

# U.S.-China Hypercompetition and the U.S. Strategy towards China

– The Army as the grid in the Indo-Pacific

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## Introduction

The 2017 National Security Strategy (NSS) discussed the geopolitical competition in the Indo-Pacific, expressing a strong warning that China has mounted a rapid military modernization campaign designed to limit U.S. access to the region.<sup>1</sup> While the competitive relationship between the United States and China was also mentioned in the 2015 NSS, one of the features of the 2017 edition is its recognition of the Chinese challenges in the context of the return of great power competition. The Biden administration has inherited this framework, describing China as “the only competitor [...] to mount a sustained challenge to a stable and open international system.”<sup>2</sup>

Given the fierce rivalry between the United States and China, the security-related tension in the Indo-Pacific will continue to be a key focal point. However, only a few studies have examined such a competitive relationship using any theoretical frameworks. In this regard, *An Army Transformed: USINDOPACOM Hypercompetition and US Army Theater Design* (hereinafter “*An Army Transformed*”), published in July 2020 by the U.S. Army War College Strategic Studies Institute, is a unique study that incorporated the idea of hypercompetition from business administration in an examination of U.S.-China rivalry.

Hypercompetition is a concept proposed in 1994 by Richard D’Aveni, a scholar of business administration at Dartmouth College. It refers to a condition in which achieving “sustainable competitive advantage,” the goal set by previous management strategies, has become difficult in modern times, amid fast-changing business environments and intensifying competition between companies. The following sections will provide an overview of how the competitive environment in the Indo-Pacific can be understood using the concept of hypercompetition as well as the strategies towards China proposed in *An Army Transformed*. In doing so, a separate paper written by Nathan P. Freier and John H. Schaus, the directors of the INDOPACOM theater design project, will also be used as a reference.

## 1. Hypercompetition

Hypercompetition “involves the constant struggle to achieve temporary advantages.”<sup>3</sup> The goal in conventional management strategy is to gain an advantage in the industry and dominate the market in a stable manner while maintaining said advantage. In order to achieve this “sustainable competitive advantage,” companies work to secure as many resources as possible using various strategies such as vertical integration, and mergers and acquisitions, while also aiming to prevent new rivals from entering the market and dominate market share.

<sup>1</sup> *National Security Strategy of the United States of America*, December 2017, p.46.

<sup>2</sup> *Interim National Security Strategic Guidance*, March 2021, p.8.

<sup>3</sup> Richard D’Aveni, “Waking Up to the New Era of Hypercompetition,” *The Washington Quarterly*, Winter 1998, p.186.

Strategies for surviving such competition concern the environment that a company finds itself in.<sup>4</sup> However, D’Aveni points out that environmental changes have conspired to “heat up markets,” making conventional “sustainable competitive advantages” impossible. The first of four driving forces that brought about this change is the change in consumer expectations, in that consumers expect more value from products. This resulted in a situation in which private-label products launched by start-ups, which are not as recognized but considered to have higher value than branded products of major companies, would sell more. The second driving force is technology. The computer industry used to be an oligopoly dominated by major companies such as IBM, but software designers and chip manufacturers have completely deconstructed the industry. The third driving force is the falling entry barriers, which were previously in force around nations and relevant industries. The fourth is funds, as it is no longer necessary to be a major company to be able to raise abundant funds through various means such as strategic alliances.<sup>5</sup>

D’Aveni asserts that three lessons have emerged about the hypercompetitive environment brought about by these changes. The first is that “no advantage is sustainable.” The second is that “firms can do little to de-escalate the rising tide of competition.” And the final lesson is that “hypercompetitors’ moves (up the escalation ladders) [...] form a pattern with repeating cycles.”<sup>6</sup>

