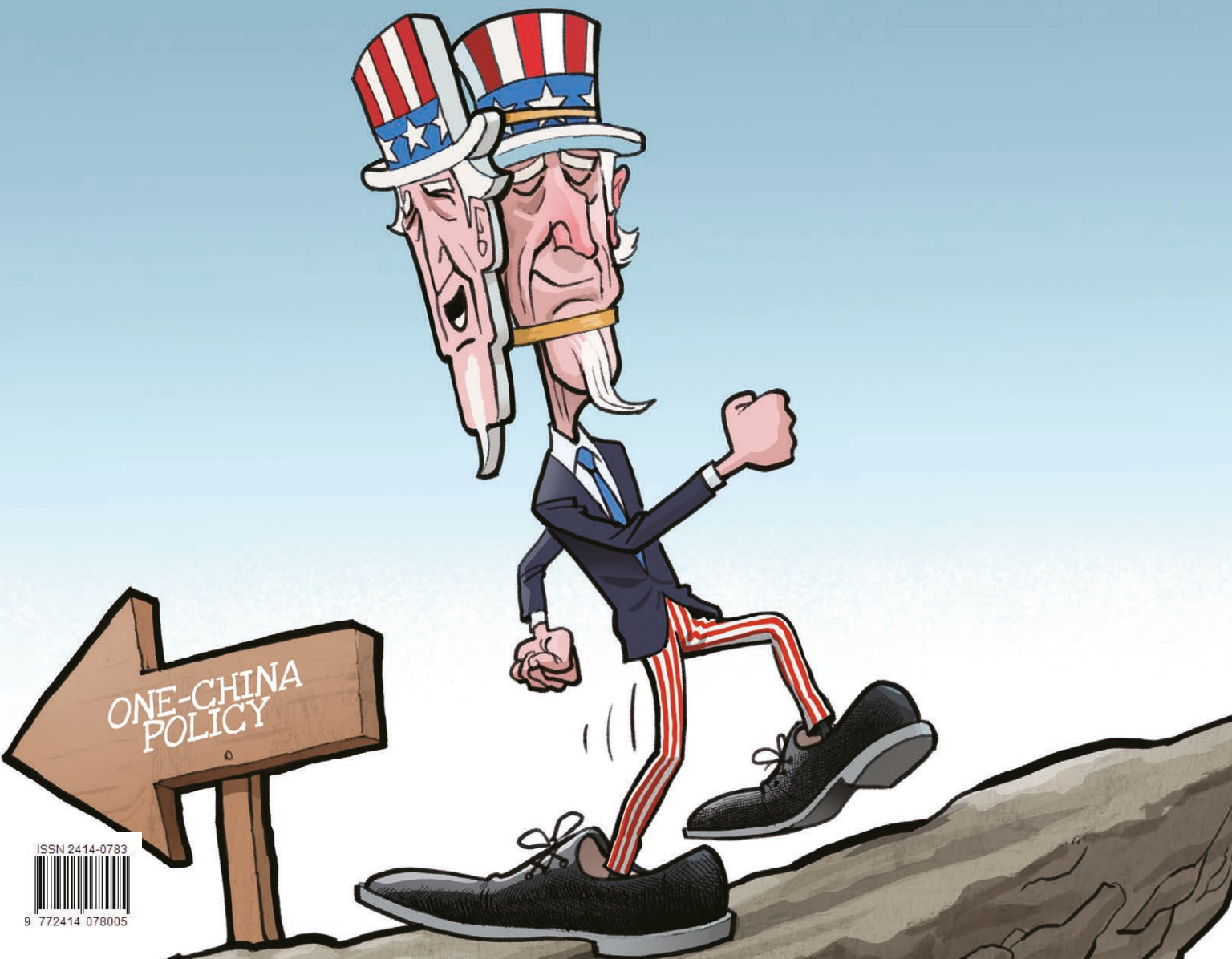


CHINA & US FOCUS DIGEST

Taiwan: Dialogue, Crisis or War?



Tung Chee Hwa
Chairman
China-United States Exchange Foundation

Editors
Zhang Ping
Hong Chang

Special Advisor
Zhu Yinghuang

Assistant Editor
Peng Hui

China-US Focus Digest is a bi-monthly magazine of exclusive commentaries on China-US relations. The articles express views of influential opinion leaders and scholars in China and the US on the issues faced by the two nations.

©China-United States
Exchange Foundation, 2022

For comments, please send to
digest@cusef.org.hk



www.chinausfocus.com

Follow us on Facebook and Twitter: @ChinaUSFocus

With special thanks to Chatham Strategies and Shanghai Institutes for International Studies for their supports to www.chinausfocus.com and China-US Focus Digest

CONTENTS

IN SEARCH OF STABILITY ON TAIWAN: DIALOGUE, CRISIS OR WAR? P. 06



Da Wei

It's not clear that China and the United States can sit down for truly in-depth discussions that ensure each side can send restrained messages to let the other party get it right. The consequence of failure could mean war, and we're nearly out of time.

PELOSI'S VISIT TO TAIWAN: PROVOKING THE FIRST AI WAR IN HISTORY? P. 12



Cheng Li

Recent events in the Taiwan Strait have led to an outpouring of international concern regarding potential war between the United States and China. AI technology advancements, which these two superpowers are leaders in research, resources, and patents, would mean that the world has yet to see the most AI-driven conflict in history.

PELOSI SYNDROME ESCALATES DANGERS P. 22



Zhao Minghao

The negative influences of the U.S. House speaker's Taiwan visit are fermenting and will continue to poison China-U.S. relations. Domestic political winds in the United States are stirring up strategic confusion that will inevitably increase the risk of war.

WHY THE PLA'S SIX DRILL AREAS AROUND TAIWAN MATTER P. 26



THE PACIFIC DIALOGUE MUTUAL TRUST: CAN CHINA AND THE U.S. REBUILD? P. 28

WHAT HAPPENS AFTER PELOSI?

P. 34

Li Yan

The U.S. House speaker made a bad situation worse, and China-U.S. relations are headed to a new low. Changes can be seen on multiple fronts, but perhaps most clearly in the military dynamics between the two countries and in the chip-making regime, which has become an important chess piece in the geopolitical game.

DEPARTURE FROM “ONE CHINA” MORE DANGEROUS THAN IMAGINED

P. 38

Yi Fan

In the midst of the Cold War, policymakers in the United States became convinced that détente with China would best serve America’s strategic interests. It was only made possible after the question of Taiwan was handled with diplomatic dexterity. The magic formulation clinched after painstaking negotiation was the U.S. acknowledgement of the Chinese position that “there is one China, and Taiwan is a part of China.”

EVALUATING CHINA’S CHALLENGES

P. 42



Zhang Baijia

As an emerging power, China must cultivate a healthy national psyche, seeing not only from its own perspective but also that of others. It should do its own things well, balancing reform, development and stability. And it should work to reestablish positive relations with the United States.

WAR IS TOO TERRIBLE TO CONTEMPLATE: AMERICA AND CHINA MUST CONFRONT RISK OF CONFLICT

P. 48

Doug Bandow

If the United States and China went into armed conflict, it would be ruinous for both nations. The two governments must work together to find common ground, address arising issues — including tensions with Taiwan — and prevent war.



INTERVIEW

WHAT’S AHEAD FOR CHINA’S ECONOMY?

P. 52

THE UN AND THE INTERNATIONAL ORDER

P.56

Jia Qingguo

COOPERATION BEATS FRAGMENTATION

P.64

He Weiwen

NATO’S INDO-“PACIFICIZATION”

P.70

Sun Chenghao

AMERICA’S STUMBLING EFFORT IN ASIA-PACIFIC

P.73

Sajjad Ashraf

EDITOR'S NOTE

Strait Talk

Zhang Ping

Recent events in the Taiwan Strait have dominated recent news headlines around the world. They are also the main theme of the issue of Digest you are reading now, for obvious reasons.

U.S. House Speaker Nancy Pelosi's visit to Taiwan in August has created an outpouring of deep concern and possible dire consequences. Taiwan has become less secure, and efforts to stabilize deteriorating relations between People's Republic of China and the United States have become more tenuous, putting the two major powers on a perilous path of confrontation with profound geopolitical implications.

The bulk of the commentaries by our contributors in this issue express strong sentiments as they address the clear and present dangers the situation presents. They provide historical context, assess the implications and explore answers and solutions that they readily admit are not easy.

Da Wei of Tsinghua University suggests that a "new equilibrium" needs to be achieved on the question of Taiwan — even if the task proves difficult. "We don't have much time," he says.

Cheng Li of the Brookings Institution, citing studies on AI capabilities of both the U.S. and China, highlights the prospect of an escalation into what could be the first AI-driven conflict in history if a war breaks out. He argues that it's imperative for the two sides to truly understand each other to prevent the horrible consequences of such a war.

This issue of Digest also features a recent Focus interview with Wu Xinbo of Fudan University in which he argues that the intensifying contest between China and the U.S. will not simply result in two camps but will involve many countries opting to adopt a "third way."

As of press time, there have been reports that diplomats in Beijing and Washington are working to set up an "in-person" meeting between President Xi Jinping and his U.S. counterpart, President Joe Biden, possibly during the G20 summit in Indonesia in November. If the meeting takes place, it will be a welcome sign. A stable China-U.S. relationship is needed in a perilous world.



An exciting journey to
see and **hear** China
first-hand.



thechinacurrent.com [@thechinacurrent](https://twitter.com/thechinacurrent) [#thechinacurrent](https://www.instagram.com/thechinacurrent)

In Search of Stability on Taiwan: Dialogue, Crisis or War?





Da Wei

*Professor and Director of Center for International Strategy and Security
Tsinghua University*

It's not clear that China and the United States can sit down for truly in-depth discussions that ensure each side can send restrained messages to let the other party get it right. The consequence of failure could mean war, and we're nearly out of time.

The Taiwan issue has always been the most important, most sensitive topic in China-U.S. relations over the past five decades. In the past few years, many observers noted that China and the United States have sunk into a vicious circle of action and retaliation over the island, making the Taiwan Strait probably the only area where an intentional conflict or war may break out between the two countries.

Fully aware of the both the sensitivity and danger, however, the speaker of the U.S. House of Representatives, Nancy Pelosi defied all voices of opposition and visited Taiwan, resulting in a fresh round of tensions between the two countries.

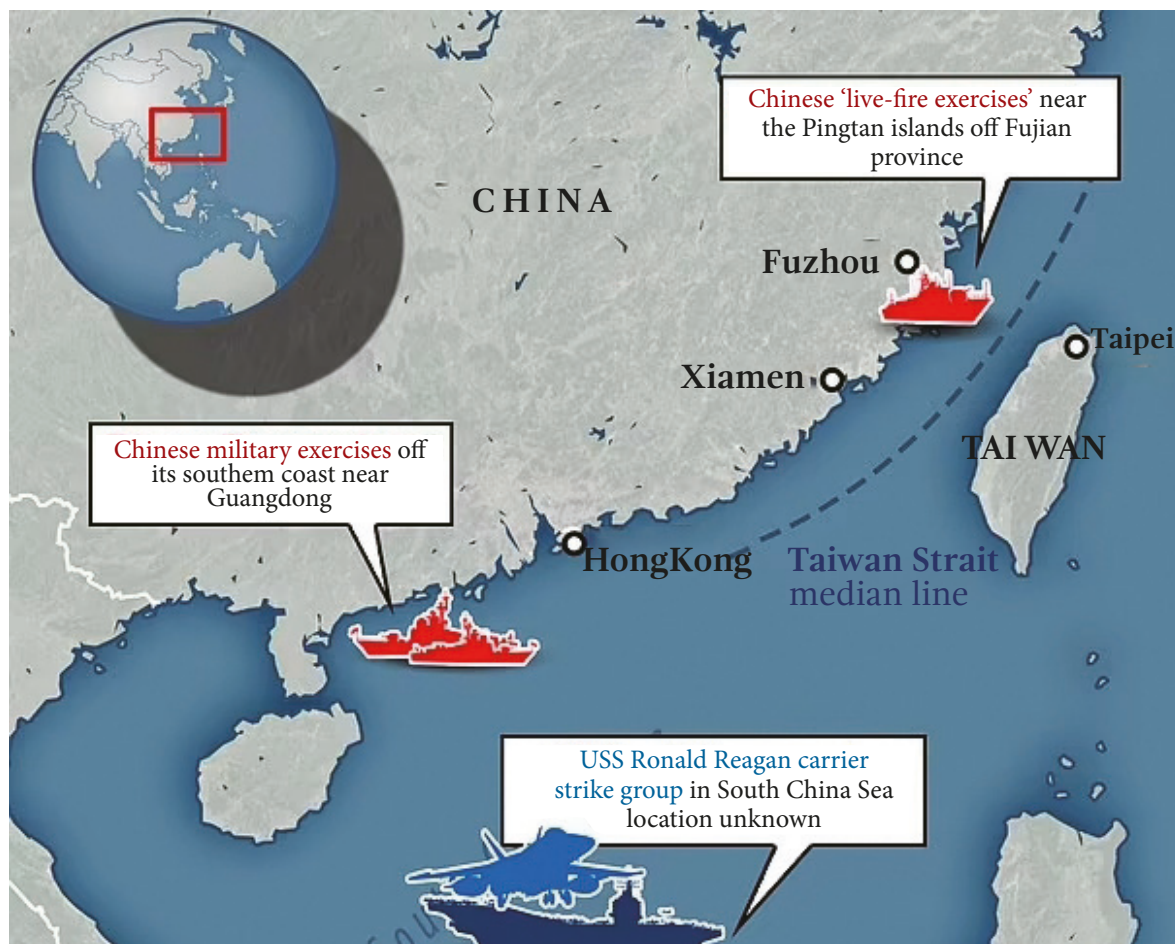
The Chinese government and scholars have resolutely countered and strongly condemned Pelosi's wrongful deed. Thanks to the fact that the Chinese government's response has been appropriate and restrained, the worst-case scenario some people had previously anticipated has not materialized. However, the torrents in the "dire strait" are far from settling down, and crisis stability has yet to be achieved.

The Taiwan question is dragging China-U.S. relations toward more serious

conflicts, and at least for the time being we lack the means to stop such momentum. In the next few weeks, the situation may worsen — even more so in the next few months and years. Pelosi's Taiwan visit raised a significant question: How can China and the U.S. achieve stability on the matter of Taiwan? Will there be dialogue, crisis or military conflict?

However, the torrents in the "dire strait" are far from settling down, and crisis stability has yet to be achieved.

For a long time, the Chinese and U.S. governments have criticized each other for adopting a "salami strategy" on Taiwan, claiming their respective actions are reactive and a last resort. Both parties have their own logic, but it's always difficult to distinguish the chicken and egg in a game like this. As a result of low mutual trust, one side's unintentional moves may be perceived by the other as purposeful provocation, beyond policy adjustments. Neither Chinese nor U.S. decision-makers want to see military conflict or war over Taiwan, yet we must be fully aware that since some longstanding basic fac-



Some longstanding basic factors related to the Taiwan question have changed, the previous relative stability is becoming increasingly difficult to sustain.

tors related to the Taiwan question have changed, the previous relative stability is becoming increasingly difficult to sustain.

The biggest changes lie in the China-U.S. relationship. Five or six years ago, when bilateral relations were still generally stable, decision-makers in the United States were more inclined to restrain their support for Taiwan authorities to avoid provoking Beijing. After the relationship deteriorated, however, the U.S. executive branch and Congress no longer wanted to maintain that restraint but instead attempted to double down on compensating the Taiwan authorities and even to challenge and enrage the Chinese government by its actions. This is the psychological origin of the U.S. side's salami strategy, which we have witnessed over the past few years. Similarly, when China-U.S. relations were by and large constructive, the Chinese government hoped to avoid ruining the overall relationship over Taiwan and thus tried to maintain relative restraint in response to some U.S. actions.

For instance, when U.S. House Speaker Newt Gingrich visited Taiwan 25 years ago, the Chinese government expressed opposition. But at that time China-U.S. relations were striding toward a “constructive partnership. Gingrich’s visit was a brief episode in the process of improving relations; therefore, the Chinese side’s reaction was far less forceful than that it was in the case of Pelosi.

However, at least on the matter of Taiwan, the red line has never been a clear, thin “line” but rather an “area.”

Now, substantive changes have taken place in China-U.S. relations. The extent of Chinese concern — even factoring in the desire for overall stability — has naturally given way to more assertiveness in response to U.S. provocations.

The narrowing power gap between Chinese and U.S., as well as the widening gap across the Taiwan Strait, are another basic long-term factor undergoing change. In the absence of mutual trust, as the Chinese mainland becomes increasingly capable of achieving its goal of national reunification through military action, even if it does nothing at all, the U.S. side will be worried and attempt to help Taiwan authorities upgrade their ability to confront the mainland. Meanwhile, as capabilities rise, the Chinese public’s patience with some U.S. politicians and pro-independence forces in Taiwan is also naturally wearing thin.

