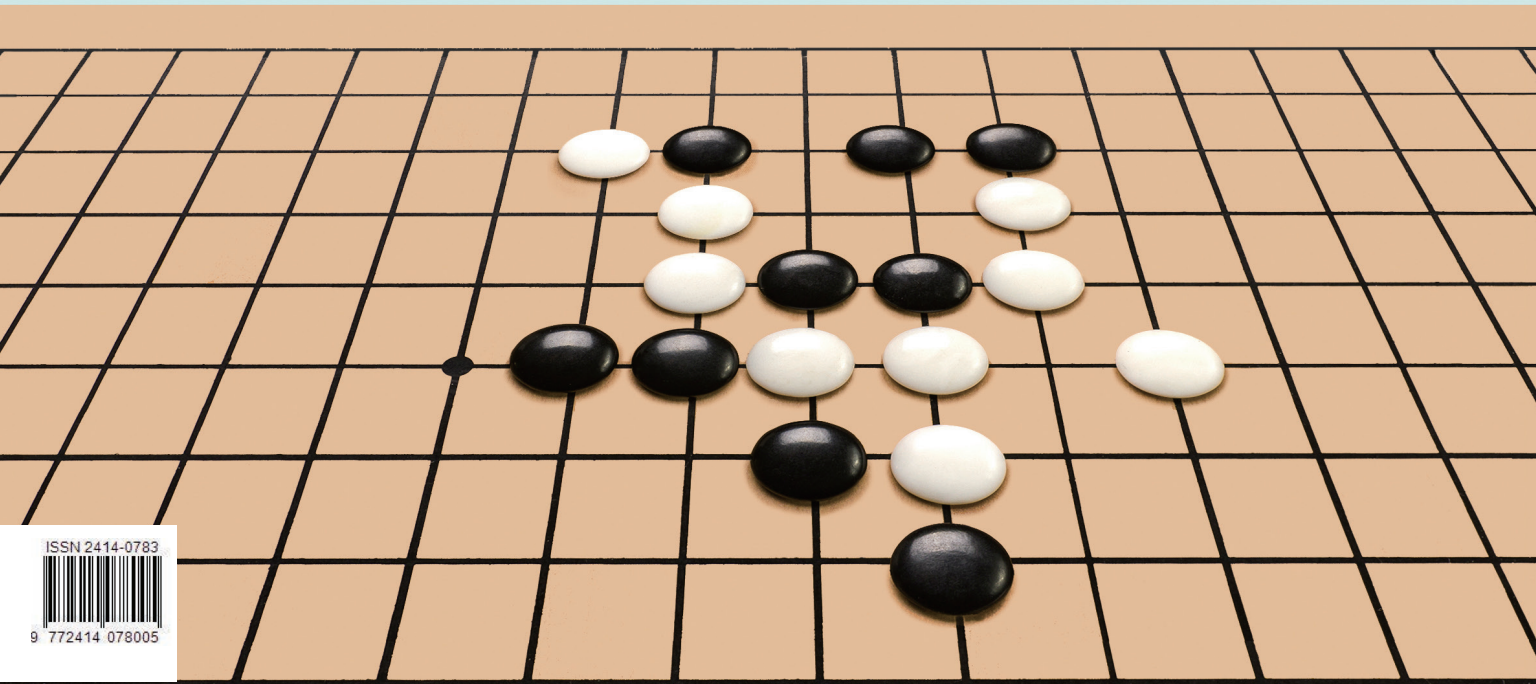


CHINA & US FOCUS DIGEST



Beijing's Diplomatic Surge



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EDITOR'S NOTE

A Testing Time

Zhang Ping

There have been some welcome signs that Beijing and Washington are restarting high-level dialogues that can help stabilize the bilateral ties and create on a road map for future exchanges. U.S. President Joe Biden in his latest comments predicted a “thaw” in relations with China. However, the uncertainties, disagreements and mistrust that have grown in the past few years continue to dominate the relationship and challenge efforts to rebuild cooperative rapport.