In a hypercompetitive environment, competitors respond quickly to their predecessors’ innovations, imitate them, and even attempt more relentless counterattacks. Since it is not easy to retain an advantage for a long period of time in such an environment, hypercompetitors must generate many advantages, one after another. The second lesson suggests that “hypercompetitors view any attempt to lessen the competitive escalation [...] as a lack of strategic intent to win, which opens a window of opportunity the hypercompetitive firm can exploit.” This paradigm is the exact opposite of conventional corporate strategy, which aims for stable oligopolies in the market and indicates that the idea of gaining competitive advantage using status quo strategies is nothing more than a fantasy. The third lesson suggests a strategy to win hypercompetition. It is clear that “the hypercompetitive firms that can race up the escalation ladders faster than others will win, because they force the others to play ‘catch-up’: They set the pace.” Hypercompetitors are required to repeat this pattern rapidly and take a dynamic, strategic approach that will escalate competition to higher levels.<sup>7</sup> Thus, in a hypercompetitive environment, it is not necessarily the case that those who have abundant resources can gain advantages. Resources must always be upgraded for the sake of future competition; simply possessing them is not sufficient.<sup>8</sup> Such upgrading must be done proactively to intentionally and continuously create a hypercompetitive environment; in other words, it is the act of expanding hypercompetition.

## 2. U.S.-China relationship as hypercompetition

This section will examine the ways in which the strategic environment in the Indo-Pacific is understood in *An Army Transformed*. The first point emphasized in the report is the difficult strategic position of the United States. Although the report was prepared in line with the 2018 National Security Directive (NSD), it takes a more pessimistic view of the U.S.-China power balance. The report states that “US military ... superiority has eroded substantially,” resulting

<sup>4</sup> Michael E. Porter, *Shintei Kyoso no Senryaku* (Competitive Strategy (New Edition)), translated by M. Toki, M. Nakatsuji, and T. Hattori, Diamond Inc., 1995, p. 17.

<sup>5</sup> D’Aveni, “Waking Up to the New Era of Hypercompetition,” pp. 184-185.

<sup>6</sup> *Ibid.*, p. 189.

<sup>7</sup> *Ibid.*, p. 190.

<sup>8</sup> Shuichi Suzuki, “Kanryo-sei to Innovation: Routine no Taba toshite no Soshiki” (Bureaucracy and Innovation: Organizations as a Bundle of Routines), *Rikkyo Business Review*, Vol.1, June 2008, p. 62.

in the decline of American freedom of action as a possible development, and the United States “can no longer automatically assume unchallenged cross-domain dominance of freedom of action.”<sup>9</sup> While the United States was focusing on combating non-state actors for nearly two decades following the 9/11 terrorist attacks, China developed a hypercompetitive approach aimed at the United States.<sup>10</sup> This strategy, according to the report, involved the expansion of “China’s broad political-military reach and influence across the Indo-Pacific region well beyond the South and East China Seas and western Pacific, deep into the Pacific Islands and Indian Ocean,” implemented through the combination of military, paramilitary, and commercial means.

Next, the report describes the United States’ strategic deficiencies toward China. Freier and Schaus explain the inappropriateness by dividing it into three levels, including concept, physical posture, and capability.<sup>11</sup> Conceptual deficiency refers to a condition in which a consistent and integrated military approach to counter China has not been established. Freier and Schaus view that USINDOPACOM’s joint endeavors are actually performed separately by the individual service components, and it “remains a patchwork of single-service approaches and narrow, domain specific solutions.”<sup>12</sup> Army’s effort at multi-domain operations is assessed as being service-specific, rather than being integrated as it is primarily needed.<sup>13</sup>

An issue in physical posture is that the regional posture of the United States is concentrated in northeast Asia, including Japan, which is seen as a Cold War approach and not effective against current conflicts with China.<sup>14</sup> In the Indo-Pacific region, China has an advantage in that it is geographically close to the important areas of operation, in addition to its strategic defense-in-depth utilizing its mainland, while the United States is vulnerable in that it is forced to deploy military capabilities within China’s A2/AD range.

Capability deficiency is closely related to that for posture and refers to the issue whereby the United States is, in reality, unable to control Chinese actions, which increases regional tensions, and that a victory over the Chinese People’s Liberation Army is uncertain in all domains.