Such significant long-term factors have had a decisive influence on all stake-holding parties’ Taiwan policies. When these factors change, corresponding policies will inevitably change accordingly. In history, for example, after the Korean

War solidified the Cold-War in Northeast Asia, the U.S. turned from the notion of “waiting for the dust to settle” to supporting the Chiang Kai-shek clique to confront the mainland. After China-U.S. relations improved in the 1970s, the U.S. gradually accepted the Chinese side’s condition of cutting off diplomatic relations, scrapping corresponding treaties and withdrawing military assets from Taiwan. As bilateral ties have become increasingly complex and profound, the U.S. began to tilt toward so-called dual containment, which on one hand prevents the mainland from using force and on the other opposes adventurous moves on the part of separatists in Taiwan. Today, China-U.S. relations have seen the biggest changes of the past 50 years. Changes in the two countries’ relative power is also unprecedented in the past century.

In fact, the U.S. side has continuously trampled China’s red zone, triggering Chinese indignation and anxiety, even with claims it had not violated Chinese bottom lines.

Of course we are against the U.S. adjusting its Taiwan policies, over our wishes. However, after those changes have been made in the macro environment, it’s obviously unrealistic to expect that U.S. policy or separatist forces on the island would remain at a standstill. In fact, while adhering to its longterm strategy for peaceful reunification, the mainland has also been steadily modifying the format and focus of specific policies.

We often use the concept of “red lines” in discourse about Taiwan. A red line refers to some bottom lines that are not to be broken. In a strategic game, clarifying each gaming party’s red line is a necessary precondition for avoiding a major

crisis. However, at least on the matter of Taiwan, the red line has never been a clear, thin “line” but rather an “area.” It’s better to say each party is sticking to a red zone with ambiguous boundaries and a degree of flexibility than to say each of insists on a red line.

For example, from the Chinese perspective the U.S. has been hollowing out its “one China” policy in recent years, constantly slicing the salami through legislation, official visits and arms sales. The U.S. side has so far insisted that it’s committed to its one-China policy, and such things as the Pelosi visit haven’t violated

it. America’s one-China policy is like a temple, which at least consists of the building itself and the Buddhist statues inside. The U.S. used to maintain a series of self-imposed limits when interacting with Taiwan, to make sure such interactions were unofficial in nature. Now these limitations have been gradually removed or broken. Pelosi’s Taiwan trip was the latest example. But the U.S. side has removed one statue after another from the temple, leaving behind an empty building. Thus it claims the temple is still there. So long as the U.S. didn’t declare support for Taiwan independence, it thinks that nothing else it does undermines its claimed



▲ (Above) The USS Tripoli. A total of 20 F-35B jet fighters are seen aboard the USS Tripoli.
(Below) The carrier USS Ronald Reagan.

As U.S. House of Representatives Speaker Nancy Pelosi headed to Taipei on August 2 amid intensifying warnings from China, four U.S. warships, including the carrier USS Ronald Reagan and the amphibious ship USS Tripoli, were sailing and positioned in waters east of the Taiwan island on “routine” deployments. (Photo: U.S. Marine Corps)

commitment to one China. In fact, the U.S. side has continuously trampled China's red zone, triggering Chinese indignation and anxiety, even with claims it had not violated Chinese bottom lines.

At the same time, from a different perspective, while the Chinese government constantly reiterates the basic principles of peaceful reunification and "one country, two systems," so long as the Chinese military becomes stronger and its range of activities expands, the U.S. side would believe China is gradually forsaking the principle of peaceful reunification.

Since each stakeholder is subject to powerful gravity. Creating changes in the macro environment, renders it difficult to maintain stability across the Taiwan Strait. Since the macro environment has changed, it would be wishful thinking to anticipate a return to the status quo of a decade ago. To stabilize the situation across the Taiwan Strait now, a new equilibrium has to be maneuvered in the new macro environment. This is more or less like the process between 1972 and 1979 when China and the U.S. managed an agreement on a new formula for the Taiwan question under new strategic circumstances.

Some scholars argue China and the U.S. need a fourth joint communique, which is unrealistic. But the central idea is that China and the U.S. need to reach new understandings in a new environment, which is sensible thinking. The test is, on one hand, whether decision-makers in both countries can resist the strong pull of forces at home originating from a changed macro environment.

On the other hand, it's not clear that the Chinese and U.S. sides can sit down for truly in-depth discussions, making sure each can send restrained messages and letting the other party get it right. Both are no doubt extremely difficult, and we don't have much time. If we can't really achieve stability via self-restraint and mutual reassurance, we may have to wait for achieving stability through a greater crisis, conflict or even war. The cost of such a course will undoubtedly be too high for China, the U.S. and the entire world.

It's not clear that the Chinese and U.S. sides can sit down for truly in-depth discussions, making sure each can send restrained messages and letting the other party get it right.



Pelosi's Visit to Taiwan: Provoking the First AI War in History?

Recent events in the Taiwan Strait have led to an outpouring of international concern regarding potential war between the United States and China. AI technology advancements, which these two superpowers are leaders in research, resources, and patents, would mean that the world has yet to see the most AI-driven conflict in history.



Cheng Li

*Director of John L. Thornton
China Center
The Brookings Institution*

For the past few years, prominent diplomats and scholars of U.S.-China relations have worried that the nearly half-century-long absence of major war in East Asia might come to an end as a result of the drastic deterioration of the bilateral relationship. These worries have reached an unprecedentedly elevated level following the visit of U.S. Speaker of the House Nancy Pelosi to Taipei this August.

Beijing's exceptionally strong reaction, which has included dispatching missiles, warships, and warplanes into the air and seas around Taiwan, has sent the unambiguous message that the Chinese leadership is prepared to use force. From the perspective of this rising authoritarian global power, Washington's *de facto* support of Taiwan independence (of what the Chinese perceive to be a "runaway province") challenges China's "vital core interest." The aggressive military drills by the People's Liberation Army (PLA) have notably crossed the so-called "median line" in the Taiwan Strait. In addition, the PLA has fired missiles targeting seven sea areas surrounding the island of Taiwan, including the far side of the island facing the Pacific, the region frequently navigated by U.S. naval vessels. This development was seen by some experts as a move akin to rehearsing a blockade.

Speaker Pelosi was neither the first, nor will she be the last, prominent American leader to visit Taiwan. Washington clearly has become more explicit in its mili-

tary support of Taiwan. “The Taiwan Policy Act of 2022,” a bipartisan bill being considered on the floor in the U.S. Congress, proposes that the United States designate Taiwan as a “major non-NATO ally,” the status granted to Japan, South Korea, and Australia. Beijing regards this U.S. policy as the official abandonment of the “one China policy” by the United States. In the view of the Chinese leadership, this bill, if passed, will leave China with no other choice but to resolve the Taiwan question by force.

But surprisingly, except for Dr. Henry Kissinger and a few others, very few have highlighted the fact that a war over the Taiwan Strait would be between two artificial intelligence (AI) superpowers.

Notedly, analysts in China, the United States, and Taiwan have now given more thought to *when* these three parties will unavoidably engage in war rather than *whether* it will happen. Many analysts also assess how war would likely unfold. But surprisingly, except for Dr. Henry Kissinger and a few others, very few have highlighted the fact that a war over the Taiwan Strait would be between two artificial intelligence (AI) superpowers. The extensive application of AI in warfare is arguably inevitable, which will likely escalate from a limited conventional or proxy war into a rapidly spiraling high-tech war on the one hand and magnify miscalculation and misinformation on the other.

Any serious student of warfare should be alert to this would-be first AI war in history and explore all means to prevent such a cataclysmic war in which everyone would lose.

Sober warnings from American strategic thinkers

Both China and the United States carry some responsibility for the dangerous downward spiral of the world’s most consequential bilateral relationship. Several of America’s most distinguished strategic thinkers, scholars, and journalists have been explicitly critical of Pelosi’s provocative visit to Taiwan, not to mention President Biden’s ineffectiveness at preventing the ongoing downward spiral. Stunningly, Henry Kissinger, Graham Allison, and Thomas Friedman all have warned that Washington may be heading toward a situation in which the United States is simultaneously plunged into military conflicts with a nuclear-armed Russia over Ukraine and a nuclear-armed China over Taiwan. In the words of Dr. Kissinger, the increasing animosity between the United States and China over the Taiwan Strait risks a global “catastrophe comparable to World War I.”

A major war between two superpowers will most likely result in enormous casualties. In fact, even during the three wars in East Asia in which the United States engaged between the post-WWII period and the mid-1970s, a quarter of a million American lives were lost. The death tolls of people in East Asia were much higher. There is no comparison at all between the Chinese Communist troops then and the PLA forces today, as the People’s Republic of China (PRC) is now the second largest military power in the world.

Professor Cho-yun Hsu, a distinguished historian and a member of the Academia Sinica in Taipei, was recently quoted in media outlets on both sides of the Taiwan Strait: “If there is a war between China and the United States, both countries (and Taiwan) will suffer devastating consequences, and half of the world will be destroyed.”

Cautiously optimistic views and their limitations

Understandably, given the well-grounded argument that neither China nor the United States can achieve a “total victory” by destroying the other without destroying itself, many people believe that both sides will therefore be very hesitant to go to war against the other. As my Brookings colleague Ryan Hass, who previously served as director for China, Taiwan, and Mongolia on the National Security Council in the Obama administration, recently observed, “If war arrives in the Taiwan Strait and involves PRC, Taiwan, and U.S. forces, it is difficult to imagine a scenario whereby any party could prevail and come out strengthened by conflict.”

That may explain why there is no enthusiastic public support in the United States or Taiwan for military conflict with the PRC. As for Beijing, long-standing Chinese military strategy espoused by ancient philosopher-strategist Sun Tzu, including that, “The supreme art of war is to subdue the enemy without fighting” (不战而屈人之兵 *buzhan er quren zhibing*), is perhaps particularly relevant regarding China’s hesitance to use force to achieve unification with Taiwan. Taiwanese are always regarded in Beijing’s official narrative as “flesh and blood compatriots” (骨肉同胞 *gurou tongbao*). As for Beijing’s strategic thinking regarding the trend in Washington calling for abandonment of the “one China policy,” commentary has frequently called for “promoting the



▲ FILE PHOTO: U.S. senators Lindsey Graham (R-SC) and Foreign Relations Committee Chairman Bob Menendez (D-NJ) are the two authors of the Taiwan Policy Act of 2022. While China speaks about One-China Policy, America is planning to discuss the Taiwan Policy Act 2022 in September.

Arguably the most important factor that highlights both the danger and potential for quick escalation of military conflict and the urgent imperative to prevent such an outcome lies in the fact that the United States and China are the world's greatest AI superpowers.

fighting spirit, but not breaking into war” (斗而不破 *dou er bu po*), which reflects a more cautious approach on the part of the Chinese foreign policy establishment.

While these cautiously optimistic views are all valid to a certain extent, it is important to also be clear minded about the fact that several key factors point to a different and far more pessimistic scenario. These factors include:

- 1) The drastic surge of ultra-nationalistic and anti-Washington sentiments among the Chinese public during this ongoing Taiwan Strait crisis.
- 2) The increasingly prevalent assessment by the Chinese leadership that Washington will not give up its determination to use issues including human rights, Hong Kong, Xinjiang, and Taiwan (on each of which Speaker Pelosi has left her legacy) to destabilize, divide, and dismember China.
- 3) The growing consensus in Zhongnanhai that the chance for peaceful reunification is so slim that the Taiwan question

can only be resolved militarily, or in the words of a prominent advisor to the Chinese leadership, there is an “urgent need for rethinking the strategy for reunification and policy toward the United States.”

4) The rapid elevation of risk for incidents resulting from the frequency of warship navigation and warplane flight drills by all three parties (PRC, the United States, and Taiwan), as well as American allies.

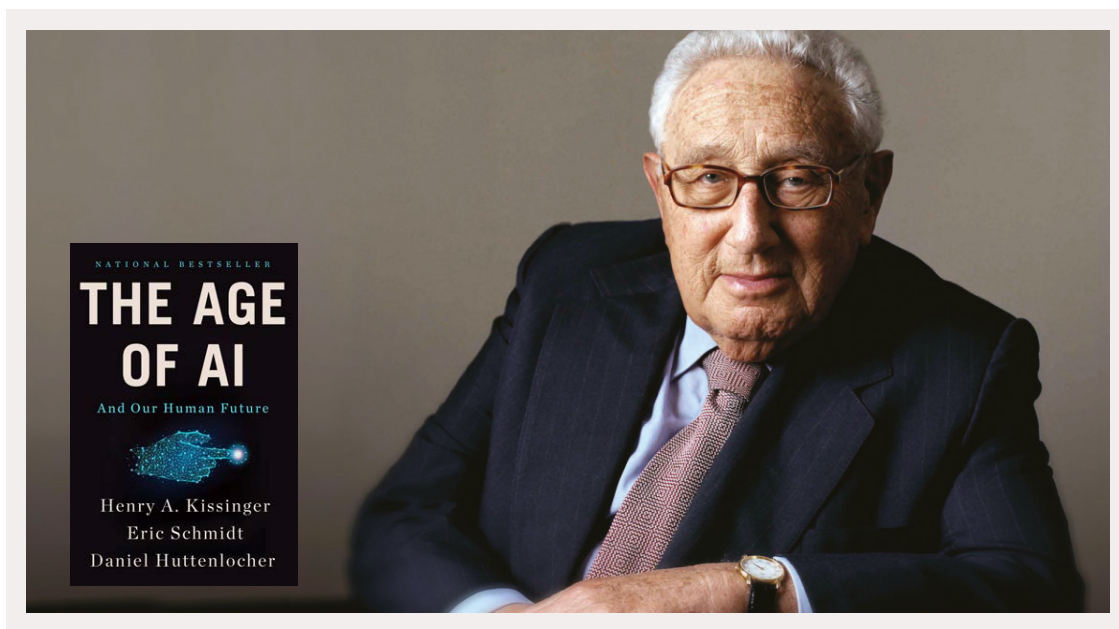
5) The increasing risk for incidents coinciding with “the breakdown in all direct channels of communication between Beijing and Taipei as well as Beijing and Washington.”

Arguably *the most important factor* that highlights both the danger and potential for quick escalation of military conflict and the urgent imperative to prevent such an outcome lies in the fact that the United States and China are the world's greatest AI superpowers. The outbreak and advancement of such a war will likely have exceptional features and will differ profoundly from many other wars, including the ongoing Russia-Ukraine war.

The potential for high-tech war over Taiwan

The Russia-Ukraine war has been largely a land war, and the U.S. and NATO have not provided air support as requested by the president of Ukraine. Although naval warships have participated in the battle, their roles have been quite limited. In contrast, the prospect of war over the Taiwan Strait will differ completely based on both the island's geography and the strategic objectives of the forces involved.

According to a November 2021 report on China's military by the U.S. Department



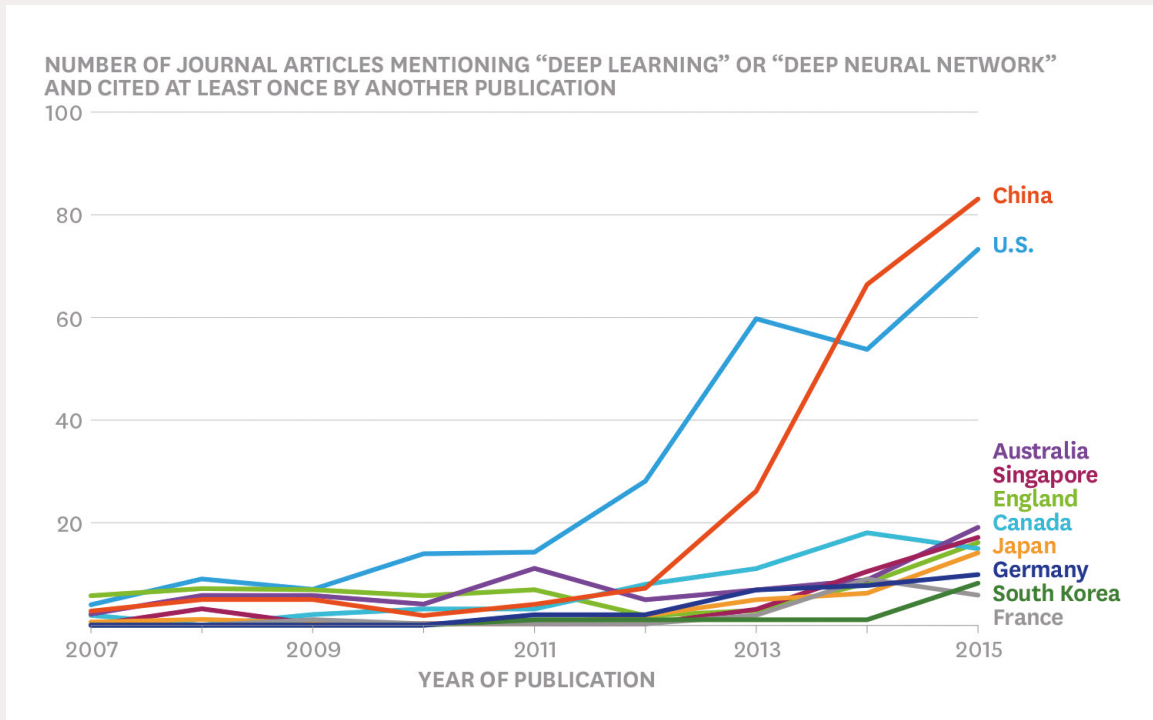
- ▲ U.S. Former Secretary of State Henry A. Kissinger and his book *The Age of A.I.*
In an interview with the German newspaper *Die Welt* in April 2021, Kissinger warns China and U.S. to guard against an “all-out” artificial intelligence conflict, and urges U.S. to ramp up its AI.

of Defense, in such a battle, the PLA will vigorously challenge the United States in the domains of air, land, sea, digital networks, and space. More specifically, according to the same source, the PRC has commenced building at least three solid-fuel Intercontinental Ballistic Missile (ICBM) silo fields, which will cumulatively contain hundreds of new ICBMs.

