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## Executive Summary

### Purpose and Context

This Red Team exercise explored three potential outcomes of the Russia–Ukraine war and possible influences on China’s strategic calculus in both Europe and Taiwan. Utilizing these lessons, Western and Indo-Pacific leaders can better respond to subversive and destabilizing Chinese actions in Taiwan, the region, and Europe.

The Chinese Communist Party (CCP) views the Russia-Ukraine war primarily through an anti-Western lens with an eye towards economic and political gains. With Europe and the U.S. distracted, the CCP has a freer hand in the Indo-Pacific but by supporting Russia’s war effort risks international reprobation and strengthening Western alliance systems. Understanding how China perceives an eventual peace deal in Ukraine, its priorities moving forward, and how it plans to operationalize them, will lay the foundation for stronger strategic empathy and better policy.

### Key Findings

1. **External Variables Matter:** U.S. policy choices and Taiwanese domestic politics are expected to be the most decisive variables for Chinese behavior. As the predominant global power, China expects that the U.S. involvement will either make or break Taiwan contingencies.
2. **Integrity of Taiwan Plans:** The outcome of the Russia-Ukraine war only affected the resources available and perceived timeline for Taiwanese reunification but not overall conceptualization and planning.
3. **Economic Vulnerabilities:** China remains vulnerable to economic isolation from the West, especially in the context of their sluggish economic growth. As such, the priority for China will be seizing as much economic benefit as possible in the European theater and gaining coercive economic leverage.
4. **Stable Junior Partner:** The relative power of Russia is of key concern to China and will dictate the CCP’s approach to engagement in Europe. Beijing benefits from a stable Russia that is the “junior partner,” and thus easier to manage and benefit from.

### Scenario Based Insights

The exercise examined three scenarios yielding strategic insights:

- **Blooming Sunflowers:** Given a peace plan loosely based on the fulfillment of all Ukrainian demands, the Committee expected the outcome would be predicated on or cause the collapse of Putin's regime in Russia. This plan would give the PRC an opportunity to showcase China's peacebuilding credentials through involvement in Ukraine reconstruction. At most, any coercive efforts towards Taiwanese reunification would be slowed by a redirection of resources.
- **Bear in Charge:** Loosely based on the fulfillment of all the Russian demands, the committee had concerns over an overconfident Putin acting more aggressively. They identified two potential paths for the West: a retrenching of alliances or the further splintering of the West. Should alliances strengthen, they anticipated a longer timeline for reunification with Taiwan. Should U.S. led alliances fall apart, they argued that the effect on Taiwan could accelerate reunification.
- **Wise Dragon:** The outcome in this scenario was based on the joint Chinese-Brazilian plan. The committee saw this as the best outcome for China as it could elevate China's role in reconstruction, improve its image as a mediator, and bolster its standing in both Ukraine and Russia. The ability to extend Chinese influence throughout Europe and bolster Chinese narratives within Taiwan were key to Chinese strategic efforts moving forward.

### **Recommendations for Western Response**

- **Analyze PRC economic dependencies and develop plans for financial isolation.**  
The Committee identified continued economic slowdown in China as a primary obstacle to successful reunification with Taiwan. To develop successful policies aimed at deterring Chinese coercion, The U.S. and partners need to understand both the degree and perceptions of China's self-sufficiency.

The Committee particularly raised fears over the PRC's dependence on U.S. financial systems as a key vulnerability. The United States must capitalize on this dependency and utilize threats of financial sanctions to deter aggressive Chinese behavior in Taiwan. This requires credibly signaling U.S. red lines over Taiwan and U.S. willingness to isolate China's financial system in the event of crossing them.

The PRC may be able to offset the political effects of its economic slowdown through its tight media controls. The U.S. must prepare and take action to offset China's domestic narrative dominance. U.S. policymakers should utilize its global media to propagate the realities of the Chinese economy within the country.

- **Strengthen alliances by closing the credibility gap.** The United States' credibility is key to deterring aggressive PRC action but is constantly challenged through Chinese political and economic warfare. The Committee further recognized that China exploits existing tensions between U.S. allies over Ukraine to further weaken the U.S. credibility. To combat Chinese attempts to undermine the U.S., it is necessary to increase diplomatic engagement throughout the Indo-Pacific.