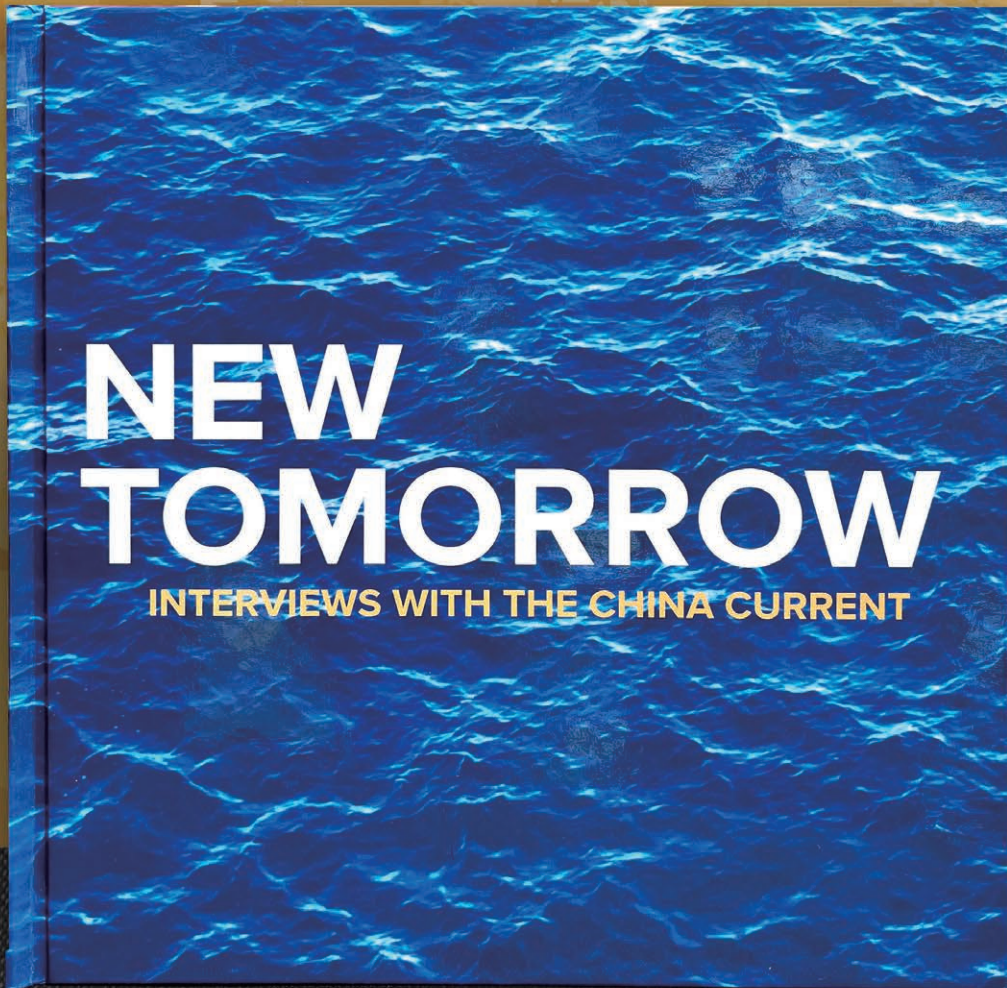
The three interviews in this issue provide a valuable overview of the current state of this relationship. Professor Wang Jisi discusses the need for the two countries to collaborate in a complex world, while Dr. Michael Swaine focuses on the challenges that lie ahead. Craig Allen, president of the U.S. China Business Council, emphasizes the importance of managing conflicts and stabilizing the relationship.

Commentaries by contributors featured in this issue reflect the fact that Chi-

na-U.S. relations are at a critical juncture. They also suggest that the two countries need to keep the lines of communication open, develop new ways to manage disagreements and conflicts.

Despite of drumbeat of competition in the echo chamber of Washington, the relationship between China and the United States remains symbiotic. The countries are economically interdependent, and both play critical roles in investment, global supply chains and shared global challenges. Decoupling is a highly risky proposition.

The road ahead is fraught with challenges, but the potential rewards for successfully navigating it are immense. By promoting dialogue, understanding and cooperation, China and the United States can steer their relationship back onto a more productive, peaceful and constructive course.



NEW TOMORROW

INTERVIEWS WITH THE CHINA CURRENT

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.*



The Right Way Forward

This is a transcript of an interview China-US Focus host James Chau had with Professor Wang Jisi of Peking University on Feb 3, 2023. Wang speaks about his trips last year to the United States before the relaxation of COVID-19 travel restrictions and discusses the “right way” for China and the United States to collaborate in a complex world, touching on multiple points that impact the relationship. The transcript has been edited for clarity and brevity.



You can watch the interview by scanning the QR code.

James Chau:

Can we begin by going back to last year, when you went to the United States twice to meet with friends and colleagues whom you hadn't seen since the start of the pandemic? What was that experience like for you?

Wang Jisi:

I went to the states twice last year, in February and March and then in November for the whole month. First, I visited Washington D.C. and New York City, the Harvard University and in November I went to Yale University and then Washington, D.C. and New York City. So I met with a lot of my old friends and some younger colleagues I have never met before. They were very pleasant visits. We had candid and friendly conversations.

James Chau:

How did this compare with what you had known about America before the pandemic?

Wang Jisi:

Before the pandemic we did not talk too much about the problems in the United States, and they didn't talk too much about the questions they would ask in China. For instance, in the United States, I was faced with the question of whether it was safe to travel in the United States. It was so-called Asian hate. So, walking along the streets, I would not feel entirely safe. And I also saw some signs of shoplifters in CVS selves and elsewhere. And there were signs of Black Lives Matter in the streets. And they asked me questions about the COVID situation in China, internal problems, what was happening in



▲ Wang Jisi and Scott Kennedy exchanged experiences at “A Washingtonian in Beijing,” an event hosted by the Center for Strategic and International Studies on November 15, 2022.

Beijing and Shanghai and lockdowns here and there. That was new as compared with the old days. In the old days, we would be talking about basically the bilateral relationship and the world situation at large.

James Chau:

Let's go to Washington, D.C., where the Center for Strategic and International Studies hosted an event called "A Beijinger in Washington" — which is, of course, you — and you unpacked the significance of academic collaboration and communication. Can we anticipate a return to the level of exchanges and partnerships both countries once did so very well?

Wang Jisi:

Well, my counterpart in person was my friend Scott Kennedy at CSIS. So I gave a talk on Beijing in D.C. and he talked on China about his experience in Beijing, the topic being called "A Washingtonian in Beijing." So we exchanged experiences very effectively. Of course, we also encountered difficulties. He had to stay in a quarantine hotel in Beijing for two weeks. So these were the experiences we were talking about. Of course, we also talked about our bilateral relationship.

James Chau:

Well, more widely, you always speak about America in terms of friendships and the friends that you have, when you finally got a chance to sit down together, even share a meal together. What did your American friends tell you? And what did you share with them in return?

Wang Jisi:

Well, they were very interested in meeting me because they, of course, had a lot of different information sources — the Western media, conversations on the internet with their Chinese counterparts. But they could not replace person-to-person interaction. So they asked me a lot of questions directly. For instance, what I have observed in Beijing. I talked about the [Communist Party of China] Party Congress, and what people were thinking about afterward, and the economic situation, and whether we had enough to eat when we are locked down in the city — things like that. And I also asked them about the implications of the midterm election in the United States, who would be the U.S. presidential candidates in the coming years. So the conversations went very well, but it was a serious conversation about China and the United States and elsewhere in the world.

