018, a senior official from China's Ministry of Commerce articulated Beijing's stance on escalating trade tensions with the United States, stating, "China is unwilling to engage in a trade war because there are no winners in a trade war. But we are not afraid of a trade war. If someone insists on engaging in a trade war, we will fight to the end."[7] The remark underscored the position of China's top leadership—projecting both restraint and resolve as the US-China trade conflict intensified.

However painful the trade war was, the greater priority was to demonstrate political resolve. The stability and confidence of China's political regime took precedence; economic interests, while important, were manageable and ultimately secondary. This underscores a core reality: China's strategic behavior is deeply intertwined with its political system. To understand why Beijing often takes an unexpected course, one must examine the domestic political drivers shaping its decisions. Once again, the golden rule of political science holds true—foreign policy is an extension of domestic politics.

The Long Shadow of History

History matters, but the narrative of history matters even more. One key to understanding China's foreign policy lies in how its history—particularly the Century of Humiliation—is framed in Chinese textbooks. This narrative is not incidental; it is shaped by China's political system, which both constructs and reinforces historical memory to serve its strategic objectives. The Chinese Communist Party legitimizes its rule in part by portraying itself as the nation's savior, ending the Century of Humiliation at the hands of foreign powers and restoring China's honor on the world stage. This historical narrative is not merely a reflection of the past—it remains a living force in Chinese politics, shaping how leaders and citizens alike perceive today's international challenges.

The First Opium War (1839-1842) and its aftermath marked the beginning of China's decline in the nineteenth century. Defeated by Britain, the Qing Dynasty was forced to sign the Treaty of Nanking in 1842, the first of what came to be known in China as the "unequal treaties." The agreement ceded Hong Kong to Britain and opened Chinese ports under terms widely seen as unfavorable. This ushered in what Chinese historians call the Century of Humiliation—a period of repeated military defeats, foreign invasions, and internal upheaval lasting through the mid-twentieth century. During this era, Western powers and Japan exerted significant influence over China—seizing territory, extracting concessions, and undermining Chinese sovereignty.[8] For a nation with a 5,000-year-old civilization that once viewed itself as the "Middle Kingdom" at the center of the world, this era represented a profound loss of status and control.

The Chinese Communist Party rose to power in 1949 with a potent promise: to redeem China from humiliation and ensure the nation would never again be victimized. Upon founding the People's Republic of China, Mao Zedong declared that the Chinese people had "stood up." Since then, the CCP's legitimacy has rested on three pillars—historical legitimacy, ideological legitimacy, and performance legitimacy.

Historical legitimacy forms the foundation: The Party claims credit for ending decades of instability, repelling foreign aggressors, reunifying the country, and restoring China's sovereignty and dignity. This narrative is deeply ingrained—reinforced in education, public commemorations, and national symbols. Every Chinese student learns it; National Day parades, museum exhibits, and history textbooks all reinforce the message. Slogans like "Never Forget National Humiliation" are ubiquitous, emphasizing that past suffering must never be repeated. On July 7, 2014, at a ceremony marking the seventy-seventh anniversary of China's War of Resistance Against Japanese Aggression, Xi Jinping stated, "History is the best textbook and the best sobering agent. The Chinese people

have an unforgettable memory of the suffering brought by the war and an unremitting pursuit of peace."[9]

Historical consciousness, steeped in the Century of Humiliation, shapes Beijing's outlook today

This historical consciousness is far from an academic matter—it actively shapes Beijing's strategic outlook today. Chinese leaders, steeped in the lessons of the Century of Humiliation, approach foreign engagements with deep-seated vigilance. They are predisposed to view external demands or pressures with suspicion, recalling how earlier concessions only invited greater encroachments. It is China's own version of appeasement. In official discourse, any compromise under pressure is seen as setting a precedent for further demands, echoing the unequal treaties of the past.