In *An Army Transformed*, the strategic environment in the Indo-Pacific is recognized in this way, and the report asserts that it would be appropriate to understand the Chinese persistent pursuit of new and expanded advantages, and the inappropriate response of the United States to the Chinese activities, as hypercompetition.<sup>15</sup> In fact, such a relationship between the United States and China inevitably creates a highly competitive space. Looking at this dynamic through the analogy of corporate activities, it is possible to interpret that China intentionally and continuously creates a hypercompetitive environment through aggressive attacks against a market monopolized by the United States.

Of the four factors that D’Aveni asserts as causing hypercompetition, technology, the fall of entry barriers, and funds are clearly influencing the changing relationship between the United States and China. China’s missiles and unmanned aerial vehicle technology have the potential to destroy the advantages that the United States has enjoyed. In addition, a surface ship group that includes aircraft carriers and high-performance fighters that China has been rapidly developing and maintaining directly challenge the superiority that the United States has maintained in an

<sup>9</sup> U.S. Army War College, Strategic Studies Institute, *An Army Transformed: USINDOPACOM Hypercompetition and US Army Theater Design*, July 2020, p. 8.

<sup>10</sup> Nathan P. Freier, John H. Schaus, “INDOPACOM through 2030,” *Parameters*, Vol. 50, No. 2, Summer 2020, pp. 27-28.

<sup>11</sup> U. S. Army War College, *An Army Transformed*, p. 47.

<sup>12</sup> *Ibid.*, p. 47.

<sup>13</sup> *Ibid.*, p. 63, 71.

<sup>14</sup> Freier, Schaus, “INDOPACOM through 2030,” p. 31.

<sup>15</sup> *Ibid.*, p. 29.

oligopolistic manner. Other countries found this technology difficult to produce and possess, both financially and technologically, but such a situation is gradually changing. In other words, the entry barriers that protect the U.S. military advantages are starting to collapse. Obviously, these changes were brought about by the abundant financial power that China has been able to obtain through its economic development.

However, the extent to which the loss of U.S. advantages, as described in *An Army Transformed*, is actually occurring, is up for debate. The discussion on hypercompetition originated from data analysis based on the results of a study conducted with a sample of 6,772 firms in 40 industries, which show that only a small number of companies could attain persistent superior performance.<sup>16</sup> In contrast, unlike corporate performance, superiority in U.S.-China competition cannot easily be determined using numerical values in the first place, and it is not possible to objectively judge whether the superiority has persisted or been lost. Strictly speaking, it is not possible to conclude whether or not the competitive environment in the Indo-Pacific region is one of hypercompetition. In fact, *An Army Transformed* does not offer an analysis of the competitive environment in the Indo-Pacific based on any specific data, leaving the impression that the claim of hypercompetition has been made without evidence.

It is undeniable, however, that China's competitive maneuvers have hypercompetitive characteristics, as *An Army Transformed* asserts. China's moves to spread its influence across a wide range of fields, including politics, diplomacy, economics, military, and culture, with the aim of eroding the advantages of the United States, are a manifestation of a series of attempts to create multiple advantages in quick succession, which can also be described as a dynamic strategic approach that will proactively escalate competition to higher levels. Construction of artificial islands and continuous maritime activities conducted by government ships are the results of new attempts to create advantages, which can also be seen as developing a competitive environment that is favorable to China. In *An Army Transformed*, these gray-zone maneuvers are considered to be representative of Chinese acts of hypercompetition. China causes confusion over cost calculation and triggers sensitive reactions to risks in the United States by repeating these activities, aiming to aggressively take the strategic initiative away from the United States.

### 3. Four roles that the Army should embrace

Although there is still room for further debate, if one is to assume that the current U.S.-China relationship does indeed include hypercompetitive characteristics, what strategies should the United States pursue?

Hypercompetition "involves a constant struggle to achieve temporary advantages," which requires disruptive initiative against rivals, in addition to speed. Responding to competition between nations is deemed difficult, for the following reasons.