*Unsurprisingly,
not many people were highly
optimistic about
global trends.*

James Chau:

But since you mentioned food, just that what American cuisine did you enjoy while you were out there? What did you miss most?

Wang Jisi:

Food? We're having sandwiches of course. Yes, I had a dinner party with CSIS. A number of celebrities attended, like John Hamre, president of CSIS, and my

old friends. I saw a lot of old friends — Ken Lieberthal and other scholars, China scholars and international scholars. And in Washington I had dinner. U.S. State Department officials joined us, and Chinese diplomats also joined us in Washington.

James Chau:

Professor Wang, we're seeing the world returning to a rapid series of global events, notably the G20, where leaders from around the world, including the United States and China, finally got to meet each other in person. Are there signs of improving relations for these two countries?

Wang Jisi:

On my second trip, I attended a conference in Abu Dhabi, and I went to Berlin as a final stop. So I chatted with my American European counterparts and people from the Middle East. Unsurprisingly, not many people were highly optimistic about global trends. They talked not only about the pandemic but of possible global economic recession, debt crises in a number of developing countries and, of course, the Ukraine conflict and the geopolitical tensions in the Middle East, or in some African countries. So that is not a rosy picture, as we saw before the pandemic. And the people were also talking about social disturbances in a number of countries, in Europe as well. So we are faced with more difficulties. In the [CPC] Party Congress report, I saw a number of "deficits" mentioned — such as the peace deficit, development deficit, global governance deficit and other deficits. These are threatening the world's peace and prosperity. So we are faced with a number of difficulties we have never experienced before.

James Chau:

There's a popular expression among the Chinese which is "Find the right way for China and the U.S. to get along with each other." What is the right way your mind — or has it indeed been found?

Wang Jisi:

Talking about the right way, I think in the Chinese mindset, or in Chinese eyes, the right ways should include all the corrections of U.S. policies and attitudes toward China. We hope the United States will lift trade tariffs, will lift sanctions against Chinese companies like Huawei and TikTok. The United States should stop encouraging independence forces in Taiwan. It should cut down arms sales to Taiwan. And the United States should stop interfering in China's domestic affairs in Hong Kong and Xinjiang. So there are a number of things that we hope the United States will do. But I don't have hope that they will find a way to correct these mistakes. They don't think they are mistakes. They blame China for the deterioration of the relationship.

Talking about the right way, I think in the Chinese mindset, or in Chinese eyes, the right ways should include all the corrections of U.S. policies and attitudes toward China.

James Chau:

We always assume that the China-U.S. bilateral relationship is the most important in the world. Is that necessarily still the case, especially when China is building inroads with other regions, including the

Middle East and the Gulf countries, for example?

Wang Jisi:

In my conversations with international observers, nobody would deny the importance of U.S.-China relations, because the U.S. is the number-one economy and China is number two. They are also the most important military powers and geopolitical actors. The question is whether the two countries can get along in getting back to the old days when they had much sectoral cooperation between and sought mechanisms of global governance and coordination.

James Chau:

For the U.S. and China, there are diminishing incentives to move past the lowest point in their modern relationship. So what should they do next that would create hope in all of us?

Wang Jisi:

As a scholar and as a retired professor, I think my main job is to find out where the problems lie, and what are the root causes of the problems. If I could, I would predict the trajectory of the U.S.-China relationship in future. It would be too presumptuous for me to say that governments should do this and do that. To advise the governments is not my job. So I hope they will have a better way in dealing with each other. But I don't have any specific advice to give them.

James Chau:

What do you forecast for 2023 with a sense of hope? Is being tempered by interconnected crises that are again testing

the global system and its ability to prosper among the conditions?

Wang Jisi:

I think in 2023 there will be some restoration of trade relations, personnel exchanges, face-to-face meetings between the two societies. And I hope I will have more chances to talk with the Americans if they come to China. But this will not change the overall situation. For instance, my colleagues in my old field and in other fields, caution against travel to the United States, fearing that they will not be well received. And my American colleagues have some similar concerns. If they want to come to China, they weigh how long they will have to stay in a quarantine hotel. I said, "No, there is nothing like that anymore." But they might say, well, we are afraid of being harassed. Our devices, our cell phones and laptops might be searched. So the atmosphere is not that good as compared with many years ago. So this is my major concern.

***I think in 2023
there will be some restoration
of trade relations, personnel
exchanges, face-to-face meetings
between the two societies.***

In 2023, there will be some good signs in societies and in the U.S.-China relationship. But it will take a long time to restore the traditional practices between the two societies. I hope, for instance, that consulates in Chengdu and Texas will be restored and that they will begin to function. I hope there will be fewer travel restrictions. But I'm afraid that these things are still obstacles for the bi-

lateral relationship. I'm most concerned about Taiwan and technological competition between the two countries.

James Chau:

Professor Wang, you have a new initiative called "Stories of a Cold War," which looks at the human experiences during a really complex time in modern history. What do you hope to achieve with this initiative, and why do it now?

Wang Jisi:

Actually, I did not propose starting a new program on what I call the Stories of the Cold War. It is a platform called "Kanlixiang" or "See Ideals." They proposed that I should do an oral program with them, as I speak to some devices and they record that and then I will tell the Cold War stories. I did not have many experiences during the Cold War, but I have stories to tell.

I had a lot to share with audiences — the Cold War history between China and the United States, and also between United States and the Soviet Union. What are the lessons we should draw from the Cold War is the central question. I'm still learning because I have memories about the Cold War. And when I did the research, I learned a great deal more details. Yesterday, I did a program on the Middle East wars between the Palestinians and Arabs and Israel. It was very interesting, but also very sobering. I also was very surprised to see the killings and the hatred between the two sides.