Thus, rather than viewing US tariffs simply as tough negotiating tactics, Beijing interpreted them as part of a historical pattern of Western efforts to contain China's rise. According to the hard-earned lessons of modern Chinese history, the correct response to such challenges is resistance, not accommodation. The Party's official messaging during the trade war reinforced this narrative: China must stand firm or risk repeating past subjugation.[10]

The weight of history also means that Chinese leaders view foreign policy through a broader strategic lens. Their ambitious goal—often explicitly stated—is the "great rejuvenation of the Chinese nation," a vision akin to restoring China's historical stature. Achieving this goal is framed as both a historic mission and a vindication of past sacrifices. Every foreign policy decision is thus weighed not only on its immediate merits but also on whether it advances or hinders this broader national resurgence.[11] Does backing down to Washington support China's rejuvenation, or does it reinforce perceptions of subordination? From Beijing's perspective, the answer is clear.

Mao's Enduring Legacy on Strategic Thinking

If history provides the narrative backbone of Beijing's strategic calculus, Mao Zedong Thought remains its ideological muscle memory. Despite China's transformation since Mao Zedong's rule, his strategic principles continue to shape the Chinese Communist Party's worldview. Mao governed in an era of constant struggle—against domestic rivals, Japan's invasion, US-led forces in Korea, and Cold War tensions. Though China has evolved, its CCP-led political system remains intact, and Mao's legacy endures in Zhongnanhai, where his influence as the chief architect of China's strategic approach persists.

In 1956, Mao famously proclaimed that American imperialism is a "paper tiger." At the height of the Cold War, when the United States loomed large as a superpower and China remained relatively weak, Mao sought to instill confidence that appearances could be deceiving. While the United States possessed immense economic and military power, Mao argued that its imperialist ambitions undermined its strength and resolve. "The reason is that they are divorced from the people," he declared, adding, "[American imperialism] will be defeated by the people of the world."[12]

Calling America a paper tiger was Mao's way of rejecting intimidation. It signaled to the Chinese people and Party elites: do not be overawed by the West's power—stand firm, and their threats will crumble. This mindset of resisting pressure from stronger adversaries still permeates Chinese strategic thinking. Even as China's own power has grown exponentially since Mao's time, his injunction not to "worship or fear America" remains a recurring theme in Party rhetoric.[13]

Another Maoist principle with enduring relevance is the idea that refusing to fear conflict can make conflict less likely. In 1959, Mao asserted that the more one fears "ghosts"—his metaphor for imperialists—the more they will haunt you. But stand firm, and they retreat.[14] Applied to foreign policy, this means that if China signals a willingness to fight rather than submit, adversaries may be deterred, reducing the likelihood of conflict. Mao believed that true unity and lasting peace came through struggle, not concession. "Struggle produces unity," he taught, arguing that a peace secured through yielding was illusory and risked inviting further aggression.[15] Fast forward to the US-China trade war: Beijing's willingness to endure economic hardship and respond in kind reflected Mao's strategic approach. By signaling its resolve rather than yielding, China sought to convince Washington that further escalation was futile. In Mao's logic, projecting strength was the surest way to deter a larger confrontation.

> Another enduring Maoist principle is that refusing to fear conflict makes it less likely

A third Maoist legacy in Beijing's strategic thinking is tactical flexibility behind a posture of principle. Mao himself embodied contradictions—at times confrontational, at others pragmatic. In a 1956 meeting with Indonesian president Sukarno, he noted that dealing with the Americans "requires some strategy—it cannot be done with just one approach. There must be two."[16] His approach combined firm resistance on core principles with patience and openness to dialogue when necessary. Mao understood the art of brinkmanship: pushing to the edge to assert strength, while knowing when to retreat to avoid a disaster.

This balancing act—what former US secretary of state John Foster Dulles called "the ability to get to the verge without getting into war"[17]—remains evident in China's modern approach. Under Xi Jinping, Beijing has displayed firmness in disputes ranging from the South China Sea to trade negotiations, signaling a readiness to walk away while keeping the door open for talks once the other side recognizes its bottom lines. Even during the US-China tariff war, China adopted a tough stance, yet preserved space for diplomacy, ultimately signing the Phase One trade deal in January 2020 when both sides saw a mutual interest in pausing the conflict.