The first reason is the issue of speed, from decision-making to implementation. As opposed to the case of a company, national policy implementation requires a certain amount of time. Military measures, in particular, require a considerable amount of time for equipment development and acquisition, organizational establishment and restructuring, training and human resource development, and support and maintenance of bases and logistics. In addition, as the U.S. Forces must also coordinate with U.S. allies and partner countries concerning forward deployment, they are greatly constrained from taking swift initiatives as demanded by hypercompetition.

Second, continuously demonstrating disruptive initiatives in the competition between nations will increase the possibility of physical confrontation. It is an essential activity of hypercompetition to intentionally raise escalation

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<sup>16</sup> Robert R. Wiggins, Timothy W. Ruefli, "Sustained Competitive Advantage: Temporal Dynamics and the Incidence and Persistence of Superior Economic Performance," *Organization Science*, Vol. 13, No. 1, Jan-Feb 2002, pp. 82-105.

ladders and force others to play “catch-up,” but when done among competing nations, this also carries extremely serious risks. Against such risky competition, hurdles deemed to be tolerable by domestic and overseas public opinion will surely be quite high.

Of course, these issues affect both the United States and China equally. However, China, which does not have to deal with regime changes and is less susceptible to public opinion, can continue its consistent competition more actively and rapidly. In this respect, the United States faces a major structural disadvantage, and will be forced to compete quite fiercely if China is able to match it in terms of technology and funds, which are drivers of hypercompetition.

Freier and Schaus are also aware of the issue of speed and state that, “US Joint Forces should pursue longer-lead, [...] technological advancements. They cannot, however, necessarily rely on them for decisive effect over the near-to-midterm.”<sup>17</sup> Such an understanding of the problem calls not for the pursuance of technological breakthrough focusing on tangible aspects, but for innovation mainly through intangible aspects, including the development of effective theater design (novel operational concepts, task organization, and mission-centered deployment posture),<sup>18</sup> the goal of which is to regain the strategic initiative.

While *An Army Transformed* calls for an expansion of the competitive space in order to regain the initiative, there are no detailed explanations as to what this space specifically refers to. It should be noted, however, that the Indo-Pacific is perceived as a “multi-domain theater of operation” and is also a “vast patchwork of complicated human and physical terrain.”<sup>19</sup> Considering that the report recommends focusing on reforms for implementing integrated multi-domain operations and building an extensive operational network in the Indo-Pacific region, it is clear that the competitive space here is not a simple geographical concept. Researchers at the U.S. Army War College also suggest that the United States should adopt a similar strategy to China’s activities, which merge “competition and armed conflict to maneuver effectively in the gray zone”<sup>20</sup> to include various behavioral modes into the competitive space.

In this context, the report also states that the Army is the key to transformation in hypercompetition and supports demonstrating integrated military capabilities straddling multiple domains and competitive spaces.<sup>21</sup> It is also argued that the Army by nature can permanently distribute its operations across a wide area, and should play the central role in transforming theater design in the Indo-Pacific by utilizing networks connecting each region, in addition to leveraging defense capabilities derived from each regionality, strategic depth, and close relationships with partner countries.<sup>22</sup>

In this new theater design in the Indo-Pacific, *An Army Transformed* proposes four transformational roles that must be embraced by the Army: (1) creating networked foundational supporting hubs and nodes that project power theater-wide (army as the grid); (2) enhancing survivable theater posture with effective coverage of the theater and implementing various supports for the Joint Force to enable it to demonstrate its military power (army as the enabler); (3) contributing to integrated, multi-domain operations, rather than containing them within a single service (army as the multi-domain warfighter); (4) building allies’ and partner capacity and enhancing interoperability (army as the capability and capacity generator).<sup>23</sup> Freier and Schaus offer these recommendations, while at the same time

<sup>17</sup> Freier, Schaus, “INDOPACOM through 2030,” p. 32.

<sup>18</sup> *Ibid.*, p. 32.

<sup>19</sup> U. S. Army War College, *An Army Transformed*, p. 46.

<sup>20</sup> *Ibid.*, p. 50.

<sup>21</sup> *Ibid.*, p. 34.