On the political warfare front, America must take efforts to counter misleading and false narratives espoused by the PRC. In the economic domain, the United States ought to increase commercial diplomacy and show partners the value of working with American businesses. These efforts will also expand export markets and drive economic prosperity in the United States.

- **Develop China expertise to mitigate risks of miscommunication.** By importing Western conceptual frameworks into China analysis, the United States risks increasing miscommunication and unsound policy. It is necessary to develop enriched understandings of China and strategic empathy with the PRC to avoid these threats. To both successfully signal U.S. deterrent posturing to the PRC and reassure both sides of the strait, the U.S. must be able to rely on analysts and policymakers with nuanced understandings of how the CCP views the world.

In furtherance of building buttressing against miscommunications, the United States should nurture diplomatic lines with low stakes, mutual concerns. For areas where positive interactions can and should not be built, the U.S. must develop crisis hotlines and communications to avoid miscalculations.

## Introduction

### The Imperative

Just as the rest of the world has watched the conflict in Ukraine closely, Chinese leadership also observes and learns from it. This includes the path to, and outcome of, an eventual peace settlement. This settlement will implicate not only China-Europe/Russia relations, but also how China prosecutes reunification with Taiwan. By identifying the range of likely Chinese responses to a Ukraine resolution, the United States, Europe, and Indo-Pacific allies can better

prepare for the future. In order to respond deftly to Chinese efforts at destabilization or a coercive reunification with Taiwan, strategic empathy must be developed. Understanding Chinese thinking, goals, and priorities, and how they change based on outcomes in Ukraine will enhance policy within the Indo-Pacific region.

## **Exercise Background**

The Russian Invasion of Ukraine demonstrates the continued relevance of great power politics throughout the world. China's "no-limits" relationship and provision of dual use goods to Russia coupled with Beijing viewing the invasion through an anti-western rather than pro-Russian lens has led to increased tension and uncertainty. The lessons China might learn from a Ukraine settlement, and the strategic gains they may seize, are pertinent with respect to Taiwan. Resolving the conflict in Ukraine represents a mixed bag for China, however. American attention will no longer be as split between Europe and the Indo-Pacific, and, in supporting Russia, China paid a steep diplomatic price across most of Europe. The invasion also demonstrated how effective intelligence and military cooperation within NATO can be.

While Taiwan and Ukraine exist in very different geographic and political contexts, global reactions to the Russian invasion are not lost on China. Beijing made great efforts to prevent comparisons of the Russian Invasion of Ukraine to potential Taiwan contingencies through the argument that Taiwan is part of China, Ukraine is a sovereign state.

## **Objectives**

The purpose of this Red Team exercise was to systematically identify vulnerabilities, gaps, and blind spots in U.S. and U.S.-allies and partners current security posture, planning, and understandings regarding PRC perceptions of the Russia-Ukraine war and its reflections on Taiwan.

We stimulated new thinking and stakeholder appreciation for why and how PRC strategists may determine China's path forward in different notional scenarios reflecting potential outcomes of the Russian-Ukraine settlement. The three scenarios were crafted by taking the demands from the Ukrainians and the Russians as well as the Chinese-Brazilian peace plan and modifying them to encourage discussion. The exercise explored:

1. PRC perceptions of its interests in Eastern Europe and the wider region.
2. PRC perceptions of its relationship with Russia.

3. PRC understandings of the relations between the Ukraine War and a kinetic conflict over Taiwan. What lessons has the PRC learned from Ukraine and how will different outcomes in Ukraine affect its strategic calculus.

A key component of this Red Team approach was the development of strategic empathy to cultivate the ability to understand adversarial perspectives, motivations, and decision-making processes. By systematically exploring adversaries' perspectives, motivations, and decision-making frameworks, we can better anticipate what opponents will do next, build better defenses by understanding adversary objectives, and take initiative instead of responding to challenges.

## Exercise and Report Format

Red Team analysis challenges conventional thinking by having analysts adopt the perspective of an adversary or competitor. This structured analytic technique requires analysts to shift from observing opponents to becoming actors who think and respond as the adversary would do so. The method proves especially valuable when facing counterparts with different cultures, values, or decision-making processes.

Red Teams immerse themselves in their assigned roles, producing authentic products like policy papers and strategic recommendations that the adversary might create.