James Chau:

China's most recent ambassador to the United States is now its newest Foreign Minister. As Qin Gang steps forward onto the world stage, how will he use his expe-

rience and skill to shape China's position on Washington?

When I look at the U.S.-China relationship, I have to look at their domestic surroundings, how people think, how people in America perceive China.

Wang Jisi:

In my experiences in Washington, D.C., I met him twice and we had long conversation over many hours on the bilateral relationship. I found Ambassador Qin Gang — or Foreign Minister Qin Gang — to be a very lovely person. I liked him a lot. He was honest and direct. He had experience in foreign affairs, and he got to know more about the United States when he was ambassador. So I hope that as the foreign minister he will keep the memories of his experiences in the United States. He played sports with Americans — common people. And he had conversations, not only with politicians and government officials but also people in the business community and scholars. So I think he had rich experience with the American people. So I think it's a positive sign.

But at the same time, I don't think foreign ministers and U.S. State Department officials are the most decisive in shaping up the relationship. What is more important is the domestic political background and the atmosphere in the two countries. When I look at the U.S.-China relationship, I have to look at their domestic surroundings, how people think, how people in America perceive China. They are very important.

Conflict Is Not Inevitable

In an interview in March with China-US Focus, Dr. Swaine discussed a wide range of issues that brought intense scrutiny — the “Chinese spy balloon” incident, the escalating tensions across the Taiwan Strait, how the domestic agendas in the United States and China impact the relationship and the merits and challenges of China’s effort at brokering peace to end the Russia-Ukraine conflict. The material has been lightly edited for clarity.

Focus:

How do you anticipate recent escalating national security concerns, such as the balloon incident, to impact both the foreign policies of both the United States and China in the coming years? How do you think the U.S. is handling its national security concerns regarding China? Do you think any changes should be made to address future security incidents? And what kind of crisis management measures should both countries be implementing?

The securitization of virtually all aspects of their relationship is resulting in a deepening level of, as I say, “worst-case-driven suspicion” over the motivations and tensions of either side.

Swaine:

These incidents and subsequent exchanges, such as the recent meeting between Secretary of State Antony Blinken and the leading foreign policy expert in the Chinese government, Wang Yi, have simply deepened the animosity, and the suspicion that exists between the two sides. This kind of exchange, the failure to really engage in a meaningful and productive way, will just make it harder in the future to send credible signals of moderation or restraint on critical issues such as Taiwan, or to improve cooperative exchanges in various ways. These occurrences really just strengthen worst-case assumptions and outlooks about the motives and intentions of the other side. They also make it much harder to adopt more effective crisis management dialogues or mechanisms, which really does rely upon a certain amount of goodwill, if not trust, between the two sides. So all these kinds of incidents erode all of those sorts of



■ Dr. Michael Swaine is a senior research fellow at the Quincy Institute for Responsible Statecraft working in the East Asia program. Before joining Quincy, he was senior fellow for 20 years at the Carnegie Endowment for International Peace. Before that, Dr. Swaine worked at the RAND Corporation, focusing on China-related security topics.



You can watch the interview by scanning the QR code.

interactions, so they do not bode well for the relationship going forward.

I think the United States is handling these security concerns rather poorly. If you take the U.S. government in general — not just the administration — the Congress is now, by and large, really at every opportunity hyperventilating about the threat that China poses to the United States, the global order, the world, the West, democracy, etc. ... We can see this kind of hyperbolic response in the recent hearing of the new House Select Committee on China, where the members really sought to try to outdo themselves in their efforts to bash and criticize China and go after it in a variety of different ways. So the administration is also not doing very much to try to counter these kinds of excesses that we're seeing in Congress and that are being sent out, not just to the Chinese but to our friends and allies. In general, Washington and Beijing both are caught in a web of domestic politics. The securitization of virtually all aspects of their relationship is resulting in a deepening level of, as I say, "worst-case-driven suspicion" over the motivations and tensions of either side. Neither side is willing to acknowledge these factors — that both sides contribute to a negative interactive dynamic. Now the U.S. and China have tried to have crisis communication dialogues, but they haven't gotten very far. Each time some kind of major incident occurs, such as the recent balloon incident, one or the other side will suspend the dialogue. So you need to have a serious discussion by both sides about how they look at crisis management. They don't really agree on how they interpret the function and value of crisis management. They need to get to some common understanding. And then they need to really talk about what kinds of reciprocal assurances and mechanisms could they put in place that increase their ability to reduce crises and improve crisis management capabilities. They really do need to include civilians and talk about perceptions, misperceptions and processes on both sides that undermine the

ability of the two sides to really engage in effective crisis management. So all of those things are needed, in addition to substantive dialogue, on all sorts of issues where the two sides have differences and where they also need to cooperate to address common threats.

Focus:

Do you think there is a risk of tensions escalating into conflict in the coming years as this confrontation evolves? And if so, what else can be done to try and minimize that risk?

Swaine:

There is a risk that we could end up in conflict between the U.S. and China primarily, I would think, over Taiwan. I don't think the chances of conflict are extremely high. They're certainly not inevitable, as some people seem to think in Washington. I think that is a fallacious and a dangerous concept to think that conflict between the U.S. and China is inevitable. It is not. But I do think that we could very well end up in a more serious crisis with the Chinese that could threaten the possibility of conflict, particularly over Taiwan.