Mao's influence did not end with his death; rather, his doctrine provides a lasting strategic framework for subsequent Chinese leadership to confront stronger powers. As former Australian prime minister Kevin Rudd observes, Xi Jinping, who has emphasized Maoist ideology within the Party, has drawn on this legacy.[18] Sales of Mao's writings have surged in China in recent years, reflecting renewed interest in his ideas amid rising tensions with the West and his enduring influence on China's strategic thinking.

The Mianzi ("Face") of the Party and Its Leadership

Many deep-rooted traditions significantly influence China's political decision-making, and their impact is closely tied to the country's unique political system. One such tradition is *mianzi*, or "face"—a concept encompassing reputation, dignity, and honor. As social psychologist Kwang-kuo Hwang observed in his landmark article, "Face and Favor: The Chinese Power Game," maintaining face is a fundamental social value in Chinese society, shaping both interpersonal conduct and political behavior.[19] This dynamic extends beyond individual interactions to statecraft, where safeguarding national prestige can influence diplomatic strategy and policy decisions. In diplomacy, giving face—showing respect and honor—and avoiding loss of face—public humiliation—are more than formalities; they can shape decisions at the highest levels.[20] The US-China trade dispute vividly illustrates how *mianzi*—especially within a party-state system—shaped Beijing's response.[21]

Just months before the 2018 trade war began, Xi Jinping made a concerted effort to extend diplomatic goodwill to Donald Trump. In April 2017, he traveled to Trump's Mar-a-Lago resort in Florida for an informal summit, declaring, "There are a thousand reasons to make the China-U.S. relationship a success, and not a single one to harm it."[22] Later that year, in November, when Trump visited Beijing, China orchestrated an elaborate red-carpet reception. In a highly symbolic gesture, Xi personally escorted Trump on a private tour of the Forbidden City—the first foreign leader to receive such an honor since the

founding of the People's Republic in 1949. The two presidents and their first ladies posed before the ancient palace, projecting warmth and goodwill. Trump was also honored with a state dinner and an operatic performance inside the Forbidden City, part of what Chinese officials called a "state visit-plus"—a carefully choreographed effort to impress and acknowledge him as a distinguished guest. Xi effectively granted Trump significant diplomatic face, catering to his appreciation for ceremony and personal recognition.

From Beijing's perspective, these gestures were not merely ceremonial; they helped establish personal rapport and signaled mutual respect. Chinese officials likely hoped that by honoring Trump, China would receive reciprocal consideration on its core interests. In Chinese culture, *mianzi* operates as a two-way street—offering face creates an implicit expectation of reciprocation.

Yet what followed, in Beijing's view, was a stunning affront. Despite the lavish state reception in China, Trump swiftly moved to impose tariffs. In June 2018, the United States initially imposed tariffs on $50 billion worth of Chinese exports, gradually expanding the range of affected goods. By 2019, virtually all Chinese exports to the United States were affected. For Xi and his team, Trump's escalation was not merely a policy shift, but a personal slight—an erosion of face of China's leadership. After the formal courtesies extended to him, the tariff offensive signaled to Beijing that its goodwill had been disregarded. In the Chinese worldview, this violated the principle of *li shang wang lai*—the expectation of reciprocity in diplomatic exchanges—leaving Xi and his team publicly embarrassed.

Once *mianzi* was at stake, China's flexibility in negotiations narrowed considerably. Acquiescing to US demands after such a public challenge was politically untenable. Doing so would undermine Xi's authority, weaken the CCP's prestige, and risk encouraging further US pressure. As a result, Beijing's stance hardened. Chinese state media began emphasizing that China would "fight to the end" and could endure a trade war better than the United States.[23] While this rhetoric contained an element of bluff, it also served an important domestic function: projecting confidence to restore national face.