The technique helps organizations identify blind spots, test assumptions about adversary behavior, and develop more robust strategies. By forcing analysts to see situations through opponents' eyes, Red Team analysis reveals vulnerabilities and alternative courses of action that might otherwise go unrecognized.

The exercise ran for one day with a team of five expert participants adopting the Red Team role of PRC military and diplomatic officials, foreign policy strategists, and technical advisors to the PRC Foreign Minister. Individual Red Team members did not play specific roles but rather conferred in “committee” style to represent views across PRC statecraft domains. The workshop facilitator encouraged dissenting views about the group’s assessments and recommendations are encouraged. Chatham House Rules were utilized to encourage speculation and open discussion.

The first workshop activity provided the participants with their directive and established a baseline understanding of the PRC's perspectives of the Russia-Ukraine War, possible settlements, and implications for China's Taiwan strategy. The facilitator asked participants to "not just answer what the PRC should do, but why it should do it." To ensure methodical rigor and replicability, we regularly asked participants to maintain the "red" mindset. Conversations were fruitful and the participants were not always in agreement. We have compiled a synthesis of these conversations presented below.

With a baseline established, we presented the participants with the three scenarios, each a notional representation of possible developments representative of broader ongoing trends. This report presents each of the scenarios as a fictional policy memo presented to Wang Yi. The background text is the exact language provided to the red team. While the discussions during the exercise were wide ranging, we have distilled each portion into its core elements.

The final section of the report includes the takeaways about China's perspectives on the Russia-Ukraine War, how it relates to Taiwan, and lessons for the "blue" team—the U.S. and partnered countries. Although informed by discussions between the participants, this section is the result of our own analysis of the workshop.

## **Directive and Baseline Strategy**

### **Baseline**

Participants agreed that China would rhetorically back a ceasefire and leave the fine print to others. This allows greater flexibility and selective engagement, if China engages at all. An ideal settlement for Beijing would see a weakened Russia that retains enough domestic stability to be a valuable junior partner to China. The settlement should have some kind of "win" for Putin while being an "unsettled peace" to keep NATO's focus on Russia instead of China to blunt any "pivot to Asia" by the United States or other Western countries.

The opportunities for Chinese advancement are more numerous in a state of peace but expending political or financial capital to end the conflict exposes China to potential

embarrassment and would limit the ability to seize opportunities as they arise. As such, Chinese engagement with any peace process should be predicated upon assessments that success is highly likely.

### **Blooming Flowers**

Participants referred to this as the “Putin has a heart attack” scenario and the “worst case” for China. However, involvement in the eventual reconstruction and peacekeeping efforts would allow for an opportunity to showcase Beijing's commitment to global peace building. As one of the few nations in the world with both human and financial resources to support such an effort, China could seize an economically and diplomatically lucrative reward. One question remained: *how* would Beijing become involved in this effort?

### **Bear in Charge**

The opposite of the prior scenario, China wouldn't have to worry about Russia's collapse, but rather a potentially aggressive, emboldened Putin turning his gaze toward NATO or, less likely, testing Beijing's response towards any hostility on the shared border. Ukraine and the EU would feel a strong degree of abandonment from the US and Kyiv may turn to China to help represent interests on the world stage, giving Beijing leverage over Russia.

### **Wise Dragon**

The goldilocks scenario would allow China to take a leading role in non-kinetic peace building and improve its image as a nation that “cares about people, not parties”. The options for China to engage with Ukraine and the EU are similar to the first scenario but would most likely have a stronger seat at the table and have a greater say in how Ukraine is rebuilt. Ideally, China would aim to position itself as a mediator that recognizes Russian security concerns while supporting Ukrainian reconstruction. This would, in turn, improve leverage and trust in both Russia and Ukraine.

### **Hotwash**

In reference to Taiwan, it was found that there would be little subjective change in how cross-strait relations are approached aside from the degree of force needed to retake Taiwan. Participants felt that the greatest variable for China would lie in US decision-making first and Taiwanese politics second. In Europe, China will attempt to be a passive partner initially while maintaining calls for peace to prioritize risk avoidance while still being able to influence

whatever outcome emerges. Participants reiterated concern that an emboldened Moscow may clash with China's long term goals vis a vis European stability and its border with Russia.