Now, why is Taiwan in such a precarious situation? It's that way because the original understanding that the U.S. and China reached when they discussed the Taiwan issue back during the normalization of relations was that the United States would uphold what it calls its "one China policy," and in return the tacit understanding (it wasn't formalized, but it was an understanding) that the Chinese would place a preference, or a first priority, on peaceful unification in resolving the Taiwan situation. So it was one China, peaceful unification. Now that basic understanding — even though there have been differences in interpretation

over what it means, and there have been differences in behavior and upholding it on one side or the other — has basically held in place for many decades since normalization in the 1970s. But now and in recent years, it has really been eroding. And it's been eroding because of the overall worsening relationship between the U.S. and China, and because of changes in Taiwan itself. Taiwan has become a democracy since the 1970s. It's a very obstreperous democracy in many ways; it has many debates and differences. And you have a greater political voice for people who want to support Taiwan independence. That concerns Beijing.

And it's been eroding because of the overall worsening relationship between the U.S. and China, and because of changes in Taiwan itself.

The United States itself looks at the relationship with China in a much more negative way — that is to say much more adversarial. And that increases the desire to show support for Taiwan. And then the Chinese react to this and they up their military activities, which in turn stokes more escalation on the U.S. side, and it moves closer to Taiwan and undermines the one China policy, which pledged to maintain only unofficial relations between the U.S. and Taiwan. So this dynamic that has gone back and forth has continued now and worsened in recent years. And now there are voices in the United States that argue that Taiwan is a strategic enclave, a critical strategic node in the U.S. defense posture in the region; therefore, based upon that logic, it must be kept from Beijing, because if Beijing were to acquire it, it would have strategic leverage. So we have to keep it from Beijing. That noti-

on is diametrically opposite to the one China policy. It is not what the United States government should uphold, and it has not been upholding that view for many, many years.

If the Chinese believe that the United States has truly discarded the one China policy and is now backing the permanent separation of Taiwan from China, it will use force, even if in the initial rounds it might lose.

So what we have now is a real myopic kind of stress on military deterrence on both sides. Both sides are relying on deterrence, and both sides are really downplaying or ignoring, relatively speaking, the need for credible reassurance about the continued applicability of their policies of peaceful unification and the one China policy. Both sides mouth these policies repeatedly, but they're doing things in both cases that undermine the credibility of their support for those policies. And that's why it's so dangerous now, because in the future you could get a situation where, say, the United States decides that the best way to deter China from becoming more threatening toward Taiwan, is to place combat forces on the island, or to deploy a warship regularly to Taiwan, or to send the secretary of defense to the island or the secretary of state, which we have never done. Any of those things could provoke the Chinese to take actions that we would in turn then regard as a threat to Taiwan, and we might have to respond in a military manner. So we could be in a very dire situation if this existing trend line continues into the future.

Focus:

How have recent visits by U.S. officials to Taiwan impacted U.S.-China relations, and what do you think we can expect from potential upcoming visits, such as the House speaker? How can the U.S. and China then come to some kind of consensus on Taiwan? And how can we, in turn, avoid conflict?

Swaine:

The recent trip to Taiwan by Nancy Pelosi, and a proposed trip in the future by Kevin McCarthy have been and would be very unhelpful. Even Taiwan was concerned about Pelosi visiting the island. Taiwan can't say no to these efforts by the United States. It wants to be seen as being supported by the U.S. and it certainly can't explicitly come out and say, "No, we oppose these visits." But at the same time, I think they are not helpful and Taiwan really needs to express its views on this more directly. The administration needs to express its views on these types of visits from members of Congress more directly. There's also a possibility that this new House committee on China that I mentioned will hold hearings about Taiwan. That itself would be an unbelievably provocative type of action.

People in Washington seem to think now that these sorts of actions — if they provoke China — "so what?" Because the Chinese really won't do anything about it, they'll take it. They'll see how resolute the United States is about defending Taiwan, and therefore they'll back down. And that is just absolutely not the case. The Chinese are strengthening their capabilities; they are becoming more pessimistic about the United States' position on Taiwan; they are be-

coming really more resigned, it seems, to the idea that eventually they'll have to exert some kind of coercive effort toward Taiwan over the longer term to achieve what they regard is an acceptable outcome, which would be unification. We have no interest in provoking the Chinese in that direction, in effect backing them into a corner and showing them that we really don't think the one China policy has any merit anymore. All we are emphasizing is military deterrence. That is a dangerous concept, because if the Chinese believe that the United States has truly discarded the one China policy and is now backing the permanent separation of Taiwan from China, it will use force, even if in the initial rounds it might lose. So the idea that military deterrence alone can prevent conflict in this kind of a situation is, I think, foolish. The Chinese are committed to not allowing the permanent separation of Taiwan from mainland China, and I don't know of a single serious China security expert who would disagree with that point.

This is really fertile ground for people to use that insecurity and hype in a really excessive way, the type of threat that China poses to the United States.

Now, as far as what we need to do about all of this, as I mentioned earlier: The United States and China need to get much more serious about reinvigorating or placing greater credibility into their respective positions. For the United States, it's the one China policy. It

needs to make certain statements very clearly — that it does not believe Taiwan is a strategic node essential to the defense of the United States or its allies in the western Pacific, that it does remain open to a peaceful unification and peaceful independence if they were to occur through mutual agreement. The United States remains open to those kinds of options. It needs to be very clear that it has limits on the kinds of contacts that it will have with Taiwan, as long as China is itself sending credible indications of its continued commitment to peaceful unification, or its preference for a peaceful unification.

So you need to have reassuring statements being made that are much clearer and not at all out of line with past statements that the U.S. and China have made. But you also have to have a willingness to take certain actions to restrict contact with Taiwan, or to restrict military actions around Taiwan in response to moderate or restrained actions by the other side. So there needs to be at least a tacit understanding that if you do this, we'll do that. And the U.S. and China are simply not having those kinds of conversations.