One striking phrase circulating in Chinese media described the trade war as a scenario in which the United States might "kill a thousand enemies but lose eight hundred of its own"—acknowledging that while China would suffer, the United States would also pay a huge price.[24] The concept of *mianzi*—or maintaining national dignity—demanded a forceful response to Trump's tariffs, regardless of the economic risks or cost-benefit losses. In the ensuing months, China responded with counter-tariffs, rejected maximalist US trade demands, and presented itself as the more pragmatic party open to dialogue. Behind closed doors, negotiators pursued compromise, but public optics required careful management. Ultimately, the trade war underscored that *mianzi* is not just a cultural

nuance but a tangible factor in statecraft, particularly within China's political system.

Foreign policymakers cannot afford to overlook the power of face when dealing with China. Small gestures of respect can foster goodwill, while public slights risk derailing progress. For China's leaders, protecting national honor is often intertwined with preserving their own standing. Indeed, Harvard historian Philip A. Kuhn observes that policy adjustments in imperial China were often constrained by the need to preserve the emperor's face.[25] In a system where the leader is closely identified with the state, personal and national loss of *mianzi* often become indistinguishable. Despite China's sweeping political and economic transformations, this logic endures. Today, safeguarding leadership credibility—closely tied to the ruling party's authority and national honor—remains a key consideration in Beijing's policymaking, shaping both domestic governance and foreign policy decisions.

Foreign policymakers cannot afford to overlook the power of *mianzi* when dealing with China

The Political Incentives Shaping China's Senior Officials

The political incentives of senior officials within China's distinctive political system also play a key role in shaping foreign policy decisions. A state's policy choices depend on how leaders gather information, consult advisors, and assess options. In China, this process follows a distinct logic compared to Western democracies, shaping decision-making in ways that often surprise external observers.

In most Western democracies, leaders govern with advisors who provide candid, fact-based counsel. Senior officials, whether career bureaucrats or political appointees, are expected to offer independent analysis, even when it conflicts with the leader's preferences. Policy debates incorporate multiple viewpoints, media scrutiny exposes weaknesses, and leaders derive legitimacy from constitutions and elections rather than personal loyalty. As a result, information flows more freely, allowing decisions to be shaped by a broad range of expertise. While politics and bias still influence policymaking, institutional checks help prevent blatantly false assumptions from driving decisions. When crafting foreign policy, such as responding to another country's trade practices, the White House can typically rely on analyses from government agencies, insights from think tanks and Congress, and scrutiny from the press. This pluralism

does not guarantee sound decisions, but it helps mitigate major errors caused by information bias.

China's party-state system, by contrast, is highly centralized and politically disciplined. Power ultimately concentrates in the hands of the CCP's top leadership. Senior Chinese officials collect enormous amounts of data and analysis for leadership, just as their counterparts elsewhere do. However, they must also continuously demonstrate loyalty and ideological conformity. In Beijing, professional expertise alone is not enough for advancement; the surest path upward is convincing your superiors that you are unwaveringly aligned with the Party line and the leader's vision.[26]

Under Xi Jinping, the emphasis on loyalty has intensified.[27] In *The Governance of China, Volume 2* alone, there are three speeches by Xi Jinping reminding cadres to be consistent with the Party Central Committee and the top leaders. *The Governance of China* is a four-volume collection published between 2014 and 2022, compiling Xi Jinping's major speeches, writings, and interviews since he came to power. It serves as a widely used training textbook for party cadres in China and is a key resource for understanding the governance direction and policy priorities of the Xi Jinping era. Xi has repeatedly urged officials to uphold the "Four Consciousnesses"—consciousness of politics, consciousness of the general situation, consciousness of the party core, and consciousness of alignment with the party—and to "uphold General Secretary Xi Jinping's core position on the CPC Central Committee and in the Party as a whole, and uphold the Central Committee's authority and its centralized, unified leadership."[28] In practice, dissenting voices are often muted, and unfavorable news tends to be tempered as it moves up the chain. Over time, this dynamic can create strategic blind spots at the highest levels, where leaders receive frequent affirmations of success but less warnings about potential risks. As political scientist and former US State Department official Susan Shirk notes, it could heighten the risk of strategic misjudgments and foreign policy overreach.[29]