CENTRAL FOREIGN AFFAIRS COMMISSION OF THE CCP

Beijing

FOR: Director of the Central Foreign Affairs Commission, Wang Yi  
FROM: Leading Small Group on Ukraine  
DATE: 05 June 2025  
SUBJ: BLOOMING SUNFLOWERS UKR-RUS Peace Deal Priorities

**EXECUTIVE SUMMARY:** The Special Advisory Committee convened to examine the recently concluded peace agreement between Ukraine and Russia. Largely settled in accordance with the Ukrainian demands, the effects of this turn of events on Beijing's global engagement and efforts must be understood. The committee identified risks, obstacles, and opportunities to expand Chinese influence, develop economically, and strengthen efforts at bringing the Province of Taiwan back under Beijing's direct control given the outcomes in Europe. Two primary concerns were noted: a weakened and teetering Russia introduces greater uncertainty and risks with the Chinese-Russian border; Chinese representation is not assured in the reconstruction of Ukraine.

**Background:** The peace settlement contains the following seven primary points.

1. European troops, with US logistical support, are deployed to Ukraine to assist with stability and continued training of the Ukrainian military.
2. Strong, bilateral and multilateral defense agreements between Ukraine and European countries underpin continued security.
3. All military prisoners, civilian deportees, and abducted children are returned to their homes.
4. A Ukrainian reconstruction fund is established to accelerate reconstruction.
5. EU accession pathways are developed and facilitated for Ukraine.
6. All troops are withdrawn from the front lines while negotiations on the status of captured territory, to include Crimea, are conducted.
7. Prosecution of war crimes will take place via international organizations commences.

**ANALYSIS:** The current situation reflects setbacks to Russia's war aims and the subsequent resurgence of Ukraine and the West. China's primary concerns are twofold: what to do about a potentially teetering Russia and how best to ensure Chinese representation in the reconstruction and rehabilitation of Ukraine.

The state of Russia is concerning. China must give additional attention and resources to border security to ensure continued peace within the region while determinations of Russian regime stability are made. The appearance of a complete Russian loss worrisome for undermining a key strategic partner and may push countries closer to the United States and European countries. The apparent lack of involvement from the Americans does present an opportunity to drive a wedge between them and their European partners and merits additional consideration.

There is currently no mandated role for China in this political settlement, which risks alienating Chinese economic and diplomatic efforts within the region and is unacceptable. However, perceptions of China as undermining the peace would fuel false anti-Chinese rhetoric throughout Western countries. To counteract the potential exclusion and to seize the narrative initiative, the opportunities to position China as the key funder of reconstruction for "everyone everywhere" holds promise. The reconstruction efforts would provide an outlet for Chinese manufacturers and construction companies, bringing a welcome influx of funds into the economy. The potential for capturing the market is large if approached with the correct blend of political caution and an eye for bold economic moves.

With regards to the continued policing of the agreement and peacekeeping efforts, securing a resolution from the UNSC would clear the way for Chinese peacekeeper's deployment. This may cause consternation within the region and raise fears of "the PLA in Europe," but would provide another opportunity to demonstrate Chinese willingness to partner with any country around the world in support of peace and stability.

Ultimately, the committee determined that while there are challenges to be overcome in European efforts, these do not greatly influence assessments at reunification efforts with the Province of Taiwan. There are ample opportunities to position China as the partner of choice for peace and prosperity and to demonstrate to the Republic of China that the PRC is a responsible actor under the CCP's guidance and that peaceful reunification is in their best interest. A cautious approach to reunification and Chinese efforts within the region will best secure CCP goals.

## **Recommendations**

The committee recommends the following actions:

1. Leverage Chinese construction and manufacturing overcapacity to seize the role of primary reconstruction partner in both Ukraine and Russia.
2. Increase intelligence operations within Russia to monitor for domestic upheaval.
3. Advocate for UN centrality in the execution of the peace plan, increasing the role for China and limiting the ability of the U.S. to act unilaterally.