China is a late comer as it adopts joint operations in warfare. For the first five decades of the PRC, the Chinese military utilized the Russia military model, which heavily emphasized the use of land forces. Until around the turn of the century, especially during the past decade under Xi’s leadership, the Chinese military has placed a high priority on joint operations among various forces, largely following the U.S. military model. Former Party leader Jiang Zemin declared that the mission of the PLA is to win high-tech local wars over

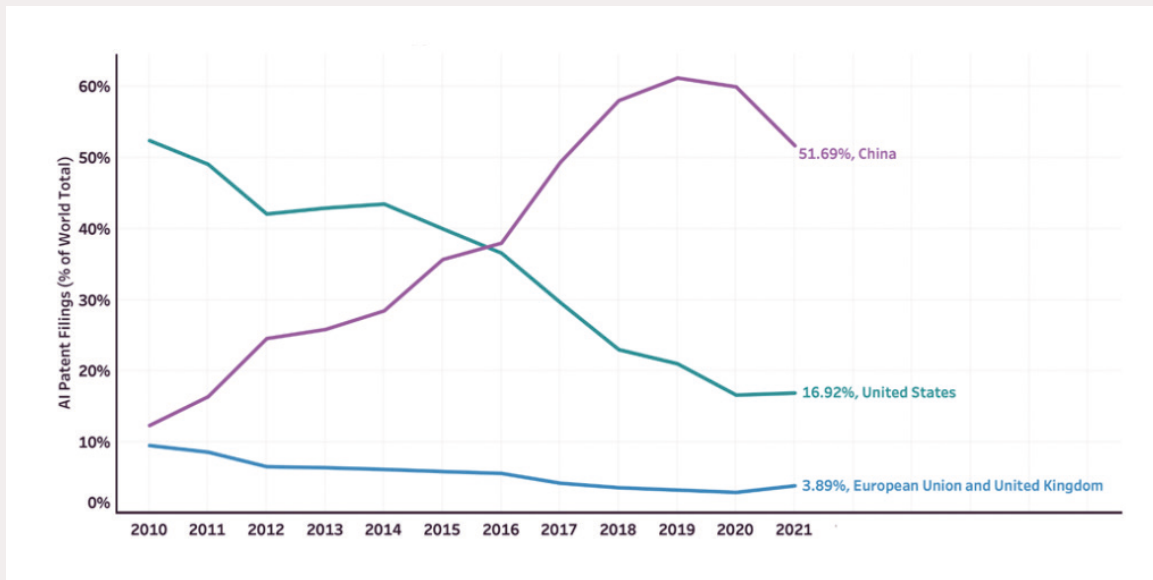
Geopolitical fault lines are beginning to form, with AI technology being a central domain of competition and conflict.

Chart 1: China and the United States as the two AI superpowers (2015)



Sources: HBR.ORG, “The National Artificial Intelligence Research and Development Strategic Plan, October 2016; and Neil Aitken, “The New AI Cold War Between China and the USA.” Packt, June 28, 2018, *The New AI Cold War Between China and the USA* | Packt Hub (packtpub.com).

Chart 2: AI patent filings (% of world total) by geographic area, 2010-21



Sources: Center for Security and Emerging Technology, 2021 (Chart 2022 AI Index Report); and Edmund L. Andrews, “China and the United States: Unlikely Partners in AI,” *Stanford University Human-Centered Artificial Intelligence*, March 16, 2022, *China and the United States: Unlikely Partners in AI* (stanford.edu).

Taiwan. Xi Jinping's emphasis on the leapfrog development of aerospace and AI through the military reforms over the past few years has accelerated the country's military modernization.

It is interesting to note that the Chinese space military corps — the Space Systems Division (航天系统部 *hangtian xi-tong bu*) under the PLA Strategic Support Force — was founded at the beginning of 2016, about four years prior to the creation of the United States Space Force (USSF). In December 2019, President Donald Trump signed the National Defense Authorization Act (NDAA) for fiscal year 2020 and established the USSF, the sixth branch of the American armed forces. Similarly, the Japan Air Self-Defense Force recently formed a space warfare squadron. The Japanese government also established an electronic warfare corps in 2021 and a networks security corps in 2022.

More significantly, under the leadership of Xi Jinping, China has adopted a military-civil fusion (MCF, 军民融合 *junmin ronghe*) development strategy, which blurs the distinction between the military and civilian applications of many leading technologies, including big data, semiconductors, nuclear technology, aerospace technology, aircraft engines, shipbuilding, 5G, robotics, and AI. According to a recent report by Graham Allison, in the U.S.-China competition in these areas, China has already become No. 1 in the world or will overtake the U.S. within the next decade. Perhaps more accurately speaking, the United States and China are co-leaders in most of these areas in the world today.

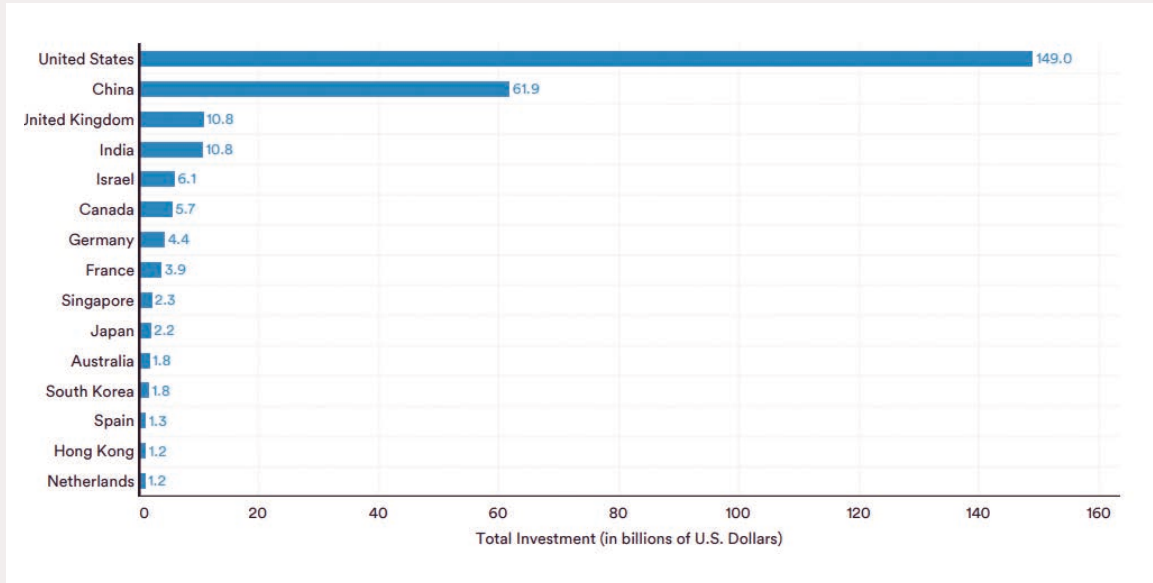
China-US AI competition: research, applications, and resources

In the area of AI, the Chinese government and the private sector both have made huge investments over the past decade. Consequently, China and the United States have been seen as two AI superpowers because of their leadership in research, publications, patents, and applications. **Chart 1** shows the dominant roles of China and the United States in terms of scholarly journal articles published on “machine deep learning” and “deep neural networks.” In 2015, China and the United States were in the first tier, which was far ahead of the second tier of other developed countries.

A 2022 report on AI published by Stanford University's Institute for Human-Centered Artificial Intelligence presents the rapid growth of AI patent filings in the case of China (see **Chart 2**). In 2010, the patent filings from China accounted for only about 12 percent of the global total and rose to 52 percent in 2021, compared with the United States (17 percent) and the EU and UK (4 percent). The percentage of patent filings by other countries, including Japan, India, Australia, Canada, Russia, Singapore, and South Korea, was insignificant.

In terms of private investment in AI, the United States has been way ahead of other countries including China. **Chart 3** shows that the amount of private investment in the United States (US\$149 billion) has been double that of China (US\$62 billion) over the past decade. Other countries such as the UK, India, Israel, Canada, Germany, and France were even further behind. It should be noted, however, that among those private investors in AI in the United States, a significant number have PRC backgrounds according to the FBI and some U.S.-based researchers.

Chart 3: Private investment in AI by geographic area, 2013-2021



Sources: NetBase Quid, 2021, and Daniel Zhang, Nestor Maslej, Erik Brynjolfsson, John Etchemendy, Terah Lyons, James Manyika, Helen Ngo, Juan Carlos Niebles, Michael Sellitto, Ellie Sakhaee, Yoav Shoham, Jack Clark, and Raymond Perrault, “The AI Index 2022 Annual Report,” AI Index Steering Committee, Stanford Institute for Human-Centered AI, Stanford University, March 2022. 2022-AI-Index-Report_Master.pdf (stanford.edu).

This certainly explains the Biden administration’s selective decoupling with China in the science and technology area. Geopolitical fault lines are beginning to form, with AI technology being a central domain of competition and conflict. Such vicious competition crystalizes an already threatened bifurcation of the world and seems to reaffirm the reemergence of two military and ideological blocs.

Preventing the first AI war in history

Just as Russia’s horrific invasion of Ukraine has evoked memories of the Cold War in Europe, China’s pressure campaign over Taiwan and the new U.S. Indo-Pacific strategy against China — including the provocative moves to change the “one China policy” as evidenced by Speaker Pelosi’s visit to Taiwan — are part of a vicious cycle leading toward the end of four decades of precious peace in the Asia-Pacific region.

If we cannot stop that trend, we may face a hot war that may escalate very quickly to an AI war between the United States and China — a potentially horrible machine to machine war resulting from lethal autonomous weapons systems (LAWS). One does not need to be a military expert to understand that, in the present-day Taiwan Strait with frequent military drills by all parties, the risk of accidents has been increasing exponentially.

The sad truth is that the better prepared both sides are for a possible AI war, the more tragic the outcome may be.

Anyone should realize that a war over Taiwan, if it occurs, will have a far more catastrophic impact on the world than the ongoing Russia-Ukraine war. One

may reasonably argue that neither China nor the United States is ready for an AI war, at least for now. But the sad truth is that the better prepared both sides are for a possible AI war, the more tragic the outcome may be.

Since 2019, the Brookings Institution and Tsinghua University have co-sponsored a U.S.-China Dialogue on Artificial Intelligence and National Security, a series of track-II (unofficial) dialogues. The project includes top AI experts, former government officials, retired military generals, and think tank scholars from both countries, who hope to help guide decision-makers in their respective countries to develop sound policy in the new AI era.

The Dialogue focuses on the key question: What role, if any, should the United States and China play in international norm-building and risk-reduction efforts related to AI-enabled military systems? The dialogue has explored issues and possible areas of consensus such as off-limits targets, off-limits data, proportionality and human oversight, and international norm-building. These kinds of

bilateral engagements are critical to ensuring that thought leaders on both sides are speaking with each other and providing hope for future coordination — and even cooperation — on AI.

It is imperative for the international community, including citizens of the two AI superpowers, to work together to address various highly consequential challenges relating to AI in our time. These issues range from ethics, common norms, law, risk prevention for AI-enabled weapons, the security of AI data, mechanisms to prevent attacks on critical infrastructure, and protections for the integrity of global financial data, to public awareness and civil discourse.

Winston Churchill once said: “You can always count on Americans to do the right thing — after they’ve tried everything else.” In the AI era, with the absence of the “revolving mechanism” or what President Biden has called “the guardrail of commonsense” in the U.S.-China relationship, we may not have the luxury to “have tried everything else.”



▲ Artificial intelligence could change warfare. (Photo by U.S. Army Research Laboratory)



- ▲ Speaker of the U.S. House of Representatives Nancy Pelosi arrives at the Legislative Yuan, Taiwan's house of parliament on August 03, 2022 in Taipei, Taiwan.

Pelosi Syndrome Escalates Dangers



Zhao Minghao
Professor
Institute of International Studies
Fudan University

The negative influences of the U.S. House speaker's Taiwan visit are fermenting and will continue to poison China-U.S. relations. Domestic political winds in the United States are stirring up strategic confusion that will inevitably increase the risk of war.

Despite the Chinese side's strong opposition and repeated representations, U.S. House Speaker Nancy Pelosi visited Taiwan recently. The move's negative influence won't be temporary: It seriously undermined strategic mutual trust between China and the U.S. and dragged the two countries into a protracted diplomatic crisis.

The Chinese mainland responded with severe countermeasures, and the Biden administration threatened to react to those. Thus, severe tensions cannot be excluded over the next few months in the absence of proper crisis management. More important, a dangerous phenomenon — which can be called “Pelosi syndrome” — is overshadowing China-U.S. relations.

From the Chinese perspective, the Pelosi visit wasn't an isolated incident. Rather, it reflects the U.S. side's long-term strategic purpose of changing the status quo and containing China by playing the Taiwan card.

It's not fair for the U.S. side to criticize China for “over-reacting.” Over the past few years, both the Donald Trump and Joe Biden administrations have taken steps with respect to Taiwan that are provocative to the mainland. Trump once sent a ranking official in his cabinet to visit Taiwan, and Biden has stated repeatedly that the U.S. would protect Taiwan militarily.

As the U.S. proceeds with its strategy of major power competition with China in recent years, it has quietly redefined its “one-China” policy. Today, its definition gives precedence to the Taiwan Relations

Act over the three joint communiques the two governments signed, incorporating it into the “six assurances” it made to Taiwan. Not long ago, the Biden administration even deleted from the State Department website the expression “The U.S. doesn't support Taiwan independence.”

From the Chinese perspective, the Pelosi visit wasn't an isolated incident. Rather, it reflects the U.S. side's long-term strategic purpose of changing the status quo and containing China by playing the Taiwan card. Pelosi openly used the term “diplomatic relations” to describe exchanges between the U.S. and the Taiwan area in an article she wrote for The Washington Post.

Pelosi's Taiwan trip was particularly provocative as it occurred as the People's Liberation Army was celebrating the anniversary of its founding. As noted by Bonnie Glaser, senior fellow of the German Marshall Fund of the United States, Pelosi's move eroded the political credibility of the U.S. government and further weakened Chinese confidence that the U.S. would be prudent in dealing with Taiwan.

The most damaging aspect of Pelosi syndrome is that the delicate check and balance between the executive and legislative branches of the U.S. government on Taiwan appears to have been disrupted. This will accelerate Taiwan's transition from a hot spot to an explosive flashpoint in China-U.S. relations. On one hand, political forces in the U.S. each go their own way and so executive branch control over Taiwan-related policies has decreased. American politicians proposing tougher China policies may become even less willing to listen to the White House when it comes to Taiwan.

It is worrying that a Democratic president failed to prevent a House speaker of his own party from making such a disruptive move. On the other hand, the executive branch has itself been laissez-faire, even taking advantage of the crisis concocted by U.S. politicians as they attack China and accuse the mainland of escalating tensions. This pattern will make it even more difficult for the two governments to handle the Taiwan issue.

The most damaging aspect of Pelosi syndrome is that the delicate check and balance between the executive and legislative branches of the U.S. government on Taiwan appears to have been disrupted.

Pelosi syndrome shows that the disturbing impacts of U.S. domestic politics on Taiwan have grown conspicuously. The U.S. Congress is intensifying its efforts to grab the steering wheel of policy-making on Taiwan. Pelosi's visit may make America's China hawks even more rampant. Not only have some Democratic members of Congress applauded Pelosi's visit but Republican Senate Minority Leader Mitch McConnell openly rooted for her.

Pelosi's move has set a fresh, although mistaken, precedent. The next House speaker (possibly Republican House Minority Leader Kevin McCarthy) may visit Taiwan again. Pelosi didn't hesitate to foment a significant crisis in China-U.S. ties in order to build her own so-called political legacy. Her move may become an inspiration for other members of Congress who may be more audacious in playing the Taiwan card and showcasing their anti-China, anti-communist stances for private political gain.