<sup>22</sup> Freier, Schaus, “INDOPACOM through 2030,” p. 32.

<sup>23</sup> U. S. Army War College, *An Army Transformed*, pp. 60-68.

asserting that the current Army occupies a position through which it can take the lead in contributing to the creation of such theater design.<sup>24</sup> However, it is also stated that Army adaptation to the four transformational roles will bring uncomfortable and substantial changes to the organizational culture of the Army.<sup>25</sup>

#### 4. The Army as a grid in the Indo-Pacific region

*An Army Transformed* emphasizes in its recommendations the idea of continuous coverage of the entire vast area of the Indo-Pacific. While a strategy focused on establishing close cooperation with regional allies and partner countries is consistent with convention, the concept of taking this further with networked hubs and nodes can be viewed as a unique and more pioneering strategy, regardless of its effectiveness. This is because such a policy shifts the expectations for future Army capabilities to being able “to expand the grid rapidly from an expeditionary setting,”<sup>26</sup> and it seeks to exert a fixed influence on the ocean. The idea behind this is the awareness of the threat that the U.S. Army’s cross-domain freedom of action is already being lost amid the U.S.-China hypercompetitive environment, as discussed above.

Conventionally, due to its size, the ocean is a space on which it is difficult to exert continuous influence, which is why the concept of sea control exists.<sup>27</sup> The core attributes of “sea control” are mobility and fluidity for concentrating military power when and where it is required. Meanwhile, the idea of building a fixed network to perform constant sea control, such as the one described in *An Army Transformed*, may be inevitable as the study conducted by the U.S. Army War College suggests; but it can be viewed as an “approach based on land-oriented-thinking.” In addition, China’s activities, including construction of artificial islands in the South China Sea, permanent presence of government ships in conflict areas in the sea, and attempts to territorialize the entire sea areas, should be described as “continuous sea domination,” which is the exact opposite of “sea control.”<sup>28</sup>

Other ideas that attempt to turn the ocean into land have also been suggested. The idea of creating an anti-missile network over island chains to reject the activities of Chinese vessels as shown in 2017 studies conducted by Andrew F. Krepinevich Jr.<sup>29</sup> and by RAND Corporation<sup>30</sup> is a typical example. However, as the land grid proposed in *An Army Transformed* is described as distributed expeditionary operations,<sup>31</sup> it envisions an operational concept consisting primarily of maneuvers that continue to concentrate sea and air power on key focal points, with the Army’s role being to maintain the foundational support for the concept. If this is the case, this strategy can be seen as an option to try to sustain the U.S. advantage that is gradually being lost. Such action is necessary in terms of U.S. strategy towards China, but it may not result in creating the huge new advantages required for hypercompetition.

<sup>24</sup> Freier, Schaus, “INDOPACOM through 2030,” p. 34.

<sup>25</sup> U. S. Army War College, *An Army Transformed*, p. 89.

<sup>26</sup> *Ibid.*, p. 62.

<sup>27</sup> Julian S. Corbett, *Some Principles of Maritime Strategy*, Naval Institute Press, Annapolis, 1988, p. 94.

<sup>28</sup> Ryuzo Ikegami, “Kaiyo Boei no Futatsu no Paradaimu: ‘Seikai’ to ‘Jizokuteki na Kaiyoshihai no Kokoromi’ no Aida de” (Two Paradigms of Maritime Defense: in between ‘Sea Control’ and ‘Continuous Attempt at Maritime Dominance’), *The Journal of Strategic Studies*, Vol. 26, March 2020.

<sup>29</sup> Andrew F. Krepinevich Jr., *Archipelagic Defense, The Japan-U.S. Alliance and Preserving Peace and Stability in the Western Pacific*, The Sasakawa Peace Foundation, Tokyo, 2017.

<sup>30</sup> Timothy M. Bonds, et al., *What Role Can Land-Based, Multi-Domain Anti-Access / Area-Denial Forces Play in Detering or Defeating Aggression?*, RAND Corporation, Santa Monica, 2017.