CENTRAL FOREIGN AFFAIRS COMMISSION OF THE CCP

Beijing

FOR: Director of the Central Foreign Affairs Commission, Wang Yi  
FROM: Leading Small Group on Ukraine  
DATE: 05 June 2025  
SUBJ: BEAR IN CHARGE UKR-RUS Peace Deal Priorities

**EXECUTIVE SUMMARY:** The Special Advisory Committee convened to examine the recently concluded peace agreement between Ukraine and Russia. Largely settled in accordance with Russian demands, the committee identified risks, obstacles, and opportunities to expand Chinese influence, develop economically, and strengthen efforts at bringing the Province of Taiwan back under Beijing's direct control given the outcomes in Europe. The Committee noted two primary concerns: a weakened and teetering Russia introduces greater uncertainty and risks with the Chinese-Russian border; Chinese representation is not assured in the reconstruction of Ukraine.

**Background:** The peace settlement contains the following seven primary points.

1. Recognition of Russia's territorial claims in their entirety.
2. No European forces deployed to Ukraine in any capacity, and no peacekeeping force deployed.
3. Security agreements between Ukraine and other allies are vague/limited.
4. A demilitarized zone is created between Russian positions and Ukrainian forces.
5. War crimes are prosecuted by individual countries within their own systems of law.
6. Ukrainian armed forces limited in size based on Russian-Ukrainian negotiations.
7. Removal of all sanctions on Russia/Russian entities.

**ANALYSIS:** This settlement represents a victory for the Russians in Ukraine. While the committee saw this as a vindication of the belief that the West is currently sclerotic, three concerns dominated the discussion. How should China engage with an emboldened Russia; will this obvious setback for the West catalyze a revitalization of cooperation and pushback on China's national reunification; and what opportunities does such a result give China to divide transatlantic relations and intra-European relationships.

An emboldened Putin could pave the way to further Russian adventurism within Europe or Central Asia. Putin finding his ambitions fulfilled risks new ambitions developing that run counter to Chinese interests. Pulling back our material support with respect to dual use items and increasing engagement with key European countries to signal that Chinese interests are at stake would be vital to constraining Russia. To this end, ensuring that Chinese companies are primarily responsible for reconstruction and the provision of services within Ukraine is integral to this signaling. This would also strengthen Chinese economic growth and expertise in critical industries. These overtures should be informal in nature, led by Chinese enterprises or subleaders to preserve some distance from the President and senior leadership. Given that there is a risk that the West will conceptualize the Russian victory as a victory for China, engagement must be nuanced and calculated.

The potential that the West misconstrues this as a Chinese backed effort, and therefore "Chinese" victory, raises the specter of a revitalized Western alliance system aimed directly at thwarting the "Axis of Autocracies." Continuing diplomatic efforts and narrative building while ensuring economic resilience in the mainland is the primary concern for countering any revitalized Western alliance system. The inability of the Western powers to agree consistently or respond quickly advantages China. Furthermore, the committee noted that as the West debates what exactly to do, Chinese officials will learn of their intentions and plans with enough time to prepare adequate responses. Efforts at preventing U.S. sanctions on Chinese banking until preparations are complete is vital to a positive outcome in this scenario.

If there is no revitalization of Western alliances, the pull back of U.S. support in Europe should open the door to Chinese efforts at weakening transatlantic and intra-European relationships. To affect this, a diplomatic blitz across the continent is recommended. There are already European advocates for engagement with China that can spread Chinese talking points and those who support China should be rewarded with favorable trade relations and investment. Those not receiving these benefits will either come to resent those that do, splitting the alliances, or move closer to China to reap the rewards. The key to success, is that the Europeans themselves are the ones spreading how cooperation and collaboration with China is for the best. These efforts would have positive follow-on effects for independence advocates in the province of Taiwan: the West cannot be relied on to do anything more than bleed them dry and abandon them when deemed convenient.

An emboldened and strengthened Russia requires delicate handling. Should Chinese efforts at separating Russian victory from Chinese support in the minds of Westerners, there is a risk that the U.S. and Europe strengthen their ties and double down on constraining the rejuvenation of China and reunification with the province of Taiwan. Should this revitalization be avoided, it may accelerate reunification efforts due to the psychological impact on the separatists. The committee did stress that regardless of which route the U.S. and Europeans take, time is on the Chinese side and that reunification remains inevitable.