We should see that behind Pelosi's trip is a rising pro-Taiwan tide inside the U.S. Congress, fueled in part by the Russia-Ukraine conflict. Some members of Congress deliberately conflate the Russia-Ukraine conflict and the matter of Taiwan, hyping an alleged "China threat" by binding China and Russia together to benefit the U.S. military-industrial complex and their own constituencies. People such as Republican Rep. Mike Gallagher claim that the Russia-Ukraine conflict will amplify the Chinese mainland's "copycat effect" and increase the likelihood of reunification with Taiwan by means of force. The U.S. strategy of "integrated deterrence" may not suffice for deterring action by the Chinese mainland, so members of Congress have also proposed a series of pro-Taiwan bills. In particular, Bob Menendez, the Democratic chairman of the Senate Foreign Relations Committee, together with Lindsey Graham, the Republican Ranking Member of the Senate Committee on the Budget (he also sits on the Appropriations and Judiciary committees), are pushing the Taiwan Policy Act of 2022, which would integrate the Taiwan Partnership Act and Taiwan Security Enhancement Act proposed by other members of Congress. This threatens to reshuffle U.S. Taiwan policy.

The Taiwan Policy Act requires the U.S. government to implement a series of new provocative measures, such as renaming the Taipei Economic and Cultural Representative Office in the United States as the Taiwanese Representative Office, which would give Taiwan a position as a major non-NATO ally. The Taiwan Security Assistance Initiative would deepen relations between the U.S. National Guard and Taiwan's military and incorporate Taiwan into the U.S.-proposed Indo-Pacific Economic Framework. Menendez said the Taiwan Policy Act would send a clear

message to Beijing not to make the same mistakes with Taiwan that Vladimir Putin has made in Ukraine. However, his arrogant, tough talk, as well as the act itself, could prompt Beijing to take more resolute measures.

Even if Pelosi leaves the U.S. political stage soon, her legacy, Pelosi syndrome will continue to poison China-U.S. relations.

China and the U.S. have sunk into a typical security dilemma, and a new normal is emerging in the gaming between the two militaries in waters off Taiwan. The Chinese side has made a strong military response, and in a counter show of strength, U.S. military vessels and aircraft may increase the frequency of movements through and over the Taiwan Strait. U.S. aircraft carrier strike groups may increase their presence near Taiwan. The U.S. is even considering joint military drills with Japan and Australia. Neither should the possibility be excluded that Taiwan authorities themselves could make some military moves. Under such circumstance, the risk of Chinese and U.S. militaries coming into an unintended conflict, or even direct confrontation, should not be underestimated.

To sum up, the serious negative influence of Pelosi's Taiwan visit is fermenting. Even if Pelosi leaves the U.S. political stage soon, her legacy, Pelosi syndrome will continue to poison China-U.S. relations. U.S. domestic politics are turning U.S. policy regarding Taiwan into strategic confusion. This will inevitably increase the risk of China and the U.S. sinking into military conflict.

China and the U.S. have sunk into a typical security dilemma, and a new normal is emerging in the gaming between the two militaries in waters off Taiwan.

Why the PLA's Six Drill Areas Around Taiwan Matter



- ▲ From 12:00 (Beijing Time) August 4 to 12:00 (Beijing Time) August 7, 2022, the Chinese People's Liberation Army conducts important military exercises and training activities including live-fire drills in these maritime areas and their air space bounded by lines joining.
(Source: China's official release)

Block the so-called
'median line' in the
Taiwan Strait

Pingtian Island

Directly block Keelung Port

Keelung

Hualien

Target the military bases in
Hualien and Taitung and form
the frontal strike posture

Kaohsiung

Taitung

Kenting

Effectively control the
entrance and exit of the
Bashi Channel

Bashi Channel



Mutual Trust: Can China and the U.S. Rebuild?

A conversation with Professor Wu Xinbo





■ Wu Xinbo is Director of the Center for American Studies, Fudan University.

As the U.S.-China relationship continues to spiral downwards, there is deep concern about America's strategic intentions and its recent interactions with Taiwan. In this dialogue, our Host James Chau speaks with Professor Wu Xinbo of Fudan University, a longtime analyst on the bilateral ties. Professor Wu wants a workable trust between the U.S. and China to be rebuilt.

James Chau

Up until a few weeks ago, there was new momentum in the U.S. China relationship. Presidents Xi Jinping and Joe Biden had a phone call, and there had been talk that the United States could ease some of the trade tariffs against China. Suddenly, however, we're in a situation where the relationship has taken a decisive turn. Can some level of workable trust be rebuilt?

For China, we have deep concerns of the U.S. strategic intentions toward China.

Wu Xinbo

Trust, relates to two factors. One is intention. The other is capability. For China, the first question is the U.S. strategic intent toward China, because from Donald Trump to Joe Biden they all talk about strategic competition with China. They have defined China as a strategic competitor, and even a rival of the United States. And the U.S. has launched this kind of strategic containment or suppression against China politically, economically and militarily. For China, we have deep concerns of the U.S. strategic intentions toward China.

The second factor is capability — whether President Biden has the capability to deliver the “good things” he talked about in relations with China. From time to time in his exchanges with President Xi, he said he wanted to have a workable relationship with China and to avoid conflict. But if you look what he has been doing, the problem is that sometimes he's not able to manage U.S. domestic politics — for example, Pelosi's visit to Taiwan. Biden was not supportive of it, but he couldn't dissuade her from making the trip. And Biden's national security team was divided on China, for example on the tariff issue.

Some people suggested the tariffs should be reduced or removed; some insisted that tariffs should be kept in place as leverage against China.

What China has been doing is also intended to curb the dangerous trend, as we see it, in America's Taiwan policy.

Biden is not able to manage the internal politics that lead China to question whether he has the capability to manage relations. Essentially, after the Pelosi episode, China has much less confidence that Biden has good relations with China in mind — or even workable relations with China,

James Chau

Let's look at the consequences of Nancy Pelosi's visit to Taiwan, which triggered days of military exercises around the island. Some people in the West have called this an overreaction. Do you think that's the case? Or was it an appropriate, rational response?

Wu Xinbo

My understanding is that the military drills don't just target Nancy Pelosi's visit to Taiwan, per se. But it targets the broader context in which the U.S. has changed its Taiwan policy fundamentally in the last several years. It actually started with the Trump administration, which played the Taiwan card against China. The Biden administration continued this policy line by raising the level of official contact with Taiwan, providing increasing military support to Taiwan, and trying to raise Taiwan's international profile.

So Nancy Pelosi's visit provided an opportunity for China to fight back by taking diplomatic and military countermeasures. What China has been doing is not a response to Pelosi's visit to Taiwan but is also intended to curb the dangerous trend, as we see it, in America's Taiwan policy, which, in the view of Beijing, is trying to hollow out the "one China" policy commitment made by the U.S. after normalization between the two countries, and also to make sure that the U.S. understands China's signal in a serious way.

James Chau

Why does China insist that the Taiwan question remain at the core of its relationship with the United States, which at the end of the day, is thousands of miles away on a different continent?

Essentially, after the Pelosi episode, China has much less confidence that Biden has good relations with China in mind — or even workable relations with China,

Wu Xinbo

Well, it's simply because the U.S. has been the most important external factor on the Taiwan issue since 1950. Despite its commitment to Beijing after normalization that the U.S. would have only unofficial, economic and cultural relations, U.S. relations with Taiwan have been conducted at the official level from time to time. In recent years, the U.S. has raised the level of official contact with Taiwan and provided even more substantive military support. So that is why in Beijing's view the U.S. stands as the most important obstruction to China's pursuit of national reunification with Taiwan.



Cooperation between two countries on multilateral issues require, as always, political will. And Beijing just believes this kind of political will is lacking.

James Chau

Let's put this in global context now, because the world is struggling with an economic downturn, multiple disease outbreaks and a degradation in the natural environment. Yet we're here talking about China and the United States. Can they rise to the moral responsibility by solving the major challenges humanity faces today?

Wu Xinbo

Well, let's remember that before Donald Trump, China and the U.S. had very effective cooperation on multilateral issues, from public health to climate change. But things began to change during the Trump administration. One is that, because of domestic politics, the U.S. didn't want to cooperate with China on multilateral issues.

The Trump administration viewed the outbreak of COVID-19 in China as an opportunity to slow down China's rise. It played up this issue as political leverage for domestic reasons — for example, for the midterm elections in 2020. Another reason is that the U.S. is now taking an increasingly geopolitical approach to cooperation with China on multilateral issues because it views China's rise on the international stage as a threat to the U.S. influence. It adopts a kind of zero-sum approach and is becoming unwilling to cooperate with China on these issues.

For Beijing there is also a change. Beijing fears that the U.S. does not respect China's core interests, such as the Taiwan issue, so its willingness to cooperate with the U.S. on those third-party factors is declining. This time, China, in response to Pelosi's visit to Taiwan, has declared a suspension of China-U.S. cooperation on climate change. Cooperation between two countries on multilateral issues require, as always, political will. And Beijing just believes this kind of political will is lacking.

Both Beijing and Washington do not want to see a major military conflict. On the other hand, the risk is rising.

James Chau

We're listening to you. My concern is that the growing absence of cooperation will lead to a rising likelihood of military conflict between the United States and China. Do you share those concerns? Or do you think we're still very far from the tipping point?

Wu Xinbo

I think, at the moment, that both Beijing and Washington do not want to see a major military conflict. On the other hand, the risk is rising, simply because the U.S. is pursuing its so-called strategic competition with China, not just economically and diplomatically but also militarily. And this has made it very dangerous for the two militaries to manage encounters in the western Pacific, especially around Taiwan. On the other hand, Beijing must take a firmer approach to defend its core national interest on the Taiwan issue, and also in South China Sea. This has made it

more difficult for two sides to take necessary precautions to reduce the risk of military conflict. Sometimes military conflict occurs not because they are planned but because some incident occurred in which the two sides were not able to manage these incidental clashes. They can escalate into major crises and finally into major conflicts. This is something that people in both countries are worried about today.

James Chau

Former U.S. Secretary of State Henry Kissinger says the United States would do well to adopt some of the style from Richard Nixon's era by being a bit more flexible to defuse a confrontation between the U.S. and China, and between Russia and the rest of Europe. Are we seeing the world emerge into polarized camps because of what is coming out of Washington right now?

On certain issues, they may join the United States. On other issues, they may join China. I think there will be more countries taking the third way and joining this sort of camp.

Wu Xinbo

Washington today is mainly playing two cards vis-a-vis China and Russia. One is the geopolitical card. So it's pursuing a so-called geopolitical strategy, trying to get its regional allies and friends on board against China, and even to bring its NATO allies into the camp. That is

creating more and more geopolitical division between the U.S. on one hand, and China and Russia on the other. The second card is "value". Biden defines U.S. competition with China as between democracy and autocracy. Washington hosted the so-called Democracy Summit last year, not just to promote the value of democracy but more important to isolate China and Russia on the world stage.

As a result, the world is becoming more divided between the U.S. and its allies on the one hand, and China and Russia on the other. However, there are also some countries — most of ASEAN, for example, or countries in Southeast Asia — that do not want to take sides between two camps. So they are actually trying to pursue a sort of third way, becoming a sort of third camp.

On certain issues, they may join the United States. On other issues, they may join China. I think there will be more countries taking the third way and joining this sort of camp. We no longer have an integrated world driven by globalization and global cooperation on global governance. More and more, we are torn apart by geopolitical and ideological fights between Washington and Beijing and Moscow.

James Chau

Last, we spoke about the moral responsibility of China and the United States. Surely that responsibility is also tied to many multilateral frameworks, such as the G20, the World Trade Organization and even the United Nations. What is the future of all these groups?

The world overall is becoming not only more divided but also more fractured.

Wu Xinbo

Well, unfortunately the growing geopolitical and ideological fight against China, Russia and other countries by the U.S. and its allies has worked to hinder the operation of multilateral frameworks, be it United Nations, WTO or G20.

In the United Nations Security Council, you will see more and more vetoes cast by the U.S. and its allies, as well as by China and Russia, making the UN Security Council less efficient and effective in promoting world peace and security. Within the WTO, as we have seen, the U.S. during the Trump administration, decided to paralyze this body because it's not happy with the way it works.

So far, the Biden administration has not changed Trump's policy of paralyzing the WTO settlement resolution mechanism. It is making it more difficult for a multilateral mechanism such as the G20 to operate smoothly. As we have seen, given the Russia-Ukraine conflict, the U.S. has insisted that the G20 should not invite Russian President Putin to attend. When the Russian minister spoke, the U.S. and its allies just boycotted it. The G20 is supposed to be a body for international economic governance, one that bridges differences in political and security realms. Yet today it has been hijacked by geopolitical fighting. So, that is a very, very unfortunate.

What will happen in the future? There may be a rise in other types of multilateral arrangements. Countries may decide to make new arrangements to pursue their goals in security and economy. For example, the BRICS mechanism has decided to include more countries — perhaps Indonesia or Argentina — to promote economic governance. Also, the Shanghai Cooperation Organization is also including other regional members in a joint effort to deal with regional security challenges. The U.S., of course, is trying to create other types of multilateral arrangements that exclude China and Russia. The world overall is becoming not only more divided but also more fractured.



▲ A soldier looks through binoculars during combat exercises and training of the navy of the Chinese People's Liberation Army in the waters around Taiwan on Aug. 5, 2022. (Photo: Lin Jian / Xinhua)

What Happens After Pelosi?



Li Yan

Deputy Director

Institute of American Studies

China Institutes of Contemporary International Relations

The U.S. House speaker made a bad situation worse, and China-U.S. relations are headed to a new low. Changes can be seen on multiple fronts, but perhaps most clearly in the military dynamics between the two countries and in the chip-making regime, which has become an important chess piece in the geopolitical game.

The recent visit to Taiwan by U.S. House Speaker Nancy Pelosi, in disregard of repeated warnings from China, has triggered another crisis. Aside from the impact on Taiwan itself, it will only add negativity over the long term to the already strained China-U.S. relationship.

Pelosi's visit to Taiwan was a manifestation and microcosm of her long-standing anti-China ideology. In the context of U.S. domestic politics, the visit unmistakably jeopardized relations. On one hand, the crisis triggered by this visit clearly damaged a recent uptick in China-U.S. engagement. High-level communication between China and the U.S. had become more frequent, and multilevel dialogues in various fields, such as diplomacy and defense had been launched in succession, setting the stage for relations to return to the right track.

Pelosi defied China's repeated advice and warnings and brazenly trampled on a core Chinese national interest by being the highest-ranking U.S. official to set foot in Taiwan in 25 years. China was forced to counter the offense and suspended its established cooperation agenda in areas such as defense, justice and climate change.

Her visit further diminished the political credibility of the United States and wreaked havoc with the already fragile foundation of mutual trust with China.

Pelosi's visit may very well have rendered all previous efforts to stabilize relations wasted and futile.

Her visit further diminished the political credibility of the United States and wreaked havoc with the already fragile foundation of mutual trust with China. For decades, the importance and sensitive nature of the Taiwan question in China-U.S. bilateral relations has been well-known. In recent years, the United States has repeatedly played the Taiwan card to undermine the political foundation of relations with Beijing.

Before this visit, the Biden administration claimed that "the government has no right to interfere with the actions of officials in the legislature" — an assertion made on the ground of the so-called separation of powers inherent in the U.S. political system. This constitutes an unprecedented move that further tarnishes China's perception of U.S. political credibility. It indicates that the U.S. will not only renege on its diplomatic commitments using the pretext of a change of government but will also use its political system as an excuse to let anti-China forces have their willful ways. Once basic trust is gone, we cannot expect much from the communication or interaction going on, no matter what the amount.

The Pelosi visit, with its flurry of behind-the-scenes maneuverings, will have a direct impact on the course of China-U.S. relations going forward. The first thing that warrants attention is the pluralistic dynamics of the actors taking part. China and the U.S. are vastly different, and their foreign policy systems and models are markedly divergent. Pelosi, the speaker of the House of Representatives, reportedly did not have the explicit support of the Biden administration, which is largely made up of Democrats. Nor did the U.S. military deem

the trip appropriate. Nevertheless, her trip made a major unwritten declaration about U.S. diplomacy that was endorsed by the Biden administration afterward.

On the tariff issue, Biden's personal inclination is removal of tariffs on China, but the White House's National Security Council, the Treasury Department and the Trade Representative's office have long been divided, and diverging views among corporate interest groups have become even more pronounced. All of this contributes to prolonged procrastination on the tariff front.

U.S. military figures have proposed the idea of a “silicon shield” in an attempt to use Taiwan’s chip advantage to set back China’s reunification efforts.

These all highlight the multiple-actor feature of the U.S. policy toward China, which is not a new phenomenon. But it will make the U.S. decision-making process more complicated as competition between China and the U.S. grows more intense. From the Chinese side, the Taiwan crisis has sparked widespread public concern. Pelosi's trip on a military plane was broadcast live by some netizens, which suggests that one party's influence on public opinion and decision-making cannot be ignored.