Focus:

How are the domestic agendas of both China and the U.S. shaping and influencing the bilateral relationship between the two countries?

Swaine:

Now, if you look at how the domestic agendas or domestic situations of both China and the United States are influencing their bilateral relations ... I think

the influence is quite strong, particularly so on the U.S. side, although I think it also exists on the Chinese side. Both countries are experiencing serious domestic problems of various types. And these problems tend to increase the tendency of leaders and politicians on both sides to look for reasons why they're experiencing these problems. And oftentimes what occurs is pointing to some kind of external factor that is impacting the country that is making it worse, that is challenging the leadership of each country, and therefore is creating domestic problems. So in the United States, you have the domestic situation of social unrest of various types. All of these tend to make Americans less secure. They feel more insecure about their current situation, about the future. ... And this is really fertile ground for people to use that insecurity and hype in a really excessive way, the type of threat that China poses to the United States.

It tends to incline leaders to become more steadfast, more confrontational when they're facing what they see as U.S. provocations. So that dynamic, domestically induced in part, is also working on the Chinese side.

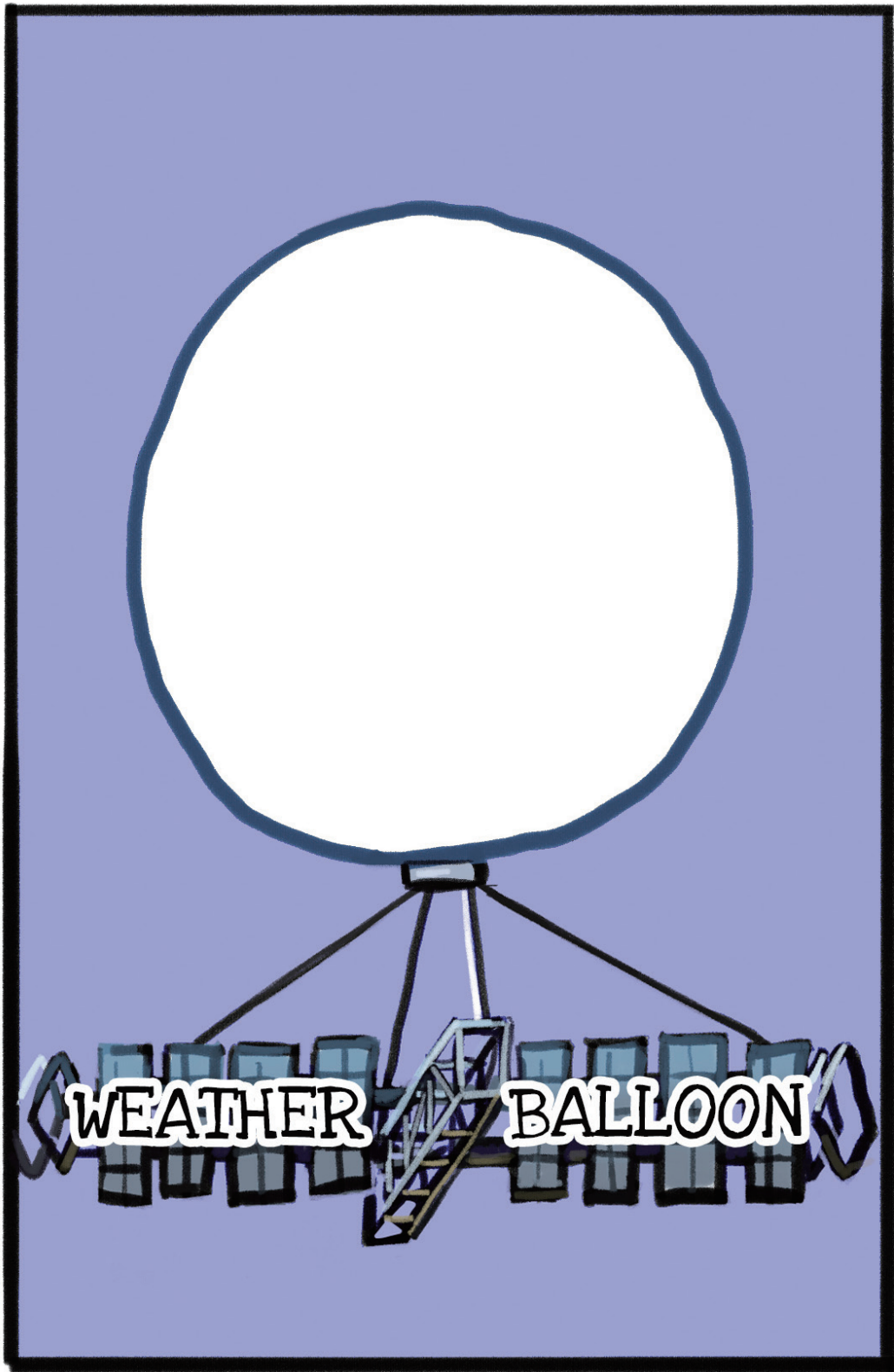
You also have the problem that once you have this very harsh climate that exists in some ways in the United States, the administration itself, which seeks to have bipartisan agreement on various policies, it is intimidated to some degree ... [and] is really affected in the ability to come out and push back against these kinds of views or to establish a more moderate type of position for itself. It's trying to do that in

certain ways. But I don't think it does it nearly enough, in part because it's afraid of the domestic political implications and ramifications of not taking what is considered to be a sufficiently vigilant, sufficiently oppositional or confrontational stance toward China. So, for all sorts of reasons, you have domestic politics working to influence the situation.