### **Recommendations**

The committee recommends China to take the following actions:

1. Utilize senior political officials and economic engagement in Ukraine to signal Chinese interest in the region, constraining further Russian expansion.
2. Decrease or cease the export of sensitive military and dual use technology to Russia, limiting the ability of Putin to pursue further military actions.
3. Complete economic self-reliance efforts to mitigate risks of Western powers isolating the Chinese economy in retaliation for Chinese support of Russia.

CENTRAL FOREIGN AFFAIRS COMMISSION OF THE CCP

Beijing

FOR: Director of the Central Foreign Affairs Commission, Wang Yi  
FROM: Leading Small Group on Ukraine  
DATE: 05 June 2025  
SUBJ: WISE DRAGON UKR-RUS Peace Deal Priorities

**EXECUTIVE SUMMARY:** The Special Advisory Committee convened to examine the recently concluded peace agreement between Ukraine and Russia. Largely settled in accordance with the proposal formulated by China and Brazil, the committee identified risks, obstacles, and opportunities to expand Chinese influence, develop economically, and strengthen efforts at bringing the Province of Taiwan back under Beijing's direct control given the outcomes in Europe. There are three primary factors of interest: UN centrality, the unsettled nature of the agreement, and the domestic narrative challenges within China.

**Background:** The peace settlement contains the following seven primary points.

1. UN peacekeeping force, including Chinese forces, deployed to Ukraine,
2. Limited bilateral/multilateral security agreements with Ukraine.
3. Reconstruction within Ukraine is conducted bilaterally.
4. Access to raw materials and food exports is protected.
5. Ukraine and Russian borders are negotiated bilaterally.
6. War crimes are prosecuted by individual countries within their own systems of law.
7. All military prisoners and detainees are returned

**ANALYSIS:** The conclusion of the conflict in Ukraine following the Chinese-Brazilian proposal is advantageous to Chinese interests. It allows for Chinese engagement in Europe and reconstruction in Ukraine and Russia but does not see either side emerge as the clear victor. This preserves Russia in a junior partner role while still demonstrating that the Western Powers are fading as the world enters a multipolar era. The committee identified three primary factors of interest: the centrality of the UN, the chaotic or unsettled nature of the arrangement, and the domestic narrative surrounding Chinese engagement.

The emergence of the UN as the coordinating body in the peace process plays to Chinese strengths and current narrative shaping efforts. Given the strong ties to the developing world, China has a large

influence within the organization and has had some success in shaping global norms via UN processes previously. The legitimacy afforded by UN sanctioned peacekeeping, and Chinese support for the efforts, would demonstrate that China is a partner for peace and upholding multinational institutions. China should use this narrative to point out the flawed thinking behind the U.S. unilateral and imperialistic aggression across the globe. Additionally, this would present China with the opportunity to steer reconstruction and peace keeping efforts with the norms and practices of both the Chinese Global Development and Global Security Initiatives.

Given the ongoing negotiations over territory, there is a risk that the conflict shifts back to active fighting between Russia and Ukraine. Without a clear victor between Russia and Ukraine, there will be increased jockeying for advantage between the West, Ukraine, Russia, and other interested parties. To capitalize on this, China should pursue engagement with unarmed peacekeeping deployments as well as domestic police and security training and collaboration. This would allow for better intelligence collection on Western military and security forces while integrating Ukraine into a Chinese oriented system with minimum risk to Chinese citizens should the balance become overturned.

The greatest challenge will be navigating the domestic narrative of Chinese involvement in a "far away war" and ensuring that it doesn't lead to civil unrest. Should any harm or loss of life occur among Chinese peacekeepers there would need to be immediate containment of the negative news. To assist in countering potential criticism the committee agreed that messaging should be focused on how this is a fundamentally Chinese story: just as China rebuilt after war and has become a partner for peace and development, China is helping others follow this enlightened path. Focusing on supporting roles will mitigate the risk of direct involvement in any flare ups of hostilities and would directly improve the intelligence efforts identified above.

As it stands, all sides get some of their goals while maintaining a balance between the warring parties. Additionally, there is increased access to reconstruction efforts for Chinese interests and strengthens Chinese diplomatic and political messaging around the world. By demonstrating China's peaceful nature and that all major parties have come around to Chinese opinion on settling disputes, it has reinforced the Chinese position vis a vis Taiwan. Time is on the Chinese side and efforts at preparing for a peaceful reunification should proceed apace.