The competition around chips is noteworthy. While the Pelosi's landing in Taiwan carries obvious political significance, her interaction with TSMC may carry the more practical significance. The technology sector, represented by chips, has been a central area of U.S. suppression and competition against China in recent years.

According to U.S. calculus, Taiwan's strategic value, in addition to geopolitics, is much enhanced by its chip industry. U.S. military figures have proposed the idea of a “silicon shield” in an attempt to use Taiwan's chip advantage to set back China's reunification efforts. In May this year, Biden proposed the creation of a chip alliance (Chip4) between the U.S., Japan, South Korea and Taiwan. In August Biden signed the CHIPS and Science Act, which introduces differentiated industrial support policies and restricts the business activities of some companies in China. Given the sensitivity of the chip issue in international technology competition, the cooperation between the U.S. and Taiwan, plus a small but widening circle of cooperation that excludes China will further complicate the Taiwan question.

Another important factor bearing on relations between the two countries is the military dynamic in the Western Pacific. Before and after Pelosi's arrival in Taiwan, China conducted a series of major military exercises breaking through the Taiwan Strait median line and practicing island encirclement in an effort to eleva-

These all highlight the multiple-actor feature of the U.S. policy toward China, which is not a new phenomenon. But it will make the U.S. decision-making process more complicated as competition between China and the U.S. grows more intense.



- ▲ During her one-day visit to Taiwan, U.S. House Speaker Nancy Pelosi also met with Mark Liu, chairman of the Taiwan Semiconductor Manufacturing Company (TSMC) - the biggest chipmaker in the world, whose share of the global contract chipmaking market is expected to expand to 56% this year.

te deterrence (and other things) by showing some of its capabilities.

The U.S. military, on the other hand, reacted in an apparently subdued manner, only declaring afterward that it would continue to navigate in the Taiwan Strait. The U.S. military was most likely constrained by the Biden administration, yet this is still an important case study in observing the pattern of China-U.S. military interaction in a crisis.

Some U.S. media have noted that Pelosi's flight intentionally took a detour to avoid the South China Sea as she approached Taiwan. It merits further observation to determine whether or not the U.S. military's freedom to operate in the South China Sea has been affected by China's military layout, or whether it implies a new subtle change in regional military power dynamics between China and the U.S.

Before and after Pelosi's arrival in Taiwan, China conducted a series of major military exercises breaking through the Taiwan Strait median line and practicing island encirclement in an effort to elevate deterrence (and other things) by showing some of its capabilities.

Departure from “One China” More Dangerous Than Imagined

Yi Fan

Beijing-based writer on international affairs

In the midst of the Cold War, policymakers in the United States became convinced that detente with China would best serve America’s strategic interests. It was only made possible after the question of Taiwan was handled with diplomatic dexterity. The magic formulation clinched after painstaking negotiation was the U.S. acknowledgement of the Chinese position that “there is one China, and Taiwan is a part of China.”

In the midst of the Cold War, U.S. policymakers became convinced that detente with China would best serve America’s strategic interests. This was only made possible after the question of Taiwan was handled with diplomatic dexterity. The magic formulation, clinched after painstaking negotiation, was the U.S. acknowledgement of the Chinese position that “there is one China, and Taiwan is a part of China”.

As Washington sought to counteract growing Chinese influence, it changed not just the tone, but also the substance, of its one-China policy.

This statement, later reaffirmed in all three Sino-U.S. joint communiques, has been held up by the Chinese as the cornerstone of the relationship. It has enjoyed broad support across eight U.S. administrations and, coupled with Beijing’s strategic patience, has helped to preserve cross-strait stability for decades.

In recent years, however, as Washington sought to counteract growing Chinese influence, it changed not just the tone, but also the substance, of its one-China policy. The Trump administration opened the Pandora’s box by declassifying the “Six Assurances,” which had been made privately in 1982 to pacify the Taiwan authorities just a day after the U.S. committed publicly to Beijing that it would reduce arms sales to Taipei. Trump also approved

What did U.S. say in the three China-U.S. joint communiques?

The Taiwan question is the core issue of Sino-U.S. relations. The one-China principle is the political bedrock of Sino-U.S. ties. 41 years of history after China and U.S. established diplomatic relations has shown Sino-U.S. relations can develop in a healthy and stable way only when the Taiwan question is handled well.

The U.S. has made solemn commitments to China on the Taiwan question in three China-U.S. joint communiques.

Joint Communique in 1972



"The United States acknowledges that all Chinese on either side of the Taiwan Straits maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position."

Joint Communique in 1978



"The Government of the United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. The Government of the United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China."

Joint Communiqué in 1982

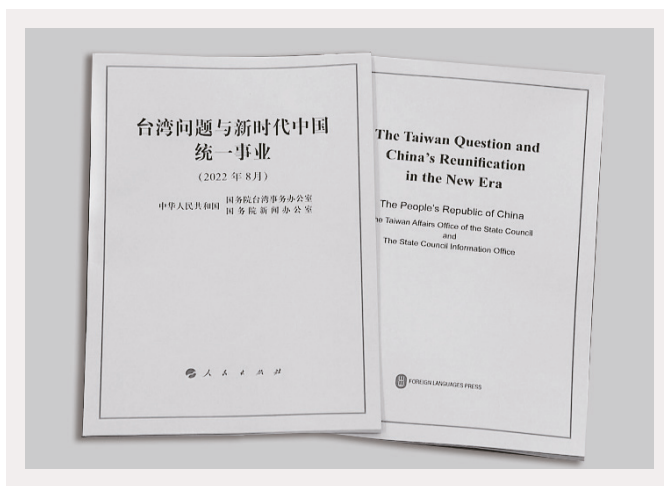
"The United States Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends gradually to reduce its sale of arms to Taiwan, leading, over a period of time, to a final resolution."

(Source: Taiwan Affairs Office of the State Council, China)

the sales of arms, whose quantity and quality exceeded that of previous administrations, a direct violation of the 1982 Sino-U.S. communiqué.

The Biden administration has gone further. It has redefined the one-China policy, inserting the Six Assurances (made to a part of another sovereign country), putting the Taiwan Relations Act (a piece of domestic legislation) before the three Sino-U.S. communiqués (diplomatic agreements between two sovereign governments) and removing references to one-China, including "Taiwan is a part of China," from the U.S. State Department's website. Moreover, the active-duty deployment of U.S. military personnel in Taiwan was confirmed in October. It had increased to twice its previous size. This flies in the face of common sense: A country cannot station military personnel on another country's territory without the latter's consent. In this context, the sitting president's repeated "gaffes" about using force to protect Taiwan, though subsequently walked back by White House officials, elicited a strong response from China and heightened cross-strait tensions.

The Biden administration is performing a delicate balancing act: It wants to score political points ahead of the midterm elections by playing tough on China while avoiding a direct conflict. Yet such "short-termism" risks creating a moral hazard on the part of Taiwan authorities and encourages an inclination toward adventurism. Taipei's independence-leaning leaders quickly jumped on the moves as evidence of "rock-solid" U.S. support. On more than one occasion, Tsai Ing-wen has referred to Taiwan as a "country," contradicting the island's own legal documents and UN General Assembly Resolution 2758, moving dangerously close to China's red line.



◀ On August 10, China published a white paper titled “The Taiwan Question and China’s Reunification in the New Era,” setting out the positions and policies in advancing reunification in the new era.

This is the third white paper on Taiwan issued by the government, the first two being “The Taiwan Question and China’s Reunification” in August 1993 and “The One-China Principle and the Taiwan Question” published in February 2000.

Washington’s more pro-Taiwan stance also underestimates what the issue means for China. Ordinary Chinese see the status quo as unfinished business from China’s “century of humiliation” and civil war, as well as a dent in its major-power status. A poll conducted among mainlanders indicated that 85 percent of respondents support reunification, by force if necessary. When China’s legislature passed the Anti-Secession Law in 2005, not one parliamentarian voted nay. The truth is, no Chinese leader can afford to look weak in the face of Taiwan separatists’ provocations or American intervention. Anyone who questions this need look no further than the 1996 cross-strait crisis, when missiles were fired in response to a visit by Taiwan’s leader to the U.S.

This does not mean that China would rush into military action. Whenever Chinese leaders speak on the subject, they emphasize a preference for “peaceful reunification” before mentioning the use of force as a last resort. Yet Beijing has refused to take the military option off the table, just in case. And it is safe to assume that China will have prepared itself for the kinds of U.S.-led responses that followed Russia’s special operation in Ukraine, although the-

re are important distinctions. Ukraine is a sovereign country, while Taiwan is not. Moreover, it is important to note that, unlike Ukraine, which is accessible by land, the “stopping power of water” surrounding Taiwan makes it difficult for the U.S. or its allies to send in troops or weapons.

The key to a possible showdown is the extent to which the U.S. is ready to be involved militarily. Washington most likely would prefer to avert a total war, because Taiwan’s geopolitical position is “not critical to American interests in East Asia,” as John Bolton conceded in an article for *The Diplomat*.

Washington’s more pro-Taiwan stance also underestimates what the issue means for China.

Short of all-out war, Washington may opt for a limited or proxy war. In the former scenario, it would have to contend with the Chinese People’s Liberation Army and its rapidly growing anti-access and

area-denial capabilities. “The era of U.S. military primacy is over,” concluded Graham Allison, pointing out that war game simulations against the PLA by the Pentagon did not end with American victory.

Given that China is a much larger economy than Russia and more integrated into global commerce, America and its allies must think twice before imposing debilitating sanctions, for they always cut both ways.

The odds of a proxy war rest in large part on factors beyond Washington’s control. Would Taiwan capitulate quickly in the face of overwhelming military force? And what would U.S. allies choose: the displeasure of a fickle ally or the wrath of a permanent neighbor?

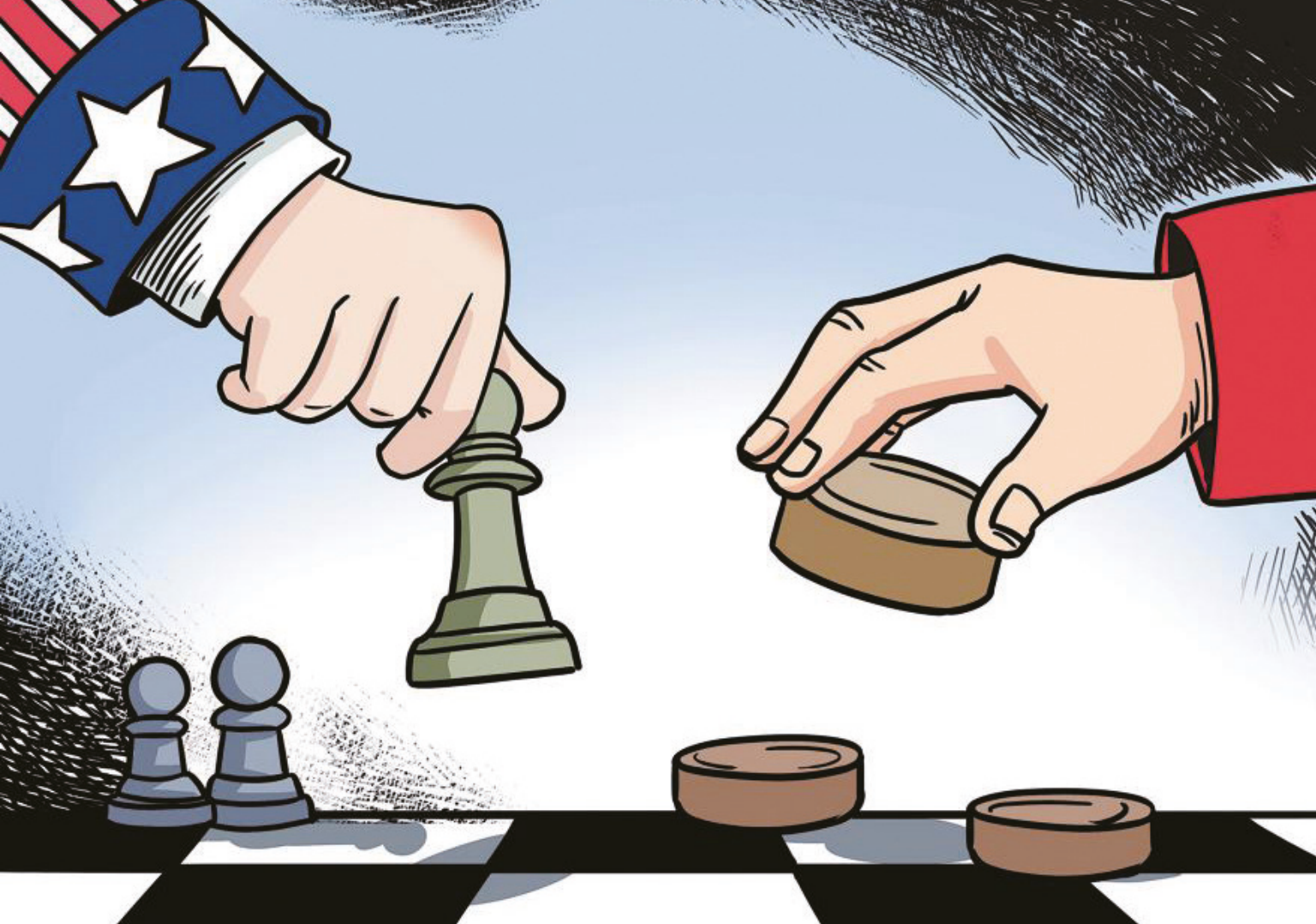
This leaves the U.S. with only the option of sanctions. Given that China is a much larger economy than Russia and more integrated into global commerce, America and its allies must think twice before imposing debilitating sanctions, for they always cut both ways. Japan has been flirting with the idea of a more hands-on role regarding Taiwan, but it was the first to break ranks with G7 countries and lift sanctions on China in 1991. That was when its economy was 10 times that of China; now it is less than one-third of its top trading partner.

In short, prevarication over the “one China” formulation, together with closer military ties with Taiwan, may prove dangerous. It emboldens Taipei, dismantles “common sense guardrails” in

U.S.-China relations and makes a peaceful resolution less likely.

In a recent speech on China, U.S. Secretary of State Tony Blinken stressed America’s “abiding interest in peace and stability across the Taiwan Strait.” The best way to achieve this is to heed the advice of his illustrious predecessor, who had negotiated the language on Taiwan that paved the way for peace in the Pacific for decades. Speaking at the World Economic Forum in May, Henry Kissinger issued a rare public rebuke: “The United States should not by subterfuge or by a gradual process develop something of a ‘two-China’ solution.” It’s time for prudence to return, not to please China, but for the good of the United States and the Asia-Pacific region at large.

In short, prevarication over the “one China” formulation, together with closer military ties with Taiwan, may prove dangerous. It emboldens Taipei, dismantles “common sense guardrails” in U.S.-China relations and makes a peaceful resolution less likely.



Evaluating China's Challenges



Zhang Baijia
*Former Deputy Director
Party History Research Center
CPC Central Committee*

As an emerging power, China must cultivate a healthy national psyche, seeing not only from its own perspective but also that of others. It should do its own things well, balancing reform, development and stability. And it should work to reestablish positive relations with the United States.

The biggest change brought by reform and opening-up is China being tightly interwoven with the rest of the world. When reform and opening-up began, Deng Xiaoping judged that peace and development would be the main theme of the time. He proposed that, so long as there is no foreign invasion, China should stick to economic development as its primary national objective.

The main task of Chinese diplomacy was thus defined as creating a favorable and peaceful external environment for the country's modernization drive, which would support the undertakings of the Communist Party of China and its government. The influence of Deng's judgment and the subsequent adjustment of Chinese foreign policy has been significant and multifaceted.

The process of reform and opening-up that began in 1978 may be divided into two stages — before and after 2012. The problems the country faced in the first stage had already emerged and accumulated before reform and opening-up, the most important of which were the economic growth mode transition and high growth. Problems in the second stage emerged during reform and opening-up and after China's economic takeoff, the most outstanding of which were economic and social coordination and sustainable development. The problems in these two stages had different origins and called for different approaches.

To cope with current challenges facing the country, it has been of critical importance to transition from high growth to quality growth, to achieve coordinated economic and social development and to solve various problems accumulated during high growth, such as in

income distribution, resources and environment, population aging and building consensus against a backdrop of diverse interests.