On the Chinese side, you have something somewhat different. You don't have the kinds of differences within the senior levels of the government and the leadership that each side, or different factions, would play to and use the United States to do that. But what you do have is domestic problems in China that confront the entire regime. And for the regime, it needs to be sure that it has popular support; and sustaining popular support requires, to some extent, economic success and also a vision and an impression that it is standing up for China's nationalist interests overseas. And what that means is, China takes a harder-line position in showing its stance, its resolve, in standing up for Chinese national interests, not just Chinese Communist Party interests but national interests. And so it tends to incline leaders to become more steadfast, more confrontational when they're facing what they see as U.S. provocations. So that dynamic, domestically induced in part, is also working on the Chinese side. Both of these dynamics really are running in the wrong direction, undermining the ability of both sides to come to some meaningful dialogue with one another.

Focus:

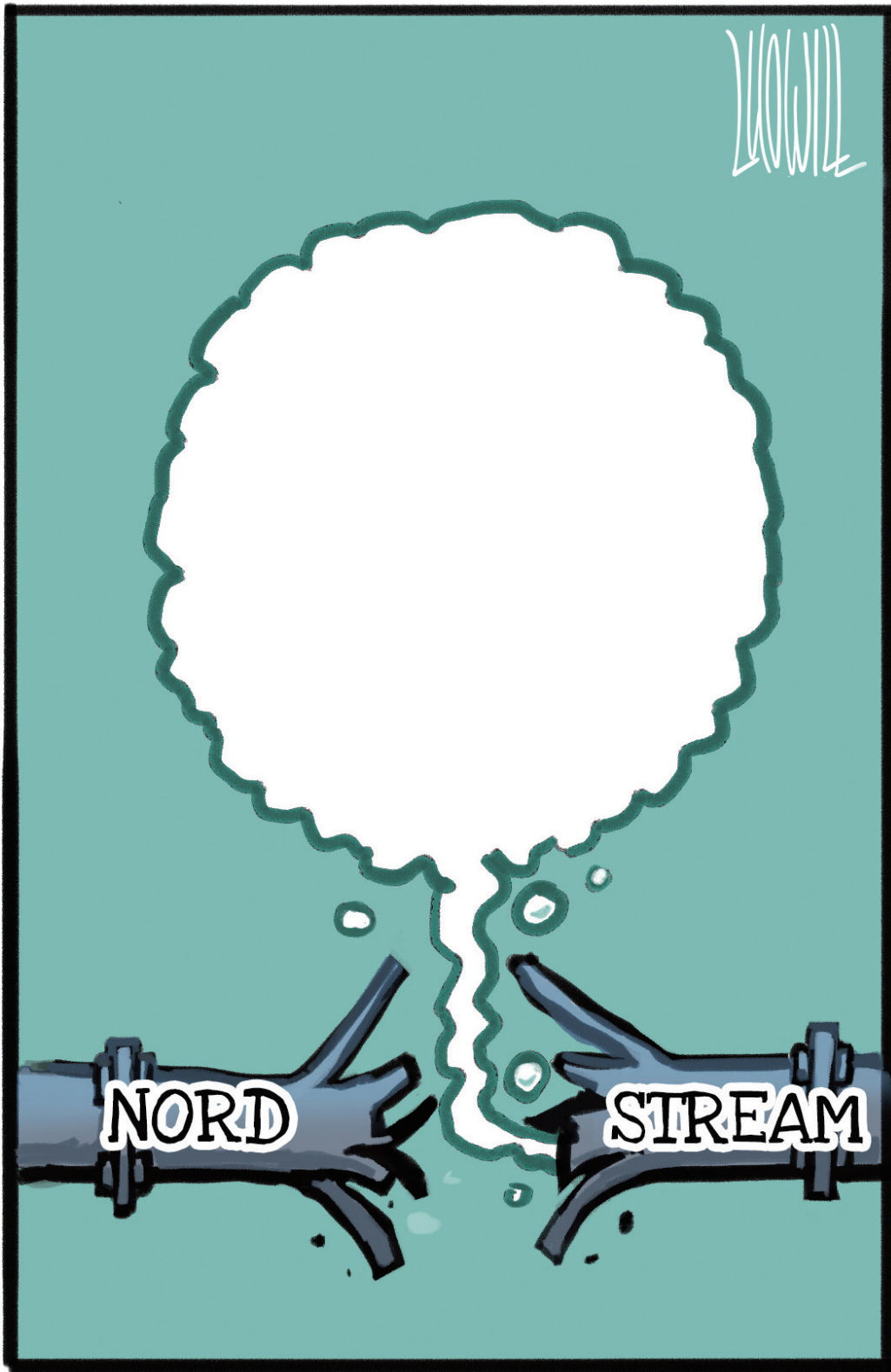
China recently called for a cease-fire in the Ukraine conflict, asking for a resumption of peace talks, an end to unilateral



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sanctions. And it stressed its opposition to the use of nuclear weapons. How do you think this will impact the conflict moving forward?

Swaine:

I think the Chinese position, as recently stated in the 12 points on the Ukrainian issue, is not much different from its previous position. It has made these kinds of points before in various ways, separately or together, but it's not sort of packaged in the same way. And it hasn't been quite as explicit on some points, such as the non-use of nuclear weapons. But the U.S. and most of its allies, both in Europe and in Asia, don't really give this effort that much credibility. I think they just feel it's the same old thing and it's not really that serious [but] disingenuous, in some ways, because they still see China as essentially supporting the Russian position, even though Russia hasn't come out and in every case repeated what the Chinese have been saying or suggesting. I think it's unfortunate if the Chinese position is simply dismissed as taking Russia's side and [that it's] disingenuous.

There needs to be a desire to engage with the Chinese on this to see what kinds of proposals what kinds of ideas might be possible over time.