## **Recommendations**

The committee recommends China to take the following actions:

1. Utilize unarmed Chinese peacekeepers to conduct intelligence operations on Western, Ukrainian, and Russian actors.
2. Steer reconstruction efforts toward Chinese companies and standards, increasing the economic leverage China has in the region.
3. Conduct information campaign within China to increase support for Chinese involvement.

# Lessons for the “Blue Team”

## SWIFT Action

The greatest potential obstacle to Chinese success was identified as continued economic slowdown and ongoing reliance on Western financial systems. While China has made progress in ensuring material self-sufficiency, the effects of isolating Chinese banks from U.S. and world markets would be devastating at the current time. Greater control of the public narrative and the ability to martial economic resources by the state in China would offset some negative effects.

The U.S. must understand China’s current economic state and progress towards market self-sufficiency to calibrate U.S. policy and more accurately foresee Chinese behavior injurious to U.S. interests. A China that is assured of its economic resiliency is more likely to act aggressively. Understanding both how self-sufficient China’s economy *actually* is as well as how it perceives itself is necessary for decision makers to address the threat China poses to regional stability. This is not a task for the U.S. government alone, but is actively undertaken by foreign governments and think tanks inside and outside the U.S.

During the workshop, the participants repeatedly noted concern over the U.S.’ control of financial markets and willingness to isolate Russia from the international banking system. Described as the “nuclear option,” the participants discussed the destruction this would bring to China’s economy. While it is imprudent to employ such a tactic to deter China’s ongoing grey zone activities, the U.S. ought to signal its willingness to cut off China’s access to financial markets in the event of Chinese military action in Taiwan—and the Indo-Pacific broadly. To this end, the U.S. should revive and pass the Deterring Communist Chinese Aggression against Taiwan through Financial Sanctions Act last introduced in 2023. This bill would require the imposition of harsh financial sanctions in the event of an invasion of Taiwan.

Lastly, the U.S. should pursue counter-narrative warfare in China about its domestic economy. While Chinese control over its economic narrative will not relieve the impacts of an economic

slowdown it will mitigate its downstream consequences. Widespread knowledge and concern about the economy may breed public unrest which is disadvantageous to China's ability to aggressively pursue its geopolitical interests. The U.S. should increasingly utilize its global media to propagate information about the state of China's economic well-being. This does not entail lying, China has taken the onus of manipulating the truth, the U.S. just needs to say the truth. This effort should include revitalizing Radio Free Asia with a mandate for increasing the accessibility of its messages in China.

## **Closing the Credibility Gap**

Credibility is an integral element of deterrence, but credibility is more than a consideration of military capability. It is a fundamentally political question. China undermines U.S. economic and political credibility through political and economic warfare, domains the U.S. must be more active in. China benefits from portraying the United States as faltering and unreliable, and that China is closer to surpassing U.S. power than it actually is. Nonetheless as one participant noted, "[China] only needs [U.S. partners] to lose faith in the U.S., not convince them of how great we are." Key allies in the Indo-Pacific will look towards the European theater for validating the Chinese messaging.

Across the first two scenarios, the Special Advisory Committee repeatedly emphasized capitalizing on emergent divisions between the United States and its transatlantic partners. As China already benefits from existing tensions caused by the fluctuations in U.S. aid and commitments to Ukraine, the Committee recommended further driving a wedge in U.S. alliance systems.

Chinese diplomatic, economic, and narrative warfare aimed at fracturing U.S. alliances poses risks in Europe as well as Asia. For China, driving a wedge between the U.S. and its allies diminishes the potential need for kinetic action in the case of a coercive reunification with Taiwan. China may perceive Taiwan as less likely to resist reunification if broken U.S. promises to Ukraine and a besieged alliance system put U.S. credibility at risk. Threatened by Chinese efforts to diminish U.S. credibility, it is paramount for Washington to restore its reputation for reliability.

Responding to the political and economic warfare efforts requires greater diplomatic engagement throughout the Indo-Pacific. The U.S. should both counter Chinese backed misleading and false narratives and find avenues for American and allied businesses to compete and collaborate on the ground. Without demonstrating American and allied value, just telling other countries to avoid business with China is insufficient for blocking out the PRC. The onus rests on the U.S. to work on the ground and show the value of working with it.