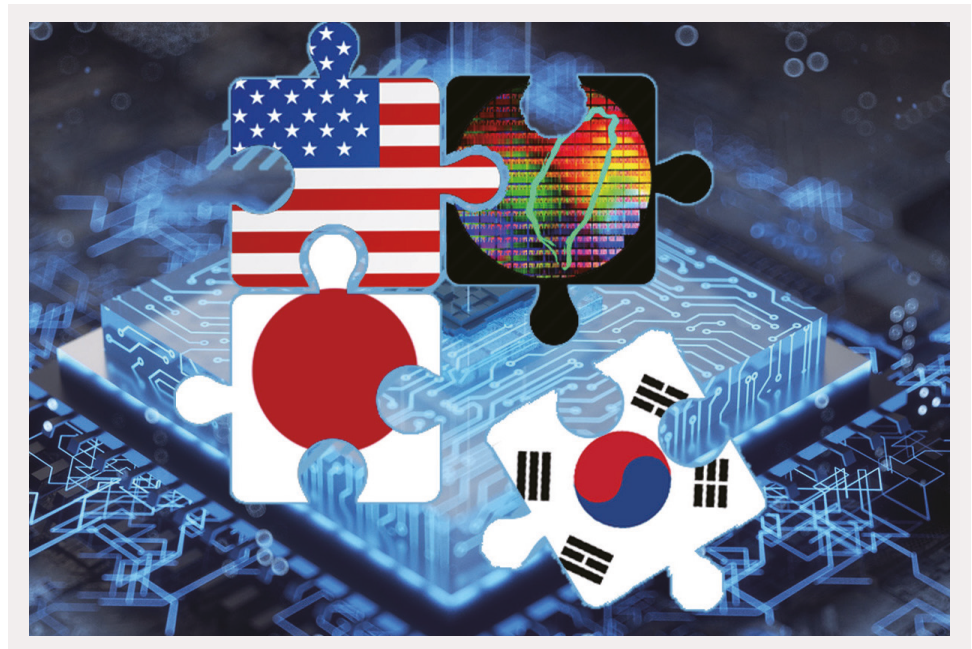
The rise of an emerging power will inevitably go through a period in which the external environment tends to become tense. Examples of this abound in history. For China, the trend began as early as the 1990s, although such incidents as the Gulf war, the 9/11 attack and the Iraq war postponed it.

China is also a special case because of its tremendous size. It is unprecedented in human history that a country of 1.4 billion people achieved modernity in little more than four decades. The shock of this to the existing international order, resources, markets and environment are also unprecedented. Other big countries, such as India, may follow suit. We haven't directly felt such shocks, but the outside world has felt them strongly.

The rise of an emerging power will inevitably go through a period in which the external environment tends to become tense.

Changes in China's external environment in recent years also need to be understood from this perspective. We should view the world not only from a Chinese angle but should also view China from a global angle. This is the only way to handle well the structural contradictions that have emerged.

An important source of the changes in China-U.S. relations is that America's judgment has turned to identify China



- ▲ The U.S. has announced that it wants to build a “Chip 4 Alliance” with Japan, the Republic of Korea and the Chinese island of Taiwan. Currently the Chinese mainland is reported to lead the global chip market with a 24% share, followed by Taiwan (21%), the ROK (19%) and Japan (13%). Only 10% of the chips are made in the U.S..

as a rival in an all-around strategic competition. While in the 1980s the U.S. had taken China as a friendly non-ally, the U.S. now takes all kinds of measures to press China.

Yet it's important to see that Chinese and American goals in the wrangling are not at a same level: The U.S. wants to preserve its hegemony; China wants to preserve its own right to development. This means there still is room to maneuver in bilateral relations, and the two countries don't have to engage in a life-or-death struggle.

The latest round of America's China policy adjustment has been in the pipeline for a decade and will absolutely

The U.S. wants to preserve its hegemony; China wants to preserve its own right to development. This means there still is room to maneuver in bilateral relations, and the two countries don't have to engage in a life-or-death struggle.

We should resist being bound with Russia by international forces whose ulterior motive is to “Russianize” China’s image.

not change easily. China-U.S. wrangling will be long-term — for this we must be fully prepared. Our side’s tactic should be “dogfight,” while striving for possible cooperation to prevent all-around decoupling. In the field of high technology, competition has become unavoidable. The outcome of the China-U.S. game will hinge on their respective domestic development and capability for building partnerships.

Prospects for the Russia-Ukraine war remain hard to predict because the situation is subject to multiple constraints. However, a Chinese perspective is needed in observing and analyzing the war, and we should not be railroaded by Western or Russian opinion. China and Russia have different ways of strategic thinking: China takes its policy of good-neighborliness as an important means to preserve national security, while Russia is accustomed to building buffer zones under its control on its periphery.

Russia is actually the country with the greatest strategic depth in Europe. During the Cold War, besides NATO opposite the Warsaw Pact there also was the Southeast Asian Alliance. The latter has long since disappeared, largely because China never sought expansion. The two divergent ways of thinking have led to different strategic consequences. The Chinese attitude on the Russia-Ukraine war seeks to balance the needs of national security strategy, the foreign policies the country has consistently followed and standards of international morality and justice.

Chinese and Russian strategic interests don’t align completely. Our country’s connections with the international system are far broader and closer than those of Russia. We should resist being bound with Russia by international forces whose ulterior motive is to “Russianize” China’s image.

To cope with the challenges it faces, China should first do its own things well, balancing reform, development and stability. The most important thing is to realize modernization in a way that the majority of people can enjoy life in green, sustainable ways. This will be a tremendous Chinese contribution to human progress.

Meanwhile, we should observe the world order with a cool head; maintain strategic patience; be careful about balancing goals, strengths and means; and learn to think from others' perspectives to take advantage of all kinds of contradictions and unite the majority.

There were two major lessons from the Cold War era:

First, there is only one world and no future for attempts to create two systems.

It was because China got rid of the Cold War pattern that it achieved development.

To cope with the challenges it faces, China should first do its own things well, balancing reform, development and stability.

Second, facing external pressures, China must make meticulous preparations in various aspects to avoid falling into a vicious circle. As a responsible emerging power, China must pay attention to cultivating a healthy national psyche, get rid of obsessions with the country's humiliating past, avoid arrogant nationalism and deal with other countries with an open mind.



- ▲ U.S. President Joe Biden speaks virtually during an event in the White House in July to promote the CHIPS and Science Act. He signed the bill on Aug 9 to provide \$52.7 billion in subsidies for U.S. semiconductor production and research and to boost efforts to make the United States more competitive with China's science and technology efforts.



Doug Badow
Senior Fellow, Cato Institute

If the United States and China went into armed conflict, it would be ruinous for both nations. The two governments must work together to find common ground, address arising issues — including tensions with Taiwan — and prevent war.

WAR IS TOO TERRIBLE TO CONTEMPLATE:

America and China Must Confront Risk of Conflict

Russia's invasion of Ukraine raised the specter of a wider conflict involving NATO. Such a war almost certainly would go nuclear. The consequences would be too terrible to contemplate.

Nuclear weapons have been used only twice against a non-nuclear state to end a horrendous conventional conflict. The Cold War featured a dangerous nuclear stand-off between two superpowers. However, fear of escalation caused both Washington and Moscow to avoid a direct conventional confrontation, despite multiple covert and proxy conflicts.

Similar concerns caused President Joe Biden to be extremely careful in his po-

licy toward Ukraine. He made clear even before Russia invaded Ukraine that the U.S. would not directly intervene, a commitment he reiterated later. Although a month into the war President Biden carelessly raised questions about his intentions, the White House's denial of any policy change was generally believed. Indeed, that stance reflected nearly unanimous agreement within the foreign policy community.

However, Washington appears far more willing to contemplate war with China. On his recent Asia trip Biden suggested for the third time that Washington would go to war to defend Taiwan. As before, his officials rushed to declare that U.S. policy

remained the same. The PRC and other nations might have believed the first Biden denial, as with President George W. Bush. This time, Biden was seen as speaking what he believes, inadvertently replacing ambiguity with clarity.

“Strategic ambiguity” was intended to simultaneously deter Chinese action with an implicit threat of possible/likely war and convince Taiwan officials not to provoke Beijing.

Indeed, U.S. policy on defending Taiwan has never been “no.” Instead, after Washington broke off formal relations with Taipei, America’s position became “maybe.” “Strategic ambiguity” was intended to simultaneously deter Chinese action with an implicit threat of possible/likely war and convince Taiwan officials not to provoke Beijing.

Today the main debate within the foreign policy community is whether to move from ambiguity to clarity. Although members of what Ben Rhodes called “the Blob” are divided on this question, they appear to overwhelmingly believe that Washington should act if the PRC attempts to force reunification. For instance, Richard Haass, president of the Council on Foreign Relations, recently advocated making an explicit commitment to Taiwan’s defense.

In years past the question was largely academic because Beijing lacked the military capacity to seize the main island. Amphibious operations are among the most difficult military operations to mount, and Taiwan benefits from a defensive barrier of as 110 miles of open sea. However, the PRC has devoted significant resources to its armed forces and made Taiwan

a top priority. Although Russia’s travails in Ukraine offer a caution to the Chinese government (possession of the latest equipment does not mean it will be used effectively), Beijing has increasingly developed the ability to undertake a range of coercive steps, including invasion.

Moreover, popular sentiment backs the government’s claim that the island is part of China. Nationalism is strong even among the young, who may have had no contact with Taiwan. Many of them believe in forced reunification if necessary. Uniformly, they oppose American intervention.

This means the possibility of war is real, even if still unlikely, at least in the near future. The Quincy Institute’s Michael Swaine observed: “Beijing is not about to launch an effort to seize Taiwan by force, although this possibility cannot be discounted over the longer term if present trends continue.” How each capital would respond in a crisis is unknown, but rational policymakers on both sides, acting rationally in what they believe to be their respective nations’ interests, could “sleepwalk” into war.

Although Russia’s travails in Ukraine offer a caution to the Chinese government (possession of the latest equipment does not mean it will be used effectively), Beijing has increasingly developed the ability to undertake a range of coercive steps, including invasion.

The consequences of conflict between Washington and Beijing would be dire. The U.S., joined by much of Europe and at least a smattering of allies and friends elsewhere, likely would begin by initiating economic warfare, which would be costly for both sides. Washington might intensify economic pressure by, for instance, interdicting commerce with the PRC, including energy and food shipments.

Even a limited war would be nothing like the insurgent campaigns of late. Combat would not likely be restricted to trade routes. The intensity of air and naval conflict would recall the Pacific war between the U.S. and Japan, much heightened by the proliferation of missiles and possible use of nuclear weapons. The sinking of just one aircraft carrier could doom several thousand sailors.

Although relations between the two governments are not good, they should place war avoidance at the top of their diplomatic agenda.

Worse, such a war would almost inevitably escalate and expand. If the U.S. sought to thwart an invasion, it would have little choice but to attack mainland bases, while the PRC could not leave installations on American territory, such as Guam, untouched. And if Washington's allies allowed the use of bases against China, they would turn themselves into targets. The pressure on both governments to escalate, both militarily and politically, would be great. Ominously, a recent U.S. war game found that Beijing would likely threaten to use nuclear weapons early in the fight.

Although relations between the two governments are not good, they should place war avoidance at the top of their diplomatic agenda. The objective should not be to reconcile their positions, which is highly unlikely, but to reach a *modus vivendi* that keeps the peace. Both sides, along with Taiwan, would have to make concessions to avoid conflict.

The objective would be to give the three parties enough to dissuade them from going to war.

Agreement could start with reciprocal commitments: Taipei would eschew any bid for independence, Washington would forswear any military relationship with Taiwan and China would commit to a peaceful outcome. Further, Taiwan could drop its campaign for separate entry into international organizations, the U.S. could reduce its naval presence near the island and the PRC could move missile targets away from Taiwan.

Again, the objective would be to give the three parties enough to dissuade them from going to war. Had the U.S. and Europe taken such a stance toward Russia and Ukraine, Moscow's invasion might have been avoided. Both Beijing and Washington need to work together to avoid the circumstances most likely to lead to war.

NATO and Russia in battle would be terrible. Conflict between America and China would be even worse. Washington and Beijing must work past their differences to ensure that their relationship never collapses into armed conflict. That effort should begin now.



■ *Lawrence J. Lau is Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong, and Kwoh-Ting Li Professor in Economic Development, Emeritus, Stanford University.*

What's Ahead for China's Economy?

The world's second largest economy is trying to meet 5.5% GDP growth for the year. But, it's currently falling shy of that target. International economist Lawrence Lau — a longtime professor at Stanford University — looks at the prospects for China. He says that quality growth, rather than quantity only, will be the way forward. He speaks with our Host James Chau on July 18, 2022.



James Chau

Let's begin with China where in the first six months of 2022, GDP expanded by about 2.5%. There is that target though for the full year of 5.5%, that's more than double that. How and will it achieve that number?

The answer is that Shanghai is the station through which all or most of supply chains, domestic or international, they all pass through Shanghai. So, Shanghai stops, everybody stops.

Lawrence Lau

Shanghai's GDP is less than 4% of China's GDP and Shanghai's industrial value added is less than 3% of China's industrial value added. You've got to ask why do they have such a serious impact? The answer is that Shanghai is the station through which all or most of supply chains, domestic or international, they all pass through Shanghai. So, Shanghai stops, everybody stops. I personally believe that Shanghai has already more or less recovered. I expect for the rest of this year, an average rate of growth of 5.5% or a little bit higher. But that we will not get you to 5.5 of the whole year. Right. That will get you to somewhere between 4% and 4.5% for the year. I think we have to settle for that. But if you think about it, that is still much better than the U.S., UK, Germany, and so forth, it's still better than almost all developed economies.

James Chau

As you said, numbers need not necessarily be cast in stone. But whether you're

looking at 4%, 4.5%, 5%, 5.5%, what are the challenges to achieving a meaningful growth, and as you said, a growth which would far surpass global expectations?

Lawrence Lau

China has already come out even earlier this year, to say that the emphasis is now on the quality of growth, rather than the quantity of growth. Part of the quality of growth has to do with the quality of public health. That is, from amongst 1 million people, 3.7 persons die from COVID since 2020. Do you know what's the comparable number for the rest of the world? I did the calculation. For the rest of the world, it's 993 persons per million.

There's no question that the developed world is heading towards a recession.

James Chau

The World Bank says the global economy is hurtling towards a recession, possibly even stagflation. Do you agree with that assessment?

Lawrence Lau

There's no question that the developed world is heading towards a recession. Stagflation is something that Larry Summers has talked about. Now, stagflation basically means that you have a long recession, coupled with persistent inflation. Now, whether that's true or not, you know, we don't know, it's hard to tell at this moment because it is very hard to disentangle the effects of the interruption of the global supply chain, with a monetary phenomenon of basically, expectati-

on-driven inflation. So that's hard to tell.

James Chau

When I interviewed Larry Summers, for this show, a couple of months ago, we spoke also about the global supply chain, a very fragile international environment continues to create problems for it, is that likely to continue and worsen?

Lawrence Lau

I actually think that decoupling has some advantages because what that means is that with everything, every product, every service, there's a second source. There's diversification, so that it's not possible for everything to collapse all at once. It doesn't have to be a geopolitical, it doesn't have to be a pandemic, it could be an earthquake, tsunami, tornado, whatever, right? So, you want to protect yourself against all these possibilities, which means that you should never put all your trust into a single supply chain. Now, my suggestion, because of what happened recently in China, is that China should move away from Shanghai a little bit and create a different, independent supply chain, perhaps centered in Chongqing. China is big enough to have two supply chains, right, so that they won't all fail at once. And I think that's true of the world, too. Right? You don't want to have just one single supply chain.

James Chau

What would be the outcome if the supply chain issue continues, accelerates, worsens as well? And how should we, as consumers, but also just as members of humanity, prepare ourselves for those changes?

Lawrence Lau

I actually think that the key is really what I said, is diversification and second source. Because once you have a second source, what happens is that the monopoly power

enjoyed by the first source disappears. The world really should not allow a single firm to dominate everything.

James Chau

Who are you thinking of?

Lawrence Lau

Like, Amazon, right? Or in China for example, Alibaba. Because once they dominate, they will make use of the monopoly power to make more money. I have nothing against making money, but not by using monopoly power. So, I think that in the long run, we hope that the supply chain issue will be solved, because there is competition, so it won't all stop at once.

James Chau

Professor Lau, I'm going to end with a 'crystal ball' question which I shouldn't do but you are eerily correct all the time. The global supply chain issue has exacerbated inflation. Question one, when will inflation peak? Question two, when will inflation fall?

Lawrence Lau

James, you really have to think nothing of inflation as one single worldwide phenomenon. Inflation is very high in the United States, it is also similarly very high in Eu-

My suggestion, because of what happened recently in China, is that China should move away from Shanghai a little bit and create a different, independent supply chain, perhaps centered in Chongqing.



rope for many different reasons. But it's not that high in China. I think part of the inflation is artificial. Let me give you an example. If you really think of oil prices, think of it before the Russia Ukraine conflict. This pretty much balanced their supply and their demand. And the conflict itself didn't really change supply demand very much. But why does the price go up so much? Because the buyers are still those buyers, the suppliers are still those suppliers. Why? I think it really has to do with price gouging on the part of some of the major oil companies. They will basically say, oh, great, the Russians can't sell their oil anymore, so we have more customers, and we'll raise our price. That's the only way to understand why the fundamental supply and demand basically should have stayed more or less the same. I think there is also the underlying monetary phenomenon that too much money is being printed. I think the interest rates will continue to go up and they will have some impact on prices in two different ways. One is that it will reduce demand. The other thing that will happen is that the higher interest rate in the U.S. will drive up the dollar. The dollar is now at the all-time high.