During the run-up to the trade war, this dynamic was likely at play. Xi Jinping may have received briefings that highlighted US vulnerabilities—political discord, government debt, and reliance on Chinese manufacturing—while understating China's own risks. State-controlled Chinese media sent mixed signals, simultaneously emphasizing the importance of stable US-China relations while portraying the United States as a declining power struggling with internal challenges. Reports suggest that a significant segment of the Chinese public, and even some officials, believed the United States was in irreversible decline.[30]

If senior political and economic advisors reinforced these narratives, China's leadership may have underestimated Washington's resolve and resilience. Advisers who suggested that China should negotiate quickly and offer concessions

risked being seen as lacking patriotism or confidence in China's strength. Indeed, some experts pointed out that early in the trade war, Beijing's analysts misread the situation, underestimating the Trump administration's ability and resolve to sustain pressure, and overestimating China's capacity to endure it with ease.[31] What began as a mix of propaganda and strategic signaling evolved into actual policy, as reversing course became politically untenable after an escalation of nationalist rhetoric. This reflects a classic feedback loop in highly centralized political systems: the leadership's hard stance shapes propaganda, the propaganda fuels public sentiment, and public sentiment in turn constrains the leadership's ability to shift course.

Career incentives in China's highest bureaucracy reinforce these tendencies. Ambitious officials understand that advancement depends on demonstrating loyalty to the Party and its supreme leader. China's political system leaves little room for viewpoints that directly challenge orthodoxy. For example, imagine that a senior official in the economic department warns that a trade war could cause China's GDP to decline by one or two percentage points and potentially trigger large-scale unemployment. While this statement may be technically consistent with the conclusions of objective and neutral economic analysis, advocating or publicly promoting such a view could jeopardize the official's political career. It is safer to frame assessments around how China could diversify markets, rally domestic support, and counter US pressure. In this environment, "strive to be optimistic" becomes the guiding principle for bureaucratic survival. Only when a crisis becomes too severe are divergent voices fully encouraged—but largely in private within trusted inner circles at the highest levels.

This systemic information bias can, over time, foster genuine overconfidence

This dynamic fosters systemic information bias, where reports reaching the top highlight China's strengths and US weaknesses, sidestep uncomfortable truths, and reinforce narratives that align with leadership expectations. Over time, this can foster genuine overconfidence. When senior officials consistently praise economic policies and provide favorable news about China's economic strength, these perceptions can solidify at the highest levels.

In the first US-China trade confrontation since 2018, the impact of these structural factors became evident. US negotiators were often dissatisfied with the commitments made by their Chinese counterparts. A key reason was that China's senior bureaucratic apparatus responsible for trade negotiations underestimated President Trump's and the US administration's determination to reshape US-China economic relations, while overestimating the Chinese

economy's resilience in the face of economic decoupling. A telling example is the rhetoric found in *People's Daily*, which was filled with claims that China could withstand the costs of the trade war, whereas the United States could not.[32] This discourse largely reflected the policy stance of senior economic officials operating under the constraints of political correctness.

More broadly, China's decision-making system tends to favor worst-case assumptions about foreign intentions and best-case assessments of its own capacity. If US actions are viewed with skepticism ("America will never accept China's rise peacefully; they seek to undermine us"), Beijing's responses will likely be more assertive. Likewise, if China's resilience and economic strength are assumed to be unshakable ("Our economy is huge, our people are resilient, we can outlast any foe"), its leadership may be more willing to take risks.