For the U.S. there is an additional advantage to be seized here. Unlike military buildups, which are non-productive economic ventures, these efforts can lead to the expansion of export markets and drive economic growth for the United States. In the Pacific Islands, for example, many of the needs are in fields that the U.S. excels in, such as healthcare and integrated information systems. Continuous engagement by the United States demonstrates political commitment to the region and is instrumental in establishing credible deterrence. When the United States shows up for the little things, its commitment to higher stakes issues is far more believable.

## **Empathizing with Friends and Foes**

Throughout the exercise, participants repeatedly noted that importing Western constructs from generalists or Europe-focused analysts into the Indo-Pacific risks misunderstanding what the CCP is trying to communicate to the West. Operating from faulty mental images could lead to miscalculations and outright disaster for all parties. Better understanding and strategic empathy are needed to improve deterrence communications between China and the West. President Xi's demand that the PLA be ready for war by 2027, is a prime example. This order, participants argued, does not mean China considers war a desirable path to reunification with Taiwan. But that is precisely how many interpreted the statement after it was made.

Many experts argue that the primary concern of the United States is to ensure that everyday President Xi wakes up he thinks, "not today" with respect to invading Taiwan. What would be more secure, is a scenario where Xi never has to wake up and think "not today," but continually assumes that peaceful efforts are the best or only way forward. This must be mirrored on the Taiwanese side with respect to independence. To that end, U.S. support should reassure not just the Taiwanese people, but the Chinese. To the former, bolstering

defense capabilities while limiting inflammatory actions and rhetoric is paramount. For the latter, ensuring the China understands that the United States is not opposed to a peaceful and mutually agreed upon reunification. All of this is predicated upon a richer, nuanced understanding of how the CCP views the world and acts, not upon models and thinking that originated with Kremlinologists.

To ensure a robust deterrent posture, communication between the parties must be consistent and understood. Without a baseline of trust and understanding communications will fail. Policymakers must find and nurture viable diplomatic lines with low stakes engagements to help rebuild trust and develop mutual understanding. Engagement should focus on mutual concerns, such as rising rates of cybercrime and extortion or curtailing drug smuggling. Positive interactions will lay the foundation for improved relations moving forward. For areas where this cannot occur, the development and strengthening of crisis hotlines/communication channels is vital. Crisis channels must be embraced by all parties and insulated from political churn to prevent the unraveling of nascent gains. Concurrently, the government of the United States and allies, should invest in building out country expertise and language capabilities within the intelligence community and State Department to encourage these engagements.

## Conclusion

This exercise set out to identify what lessons China may take from a resolution to the Russia-Ukraine conflict. Given Xi Jinping's demand that the PLA be ready to invade and seize Taiwan by 2027, were there any results that would reassure the CCP that kinetic actions aren't as risky? Are there parallels from how Russia fared on the international stage and how Western aligned countries would treat China should it attempt an invasion of Taiwan?

Unexpectedly, the red team uncovered a null finding with respect to the ties between kinetic operations over Taiwan and the outcome in Ukraine, but this is far from a reassuring outcome. Critically, one of the underlying sentiments across all scenarios was a greater latitude for Chinese gains no matter the outcome of the conflict. The United States and its allies were constrained in that few outcomes support the rules that have formed the foundation of Western strength for about three quarters of a century. Therefore, while the Chinese stand to capitalize on many outcomes, the United States stands to lose out and potentially accelerate

the Chinese efforts to reclaim Taiwan via grey zone activities, political coercion, and economic warfare.

To that end, the West needs to recognize that the battlefield in the Indo-Pacific, and for Taiwan, will primarily be a political and economic one, and that the fight has been raging for years without adequate engagement from the United States and its allies. Pushing back on the Chinese narratives undermining the alliance structures will be key, as will be de-risking or guiding U.S. investments into the region to counter Chinese inroads. Underpinning all these efforts, however, needs to be an enhanced understanding of Chinese thinking, objectives, and interests.

Continued support for Ukraine's self-defense, bolstering the capabilities of the alliance system, and improving burden sharing within the alliances the United States heads will mitigate many of the risks associated with Chinese engagement within Ukraine and planning in the Indo-Pacific. Taking action to ensure Russia is neither emboldened in victory nor capable of mounting significant operations in Europe will be key to maintaining a general peace throughout the world.