The interest rates will continue to go up and they will have some impact on prices in two different ways. One is that it will reduce demand. The other thing that will happen is that the higher interest rate in the U.S. will drive up the dollar.



The United Nations is an intergovernmental organization with universal representation. Its missions include maintaining international peace and security, developing friendly relations among nations and achieving international cooperation. Since its founding, the UN has been a part of the postwar international order and also a principal instrument for maintaining that order. It has played a useful role in fulfilling its responsibilities.

Over the years, the UN's effectiveness has been hampered by a number of problems: the Cold War, the reluctance of member states (especially major powers) to delegate power to it, the inability of the UN Security Council to reform itself to adapt to changes in international power distribution and, most recently, divisions between the permanent members of the UN Security Council, especially China and the United States.

The UN and the International Order



Jia Qingguo

*Director and Professor
Institute for Global Cooperation and Understanding
Peking University*

From the Chinese perspective, the future international order is likely to see both continuity and change. Despite its flaws, it is better than any alternative. It's time for world leaders to wake up and work together to defend and improve the system.

As one of the founders of the UN, China has been a strong supporter since the restoration of its legitimate membership in 1971. It has repeatedly called for respect for UN authority. It has been paying a large membership fee to the UN, second only to the U.S. It has been the second-largest financial contributor to UN peacekeeping operations. And it has dispatched more peacekeeping troops than any other permanent member of the UN Security Council.

The current world order consists of the UN, other international organizations and international laws and norms. Much of it has been shaped through extensive consultations between member states, and the U.S. has played a leading role in the process.

Ever since the current world order took shape, there have been two interpretations as to what the UN means to the international community. One interpretation is advocated by the West: It prioritizes



▲ The founding assembly of the United Nations in San Francisco in 1945. It now has 193 member countries. Photograph: Heritage Images

ideological values such as individual liberty, human rights and democracy. The other interpretation is favored by most other countries. This view prioritizes secular values such as territorial integrity, sovereignty, economic development and collective security. It is important to note that both sets of values can be found in the UN Charter and in international law.

During the Cold War, the world was split into two camps: the communist or socialist camp and the capitalist camp led by the West, which called its camp the “free world.” One consequence of the adoption of the policy of openness and reform in China and the collapse of the Soviet Union was the emergence of a new unified world order.

At the height of its power after the Cold

War, the West sought to impose its interpretation of the world order on the international community. For a time, it argued that the international order was out of date and it was time to move on. Accordingly, it came up with the slogan that human rights come before sovereign rights. This provided the rationale for NATO’s armed intervention in the Kosovo crisis.

During the Trump administration, the U.S. pursued a policy of “America first” and launched a series of assaults on the world order by challenging many existing international arrangements. It withdrew from quite a few international organizations and agreements, including the United Nations Human Rights Council, UNESCO and the TPP. It tried to undermine the work of the WTO and the

WHO. It launched trade wars against other countries, especially China. It even attacked its allies for taking advantage of the United States. As a result, the appeal of the liberal international order drastically declined. Vicious China-U.S. interactions accelerated the process.

One consequence is that the rivalry threatens to undermine not only the liberal international order but also the secular international order.

Since coming to the White House, the Biden administration has tried to reverse Trump's policy. It has taken measures to recommit itself to the defense of the existing international order. However, for various reasons it has continued Trump's policy on China, and the China-U.S. rivalry has grown more intense.

One consequence is that the rivalry threatens to undermine not only the liberal international order but also the secular international order, which is based upon such values as national sovereignty, territorial integrity, development, international commerce and collective security. In the absence of China-U.S. cooperation, some countries see opportunities to challenge the secular world order.

Russia's efforts to address its grievance over Ukraine has dealt a further blow to the secular international order in at least two ways. First, it aimed to split a piece of territory from a country by instigating a plebiscite, as in Crimea. Second, it bolstered the practice of using force to address grievances with another coun-

try, as in its war against Ukraine. Russia, of course, is not alone on the latter practice. The U.S. did this against Iraq during the second Gulf War, and Israel has done it repeatedly against its neighbors.

Why should we care about maintaining the secular international order? Despite all its flaws, the current world order is still the best that humankind has ever created. Through established institutions, states champion universally accepted values and principles such as sovereignty, non-aggression, non-intervention in another country's internal affairs, human rights, rule of law, free trade and the principle of both common and differentiated responsibilities. In general, states observe international laws and norms.

The international order has offered platforms for states to air their frustrations with world affairs, including international arrangements and practices. It has also provided opportunities for states to discuss ways and means to address pressing global issues.

Why should we care about maintaining the secular international order?

In part because of all this, another world war has been avoided and unprecedented prosperity has been achieved. This explains the fact that few countries have completely rejected the world order, regardless of whatever grudges they may have against it.

Most countries in the world thus have

a stake in the existing order. Wealthy countries can expect their wealth to be protected, and poor countries can expect aid when they are in dire straits. Both strong and weak countries can expect international laws and norms to protect their interests, one way or another. The problems most countries have with the existing world order are more about perceived injustices in the distribution of benefits rather than absolute losses. These countries may be unhappy with a particular piece of an existing international arrangement, but they have no intention of overthrowing the world order as a whole in favor of the 19th century arrangement of might makes right.

The problems most countries have with the existing world order are more about perceived injustices in the distribution of benefits rather than absolute losses.

Therefore, despite the U.S. withdrawal from some international institutions, most countries have chosen to remain, whether that means staying in institutions like UNESCO and the Universal Postal Union or observing the Iran nuclear deal and the Paris climate agreement. Even rising powers such as China and India — which feel that the world order has not given their voices and interests adequate attention and respect — only call for reforms rather than the wholesale replacement of the existing world order.

What about the future of the world order? To begin with, the decline of the West has made it increasingly difficult for the West to impose its liberal interpretation of the world order. The share



of the world's gross domestic product generated by Group of Seven (G7) countries — the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom — dropped from 68 percent in 1992 to 30.15 percent in 2018 and is projected to go down to 27.26 percent in 2023. Although the decline in military capabilities is less drastic, NATO defense spending had also shrunk from two-thirds of the global total to little more than half in 2017.

What about the future of the world order?

In the second place, the values of the future world order are likely to become more inclusive and redefined. More inclusive means that values such as peace, development, national sovereignty and mutual benefits — which have been in the UN Charter — are likely to receive more attention. Redefining refers to a more comprehensive and nuanced interpretation that is likely to be adopted

when talking about such values as a free market, human rights and democracy. As China and India rise, their views on how to define these values are likely to carry more weight.

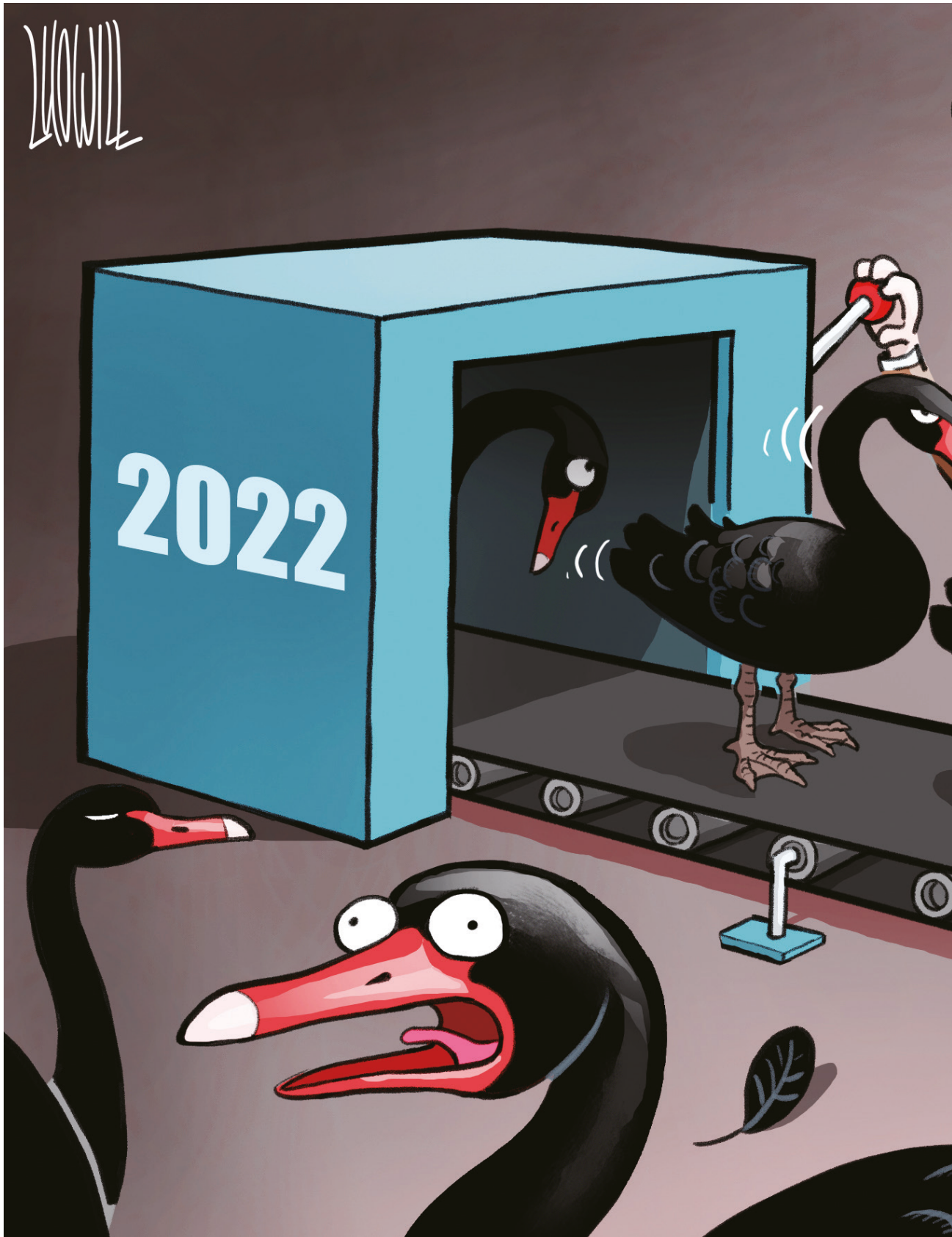
***Like it or not, despite its flaws,
the existing international order is
better than any alternative.***

In the third place, decision-making in the future world order is more likely to involve non-Western countries, such as BRICS, and reflect their views and interests.

Finally, whether or not the secular international order is sustainable depends on whether the major powers — especially China and the U.S. — can find a way to contain the spillover of their differences and work together to address the challenges to the world order. This requires the major powers to stand up to domestic political pressures from their respective countries and exercise foresight, courage and wisdom in doing the right thing.

In short, the future world order is likely to see both continuity and change. Like it or not, despite its flaws, the existing international order is better than any alternative. It is time for world leaders to wake up to this fact and work together to defend and improve it.

*This requires the
major powers to
stand up to domestic
political pressures
from their respective
countries and
exercise foresight,
courage and wisdom
in doing the right
thing.*







Cooperation Beats Fragmentation



He Weiwen
Senior Fellow
Chongyang Institute for Financial Studies

The systemic challenge for the U.S. is not China but the worst inflation in 40 years. In fact, economic fragmentation does not seem to be happening in the real world. Even an Asia-Pacific version of NATO will not likely divide the region, as China will continue to be a major trade partner.

Chinese Vice Premier Liu He and U.S. Treasury Secretary Janet Yellen had a phone conversation on July 5 about joint efforts in macroeconomic policy coordination, global supply chain stability, tariffs, and trade policies. Chinese Foreign Minister Wang Yi and U.S. Secretary of State Tony Blinken met during the G20 gathering of foreign ministers in Bali, Indonesia. U.S. President Joe Biden had a phone call with Chinese President Xi Jinping.

The intensive high-level dialogues between the world's two largest economies have brought some light of optimism to the world, despite the backdrop of turbulence and risk of fragmentation. In the meantime, simultaneous summits in the East and West in late June had presented the prospect of a world splitting into two camps — the West and the rest.

The June 23-24 EU Summit in Brussels, the June 26-28 G7 summit at Schloss Elmau, Germany and the June 29-30 NATO Summit in Madrid gathered the West and delivered a tone of fragmentation and confrontation. The G7 leaders' communique made 14 accusations against China regarding its own internal matters. The G7 announced a plan to find \$600 billion to finance infrastructure projects in low-income developing countries — a strategic plan designed solely to counter the Belt and Road Initiative led by China.

NATO's Strategic Paper 2022, while asserting that Russia was a “direct and dangerous rival,” designated China as a “systemic challenge” 11 times, although China is thousands of miles from Europe and shares no border with NATO. Obviously, the Western agenda points to global political fragmentation.

On the other hand, the June 24 BRICS summit and Global Development Initiative High-Level Dialogue, both held in Beijing, showed no camp attributes. Although the participants were 18 developing countries, they also included the presidencies of the leading global or regional organizations: ASEAN (Cambodia), G20 (Indonesia), CIS (Kazakhstan), APEC (Thailand), African Union (Senegal) and Comunidad de Estados Latino Americanos y Caribeños, or CELAC (Argentina). Members of these organizations include all G7 countries, the EU, Japan, South Korea, Canada, Australia and New Zealand. Hence, the attendees covered various parts of the world, not “the rest” only.

Obviously, the Western agenda points to global political fragmentation.

The agendas of the two events in China showed no camp confrontation. It included global development partnerships for attaining UN 2030 Sustainable Development Goals. The BRICS summit and GDI upheld multilateralism and the UN Charter, putting development as the core agenda for the common prosperity of all humanity.

It is doubtful whether the three events in the West would really lead to world fragmentation.

First, the EU does not want a camp confrontation with China. Charles Michel, chairman of the European Council, said after the EU Summit that the key for China-Europe relations remains coope-

ration and win-win outcomes. German Chancellor Olaf Scholz has expressed explicitly that it is imperative to prevent the positioning the West on one side and China and Russia on the other. The leaders of Belgium and the Netherlands have taken the same position.

The G20 includes all G7 and BRICS members.

Second, the G7 mechanism is mostly outdated in global governance, having been replaced by the G20 after the global financial crisis of 2008-09. With the mentality of world camp confrontation, the G7 Summit 2022 actually failed to provide the world any positive public goods except the commitment of \$4.5 billion in food aid. The \$600 billion infrastructure financing plan for low-income economies, mostly from the private sector, can hardly be regarded as a result before they actually find the money. An article posted on a U.S. political website said the G7 Summit was a failure in all respects.

Four months from now, the G20 Summit 2022 will be convened in Indonesia. Its objective, announced by Indonesia on May 4, is to provide opportunities for jointly promoting a global and regional agenda by all G20 members, and to let peace, prosperity and sustainable development benefit the people of all the countries of the world. It is undoubtedly a global effort, not an example of political fragmentation. The G20 includes all G7 and BRICS members. So, when the G20 Summit takes place, the G7 leaders will also sign the leaders' statement for global collaboration, thus overrunning the G7 Summit agenda for fragmentation.

Third, it is doubtful that an Asia-Pacific version of NATO would really divide the

region. All four invitees (Japan, South Korea, Australia and New Zealand) are members of both the RCEP and APEC. Within the RCEP, China is the largest trading partner for all of them. The APEC Summit 2022 will be held in Thailand on Nov. 18 and 19. The objective announced by Thailand on May 4 exactly mirrors the G20 as to global solidarity and common prosperity.

The United States, the driving force behind the NATO expansion, is a member of APEC as well. The leaders' declaration for the APEC Summit 2022 will be signed and implemented by the U.S. and five other countries, including China. In this context, APEC will become a strong institutional constraint on the fragmentation of the region.

It is doubtful that an Asia-Pacific version of NATO would really divide the region.

In light of all this, more efforts should be devoted to supporting global cooperation and mediating differences to avoid world fragmentation. China and the U.S., the two key players, should contribute more.

The successful cooperation of China and the U.S. at the recent 12th WTO Ministerial Conference (MC12) is the most recent and convincing example. They made a key contribution to the success of multilateralism. Ngozi Okonjo-Iweala, the WTO's director-general, expressed her thanks to China's Minister of Commerce Wang Wentao and U.S. Trade Representative Katherine Tai, saying that "U.S.-China cooperation helped get us through at the toughest moments" and "was instrumental in getting to positive outcome."

China and U.S. should also work together, both bilaterally and at the G20 Summit in November, to help coordinate the macroeconomic policies of G20 countries to check the most serious inflation in decades and prop up the weakening world economy. It should especially seek common solutions to the world's energy, food and debt crises in low-income developing economies.

The G7 initiative and the China-led BRI could be complimentary, not mutually confrontational.

The “systemic challenge” facing the U.S. is not China but the worst inflation in 40 years. For this reason, the U.S. should drop tariffs on Chinese goods — and the sooner, the better. China should follow by dropping the counter-tariffs on U.S. goods, thus reinvigorating bilateral trade in a more positive atmosphere.