<sup>31</sup> U. S. Army War College, *An Army Transformed*, p. 61.

In order to come out on top in hypercompetition, conventional strategic thinking must fundamentally change. In particular, the United States must accept, as a natural phenomenon, that advantages do not last and must break from status-quo thinking. Nevertheless, it is not easy at all for militaries as well as other types of organizations to make such difficult decisions and then execute them. As *An Army Transformed* recognizes, “The United States has ceded strategic initiative in the USINDOPACOM area of responsibility to the pacing People’s Republic of China rival.”<sup>32</sup> Indeed, China has seriously eroded the largest advantage of the U.S. Forces, sea control capability, over the past decade. Furthermore, considering the changes in China’s national power projection moving forward, the gap between the United States and China will likely close even further, and it will be difficult for the United States to pull ahead from China. In the future, it is even possible that each country’s sea control capability in the limited area of the Indo-Pacific will rival that of the other. Going even further, China is gaining new advantages by leveraging its gray-zone maneuvering in the ocean. The creation of such continuous advantages are part of the hypercompetitive cycle, as *An Army Transformed* indicates. That the report nevertheless recommends focusing on a strategy of regaining sea control is undeniably somewhat lacking.

Regardless, the approach to connect the land areas of the Indo-Pacific region should be effective in hypercompetition. As Japan, Taiwan, the Philippines and other island states in the Western Pacific are in the geographical region that surrounds China’s activities, these countries are valuable resources to the United States. In the resources based view used in business administration, resources held by an organization are strategic advantages. For the resources to actually serve as advantages, they must be adapted to threats and opportunities in external environments, they must be rare resources not possessed by rivals and difficult to imitate, and there must be organizations capable of utilizing those resources. When examining U.S. resources from these perspectives, it is difficult for China to imitate the United States in the geographic condition of the Indo-Pacific. (Looking at this point from a different angle, China’s artificial islands in the South China Sea can be interpreted as an incomplete attempt at such imitation). This is a significant advantage for the U.S. strategy against China. It should be noted, though, that in hypercompetition, possession of resources does not automatically guarantee advantages. What matters is how such possessed resources are improved and utilized in future competition.

## Conclusion

As *An Army Transformed* recommends, it is of course important to secure many bases that serve as a foundation of sea control. However, even with sea control, it would seem to be useful in hypercompetition to utilize the idea of land networks in the ocean to gain new advantages. One of these ideas is turning the ocean into land, which is a further exercise of aggressive influence from land to ocean. Specifically, it is the building of networks from land, which combines continuous means of reconnaissance in the ocean with missile-based means of attack.

Such a scenario would ultimately bring about a significant change to the Army. However, the change would not be the downgrading of the Army to a support service, as was raised as a concern in *An Army Transformed*; rather, it would be the impact of replacing the Army’s main mission of conventional close quarters combat on land with missile warfare on the ocean. In such an Army, infantry, tanks, and artillery, which have conventionally been the main forces, will almost completely lose their status, drastically changing the organizational culture of the service. Recently, it was reported that the U.S. Forces were considering a plan to build an anti-China missile network on the island chain from

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<sup>32</sup> Ibid., p. 43.

Okinawa to the Philippines.<sup>33</sup> Although such measures could work well within a hypercompetitive environment, it is not clear what roles the Army is expected to play in such an environment, and whether the Army will accept them.

In any case, the examination in *An Army Transformed* of the competitive relationship between the United States and China using the academic concept of hypercompetition produces useful perspectives for considering future strategies towards China, and the recommendations in the report are highly valuable. However, significant organizational impact is inevitable for surviving hypercompetition. Said impact is also expected to affect allies of the United States such as Japan and, by extension, the Japan Self-Defense Forces. Thus, the concept of hypercompetition and the ways in which it is understood and assimilated within the U.S. Forces warrant continued close attention.

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<sup>33</sup> “Beigun ga Taichu Misairu-mou” (The U.S. Forces Create a Missile Network Targeting China), The Nikkei Inc., March 5, 2021.