When information is filtered to align with leadership expectations, the risk of misjudging reality grows. For instance, during the trade war that began in 2018, Chinese policymakers clearly underestimated the negative impact that escalating US-China economic and trade tensions would have on China's foreign direct investment. And when political loyalty carries as much weight as professional competence, policy decisions may tilt toward what is politically expedient rather than most effective. When decisions rely on incomplete or filtered information, Beijing's policymaking may become disconnected from underlying realities, potentially harming China's long-term interests and US-China relations. Understanding these institutional dynamics is essential for those seeking to anticipate China's next moves.

Mutual Understanding: What the US and China Must Learn

As China's rise reshapes the global order, both Beijing and Washington must rethink their strategic approach toward one another. Western policymakers must abandon the assumption that China will behave like a market-driven Western democracy. China is a socialist party-state wielding capitalist tools, an ancient civilization with modern ambitions, and a rising power shaped by historical grievances. While history and culture provide context, China's political system—its party-state and the Chinese Communist Party's strategic mindset—plays the defining role in shaping its actions.

For the United States and its allies, engaging China effectively requires deeper understanding. In an article for *Foreign Affairs*, China experts Jude Blanchette

and Ryan Hass counsel US leaders to follow Sun Tzu's timeless advice: "Know your rival, know yourself."[33] Yet, Western policymakers often project their own frameworks onto Beijing, assuming it calculates costs and benefits as a Western government would. Without an institutional lens, such analyses fall short. Washington misjudged how the CCP's internal imperatives made swift capitulation in the trade war politically impossible. Similarly, Western strategists often misread China's responses to crises—whether over Taiwan, the South China Sea, or sanctions—because they underestimate how domestic politics shapes Beijing's decisions on foreign policy.

The lesson is clear: to craft smarter China policies, Washington must study how Beijing's political system filters global events. That means tracking not just military capabilities and trade flows, but also state media, official speeches, and ideological signals, as well as cultivating experts who understand Party governance and elite politics. Only by grasping how China's leaders see the world—and their own position in it—can the United States and its allies avoid costly missteps.

China must also recognize that understanding is a two-way street. While Chinese policymakers often dismiss Western critiques as biased, they sometimes caricature the West, viewing any pushback as containment or ideological coercion. In reality, Western policies toward China are driven by a complex interplay of power dynamics, strategic interests, ideological values, and domestic political considerations. Operating under distorted assumptions about Western intentions or strengths—for example, the belief held by many Chinese policymakers in the inevitable decline of the United States and the West—risks overreach or missed opportunities. If Beijing sees every US trade complaint as a geopolitical or ideological plot rather than a genuine concern, it may foreclose avenues for compromise. A better grasp of internal debates within Western democratic societies—where not all policymakers seek confrontation—could help China calibrate its responses more effectively. Recognizing that Western policies are neither monolithic nor purely ideological would allow Beijing to navigate tensions with greater flexibility.

Chinese policymakers must also acknowledge the limits of their own system. The CCP's centralized control, while effective in mobilizing resources, also restricts flexibility and reinforces biases. To avoid miscalculation, Beijing must allow more honest internal debate, at least behind closed doors. Some elites recognize this challenge, but addressing it remains politically sensitive. Without corrective mechanisms, China risks stumbling into crises that a more open decision-making process might have prevented.

In the twenty-first century, great power competition will depend not just on strength, but on understanding an opponent's motives. As political scientist Graham Allison warns, misperceptions between a rising and ruling power

can be fatal.[34] Avoiding conflict will require not just strength, but also clarity and a deeper understanding of each other's motives. Beijing must recognize that US actions often reflect genuine concerns, not just containment efforts. Washington, in turn, must see that China's behavior stems from insecurity and institutional constraints, not an inscrutable grand strategy. The more each side steps into the other's shoes, the lower the risk of miscalculation. Since China's rise is a reality, the challenge for the United States and the West is to engage wisely, with insight rather than illusion.

The more each side steps into the other's shoes, the lower the risk of miscalculation

Notes

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