China and the U.S. would do well to cooperate on the G7 global infrastructure plan. The G7 initiative and the China-led BRI could be complimentary, not mutually confrontational. For years, Chinese companies have enjoyed excellent cooperation with GE, Honeywell, Caterpillar and other U.S. and European companies in numerous infrastructure projects in low-income developing countries along the BRI route, including subcontracting and project financing. Why not make it a new pathway for infrastructure investment by all countries and for all low-income economies? Beyond any doubt, this collaboration will provide a new push toward the attainment of the UN 2030 SDG and toward the common prosperity of all humanity.

China and U.S. should also work together, both bilaterally and at the G20 Summit in November, to help coordinate the macroeconomic policies of G20 countries to check the most serious inflation in decades and prop up the weakening world economy.





NATO's Indo-Pacificization



Sun Chenghao

Fellow

*Center for International Security and Strategy
Tsinghua University*

A significant step in the Biden administration's effort to realign NATO is its attempt to link its Atlantic and Pacific strategies. The U.S. is doing this in part by amplifying the so-called China threat in the Asia-Pacific and exporting the NATO concept of alliances against big powers.

A significant step in the Biden administration's effort to Indo-Pacificize NATO is the binding of China and Russia.

NATO unveiled its new Strategic Concept document at the Madrid summit this year. Since 1991, NATO has published a document like this about once every 10 years to outline its strategic stance and determine how it will proceed in the coming decade. Since the beginning, the document has drawn a lot of interest from outsiders. On one hand, the Russia-Ukraine conflict has had a significant post-Cold War influence on the European security environment. On the other, NATO is quickly moving toward Indo-Pacificization, which is the core of its globalization process under the guidance of the United States.

These two features are central to the document's historical pivot and orientation with regard to Russia and China. As NATO's sense of insecurity has grown, the alliance has modified its description of Russia as the most significant and direct threat to allies' security, and to peace and stability in the Euro-Atlantic area, as opposed to its previous new thinking on Russia. According to NATO, China poses a "systemic challenge" to Euro-Atlantic security and a challenge to NATO's interests, security and values. At the same time, the document also "binds" China and Russia, claiming the two countries "attempt to undercut the rules-based international order."

A significant step in the Biden administration's effort to Indo-Pacificize NATO is the binding of China and Russia. It saw a new opportunity in light of the Ukraine crisis to balance, and even link, the Atlantic and Pacific strategies. The U.S. did this by coordina-

ting the interaction between NATO and its Indo-Pacific allies, highlighting the so-called China threat in the Asia-Pacific region and exporting the NATO concept of “small nations united against big powers.” Japan, South Korea, Australia and New Zealand were invited for the first time to the NATO summit this year in an effort to establish a new configuration as NATO+.

However, there are two significant barriers to NATO’s Indo-Pacificization. First, the perspectives of China and Russia, as well as the Eurasian and Asia-Pacific regions, differ between the U.S. and NATO’s European members. Although China is mentioned in the new Strategic Concept for the first time and referred to as a “systemic challenge,” the document also emphasizes constructive engagement with China, which more or less reflects ongoing disagreements within NATO. Further, the document’s more unfavorable portrayal of Russia implies that NATO’s European members continue to see Russia as a more urgent threat to European security than China, which is located far away in the Asia-Pacific region.

In the long run, this fundamental conflict between autonomy and reliance will define how Europe and the U.S. ensure European security.

Second, over time, NATO and the EU’s perceptions of the European security architecture won’t be consistent. The EU has been compelled by the Russia-Ukraine conflict to reconsider its proud “normative power” and acknowledge that it must take a more active part in deterring and defending against Russia — and that soft power by itself is insufficient to accom-

If Europe is increasingly integrated into the U.S. strategic track of great power competition with China, NATO’s promotion of Indo-Pacificization will accelerate by becoming a demand shared by the U.S. and Europe.

plish strategic autonomy. Some European experts have come to the conclusion that, in order to avoid becoming instruments and victims of great power competition and stop depending permanently on NATO’s security protection, they must build their defense capacity and establish themselves as a meaningful global pole.

If Europe simply relies on NATO as led by the United States in the sphere of defense, it will never be possible to attain the goal of strategic autonomy, even though at this point Europe’s quest for autonomy would not do away with the framework of the transatlantic alliance. In the long run, this fundamental conflict between autonomy and reliance will define how Europe and the U.S. ensure European security. It will also have a major influence on NATO, the security tie that binds the alliance.

The future course of the strategic relationship between China, the United States and Europe is a topic that is closely related to the Indo-Pacificization of NATO. If Europe is increasingly integrated into the U.S. strategic track of great power competition with China, NATO’s promotion of Indo-Pacificization will accelerate by becoming a demand shared by the U.S. and Europe. Then the strategic environment China faces will grow more complex.

Three factors will likely impact how China-U.S.-European relations develop in the future:

First, the ability of the United States to successfully bring Europe together will depend on how Europe views its ally. The European side anticipates Biden's efforts to try to revitalize transatlantic relations but also remains wary. The victory of Donald Trump in 2016 signaled a shift in American politics that will have a negative impact on support for transatlantic cooperation and will affect any U.S. president who succeeds Trump — as Europe is well aware. Europe thinks that Donald Trump's "America first" and Joe Biden's "foreign policy for the middle class" are essentially the same. Europe has lately expressed grave worries over the abortion rights debate in the U.S. and believes that Trump-like political figures may return in 2024 under the influence of conservatism and nativism in U.S. politics.

Second, Europe's autonomy and dynamism in the rivalry between China and the U.S. will be determined by the EU's prospects for strengthening strategic autonomy. The crisis between Russia and Ukraine has delayed the EU's efforts to achieve the goal, but the bloc's resolve has grown. Russia's actions have made the EU more aware of the link between strong defense capabilities and strategic autonomy. The aim of strategic autonomy does not necessarily entail EU independence from the U.S., but if the EU strengthens its role inside the European security architecture, it will arguably increase the likelihood of some independence from the United States.

Third, the stability of China-EU ties will be impacted by how Europe views China and its corresponding actions. The EU will approach engagement with China in response to various issues and policies

in light of the complexity of its relations with China. European attitudes and policies toward China have shifted in the past two years toward the negative side, but at the same time they have called for ongoing engagement and cooperation with China in areas such as world health and climate change. The EU has been using and upgrading its tools, including stepping up ideological accusations and even sanctions against China; enhancing investment protections and supply chain reviews on the economic front; strengthening the military presence of the UK, France, and Germany in the Asia-Pacific region; and forming an alliance with the U.S. in technology.

The relationships of China, the U.S., Russia and Europe are by no means a simple camp-like battle between China/Russia vs. U.S./Europe.

The United States and Europe are not comparable when it comes to great power competition with China. The strategic objective of the U.S. is to maintain its hegemony, so competition with China is one of systemic rivalry or even confrontation. Europe's objective is development, so competition with China is about influence in the same system. Therefore, the relationships of China, the U.S., Russia and Europe are by no means a simple camp-like battle between China/Russia vs. U.S./Europe, despite the NATO summit's confirmation that America is aiming to link the two geopolitical theaters of Eurasia with the Indo-Pacific. The Indo-Pacificization of NATO is not in the interest of China, Europe or any other countries in the region.

America's Stumbling Effort in Asia-Pacific



Sajjad Ashraf
*Former Adjunct Professor
National University of Singapore*

Countries in the region, wary of U.S. intentions, don't want to pick sides. They wonder if they really need a new economic alliance where three already exist — the CPTPP, RCEP and APEC. While the U.S. seeks to isolate China, it will only isolate itself in the end.

America's rivalry with China is set to intensify further with the launch of the Indo-Pacific Economic Framework, a U.S.-led initiative which is widely seen as an effort to counter China's influence in the Asia-Pacific, according to the South China Morning Post. This is the second time the U.S. has excluded China in a multilateral trade arrangement in the region.

Earlier, when the U.S.-led Trans-Pacific Partnership, comprising 12 countries, was about to be concluded, the U.S. itself withdrew under President Donald Trump. The remaining 11 countries went ahead and signed the free trade agreement as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. China formally applied to join the group in September 2021.

Fifteen countries in the Asia-Pacific region comprising all major economies, including China, have in the meantime joined

the Regional Comprehensive Economic Partnership, or RCEP, creating the world's largest trading bloc. The agreement came into force after ratification by 10 countries in January. The U.S. chose to stay out and India balked at the last minute.

According to the World Bank, the agreement covers 2.3 billion people or 30 percent of the world's population, contributes \$25.8 trillion — about 30 percent — of global GDP and accounts for \$12.7 trillion of global trade in goods and services, more than one-fourth.

The U.S. absence from the CPTPP and RCEP, two of the largest trading agreements in the world, demonstrates a lack of American economic engagement with the region. The U.S.-led IPEF is presumably an attempt to rectify this shortcoming. It reflects the American ambition to strengthen economic ties with key economies in the Asia-Pacific.

But the IPEF focuses on trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonization, clean energy, infrastructure, worker standards and other areas of shared interest while remaining silent on market access — something that all trade facilitation agreements aim for. The IPEF is thus no substitute for the CPTPP or RCEP.

Thirteen countries agreed to join the IPEF negotiations, including Australia, Brunei, Fiji, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand and Vietnam. Participating countries can choose any of the processes. China, the world's biggest trading nation and a key partner in global supply chains, was not invited to join, which lays bare the real purpose of creating another economic agreement in the presence of the more substantial CPTPP and RCEP.

The IPEF is thus no substitute for the CPTPP or RCEP.

Questions about the purpose behind the IPEF on top of two of the world's largest multilateral trade pacts have already arisen. It is unclear to what extent countries with deep trade and economic relations with China will participate in a visibly anti-China coalition. Some countries may have participated to balance relations with both China and the U.S. or even to keep drawing the U.S. into the region as a bulwark against China's

overwhelming presence. Major ASEAN economies may have considered strategic benefits over economic ones.

Nonetheless, openly apprehensive voices regarding China's absence include Mohamed Azmin Ali, Malaysia's senior minister for international trade and industry, who emphasized that the framework should be inclusive and engaging for all ASEAN players.

China was not invited to join, which lays bare the real purpose of creating another economic agreement in the presence of the more substantial CPTPP and RCEP.

Similarly wary of America's intentions, Muhammad Lutfi, Indonesia's trade minister, who attended on behalf of President Joko Widodo, said: "We do not wish to see the IPEF merely as an instrument to contain other countries."

Singapore's Prime Minister Lee Hsien Loong stated that the IPEF "should remain open, inclusive and flexible." The agreement, he added, should enable members to continue working with other partners in "overlapping circles of cooperation" and leave membership open so others can join later. Singapore, he added hopes for an "Indo-Pacific that is free and open, connected and prosperous."

Beijing has accused Washington of creating divisions with its newly launched IPEF, saying it was forcing countries

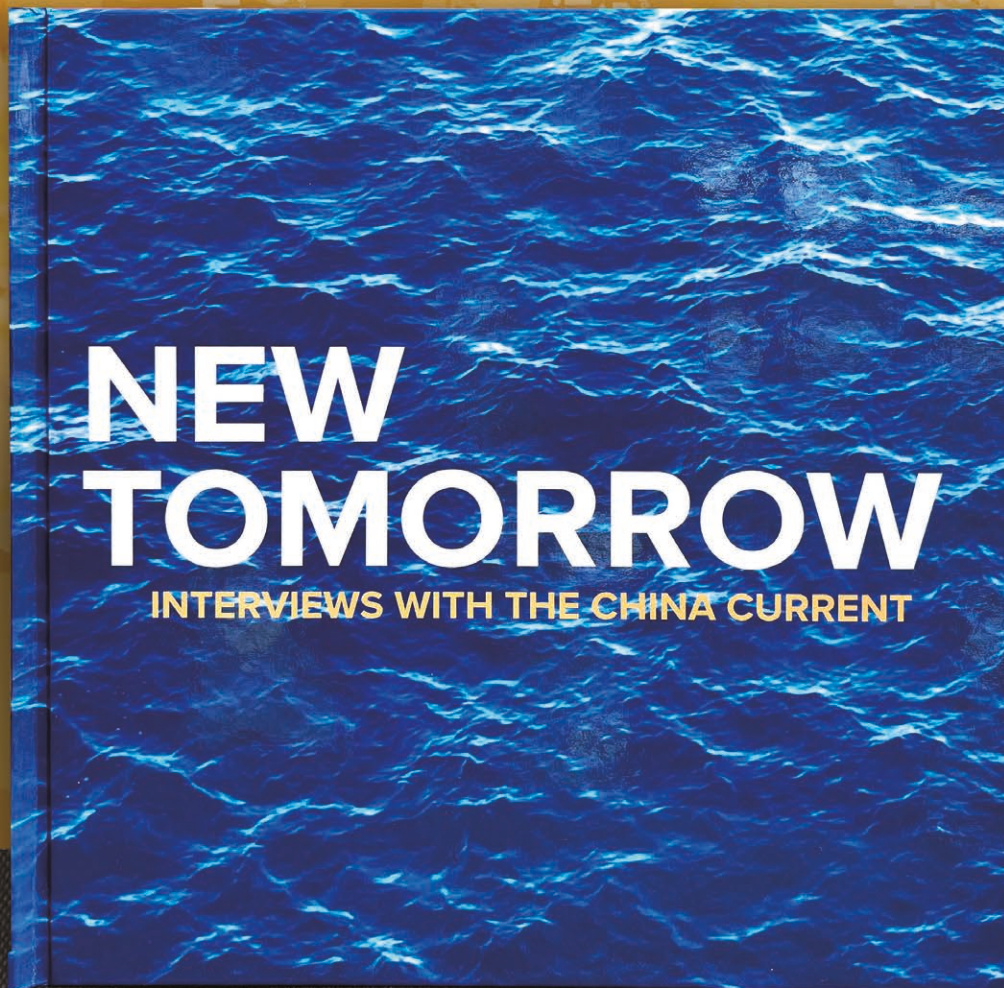
in the region to pick sides between the U.S. and China. Chinese Foreign Ministry spokesman Wang Wenbin questioned the need for a new economic alliance where three already exist — the CPTPP, RCEP and APEC.

The U.S. is trying to use this framework to isolate China, but it will only isolate itself in the end,” Wang said.

Like Trump, U.S. President Joe Biden has struggled to craft a coherent China policy that would overshadow China’s deepening economic ties with all the regional states. The CPTPP and RCEP offer market access to member states, but without preferential market access to the U.S. in the IPEF there is little incentive for member states to choose it over the other two. China’s application to join the CPTPP, on the other hand, offers the possibility of huge preferential access to the Chinese market for other member states.

Meaningful economic engagement with the Asia-Pacific faces a number of challenges within the U.S. While the U.S. may still control the global financial infrastructure, China has overtaken it in regional trade. While China’s economic engagement makes it an indispensable regional partner, the U.S. has countered by pursuing military engagement — the Quad and AUKUS. How long can the U.S. supplement its presence with military engagement alone? Only time will tell.

The CPTPP and RCEP offer market access to member states, but without preferential market access to the U.S. in the IPEF there is little incentive for member states to choose it over the other two.



Conversations by James Chau of hope and purpose
with Tung Chee-hwa, Thomas Bach, Margaret Chan, Helen Clark,
Filippo Grandi, He Yafei, Vanessa Kerry, Kishore Mahbubani,
Peter Piot, Mary Robinson, Jeffrey Sachs, Erna Solberg, Rajiv Shah,
Tedros Adhanom Ghebreyesus, Muhammad Yunus, ***and more.***

About China-US Focus

China-US Focus is a platform where Chinese and American thought leaders can openly express their views on the myriad issues that face the two nations.

China-US Focus is published by the China-United States Exchange Foundation (CUSEF), an independent, non-profit and non-governmental foundation committed to the belief that a positive and peaceful relationship between the strongest developed nation and the most populous, fast-developing nation is essential for global wellbeing. Founded in Hong Kong in 2008 and privately funded, CUSEF builds platforms to encourage constructive dialogue and diverse exchanges between the people of the U.S. and China.

China-United States Exchange Foundation
20/F, Yardley Commercial Building
No.3 Connaught Road West, Sheung Wan,
Hong Kong

Tel: (852) 2530 6788

Email: digest@cusef.org.hk

www.chinausfocus.com

CHINA^{US} Focus IS PROUD TO INTRODUCE...



A new storytelling experience bringing you up close to the fascinating people shaping our shared global future.

Weekly videos and podcasts hosted by James Chau take you on an exciting journey to 'see' and 'hear' China first-hand.

Now available on all major digital and social media platforms
[@thechinacurrent](https://www.instagram.com/thechinacurrent)



ABOUT JAMES CHAU

James has earned a special reputation for his interviews with world leaders in politics, science and health. Amongst them, Nobel Peace Prize winners Jimmy Carter, Kofi Annan, Muhammad Yunus and Aung Sang Suu Kyi, and also Winnie Mandela, Arianna Huffington and Christine Lagarde. He serves as World Health Organization Goodwill Ambassador and UNAIDS Goodwill Ambassador.