I think there needs to be a desire to engage with the Chinese on this to see what kinds of proposals what kinds of ideas might be possible over time. They're not possible right now, I think, in the context of Ukraine war, and neither side, Ukraine nor Russia, is willing at this point to sit down and start talking with the other.

They're both trying to gain a more advantageous position on the battlefield, and this is likely to continue for some time. But if this grinds on and we don't have any kind of movement toward any sort of resolution, and neither side seems to be gaining ground, and neither side seems to be on the verge of disaster or defeat, then you're looking at an open-ended, draining conflict that will be extremely destructive for Ukraine, destructive for the global economy in some ways and also for the interests of many other countries. So there really is an interest in trying to get some understanding about how we can begin to move down a path toward some kind of negotiated settlement at some point in this conflict. And so the Chinese offer in this regard should not be dismissed out of hand.

It's also important not to dismiss it because if the United States and the West provide more significant, sophisticated, high-level weapons to Ukraine, and Ukraine is able to use those weapons to begin defeating Russia on the battlefield, China might at that point look at the situation and say, "We tried, we put forth a peace offer, it was roundly rejected by the West and there's no other viable option here ... [T]he U.S. and NATO are doubling down on their military support for Ukraine, so we need to support Russia, by providing military arms to Russia." I think that would be a disastrous move on the part of China, but I could see the arguments for that emerging if this war continues to grind on, and there's no real effort to try to establish some kind of pathway to peace and a negotiated settlement —particularly if the Chinese effort in this regard is just simply dismissed as being irrelevant or just a way of supporting the Russian position. So I think that there needs to be a greater seriousness on this issue. There also needs

to be greater clarity on the Chinese side about the exact dangers involved if they were to provide arms to Russia. I think that would be a very serious red line that, if crossed, could really change China's relationship with the West, with Europe, for some time to come — and possibly with countries in Asia as well. So it's something that really, China should resist doing.

But the United States itself, along with NATO, also has to resist providing the kinds of capabilities that I think could completely defeat Russia on the battlefield and drive it out of Ukraine entirely. That would be great if that could happen. And then we could all be very sure that the consequences of that would be acceptable. But I think it's such an unpredictable kind of a situation in terms of its consequences for Putin acting desperately in certain ways to try and stave that off, [so] I think the United States should be looking more toward trying to stabilize the situation than trying to establish or create a "total win." The Russians will not withdraw from Crimea — I think that is highly unlikely. So they would resort to the most desperate means to defend against that occurring. And we don't want to get into that kind of situation.

Focus:

The U.S. leadership has spoken a lot about pursuing competition rather than conflict with regard to China, and in areas where the two sides can cooperate are trying to do so. From a foreign policy perspective, do you think this is the right approach?

Swaine:

So if we step back and look at the overall U.S. approach to China, the U.S. leader-

ship talks a lot about pursuing competition rather than conflict with China. And it also talks about cooperating where we can. In general, I think this is the right approach. You do want to have an approach to China that recognizes that there are areas where the two sides are going to compete. There's going to be competition. It doesn't have to be zero-sum competition in every case; it doesn't have to be at an intense level of competition that really blurs over into confrontation, if not crisis or conflict. Of course, you don't want that. You want a constructive form of competition. You want something that avoids the worst case outcomes in both areas. That's why I think it's wrong for the United States to talk about winning the competition with China. Nobody's going to win the competition. It's going to be an ongoing, open-ended process of the two sides competing with each other. And the best way to compete with each other is by strengthening capabilities.

For the United States, this means strengthening its capabilities in a variety of different areas — economically, technologically, as a model of human rights and justice domestically, where we're not the best model these days. The United States really needs to strengthen itself and not focus so much on undermining the Chinese, which the administration has done in its recent actions and Congress has done its recent actions regarding high-tech for China. ... Where it seems often that the purpose of the U.S. government is not just to prevent China from acquiring high-tech capabilities of relevance to military or national security but to prevent China from becoming a high-tech nation at all. And that is a major issue that the United States government needs to address much more clearly than it has. So you need to have the right kind of competition.

Nobody's going to win the competition. It's going to be an ongoing, open-ended process of the two sides competing with each other.

The second thing is, you have to have a genuine desire to try to establish a stable basis for cooperation between the two sides to work together in areas where they have common interests. And there are many critical issues in which the two countries must cooperate. Climate change would probably be the most important, which is a genuine existential threat in various ways. The pandemic issue ... we can have more pandemics like COVID-19 and we need to be able to interact much more effectively and not just securitize this entire field, which both sides have done. And we need to cooperate on the global financial system and the health of the global economy — a wide variety of things. And we're just not engaging each other on this. We're not having substantive talks on this. And that is really what is necessary. The administration places far more stress on competition, and in many ways zero-sum competition, than it does on cooperation. And that really needs to change. I don't believe we should have stress in general on the issue that the U.S.-China relationship is really just a struggle between democracy and authoritarianism. This sets up an absolute zero-sum extreme stance, which I think is a not correct in several ways. And I think the value of competition between the United States and China, although important, should not be at the center of what determines policy by both countries toward the other. It should be interests that relate to hard security questions, questions of economic growth and development and questions of real security between the two sides, including the kinds of non-traditional security issues that I just mentioned. So I think there you need to have a much more meaningful discussion about how you really can improve cooperation and integrate competition with cooperation between the two sides.

Re-Engaging — But How Far?



David Shambaugh

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After three months without high-level dialogue or contacts between the American and Chinese governments, the past week saw a flurry of direct exchanges. The talks were meant to stabilize strained ties, put a floor under the deteriorating relationship and work out a road map for future discussions and exchanges. While prudence is warranted, there can be some solace taken in the fact that senior officials are at least talking directly again.

It is always better to talk. After nearly three weeks of non-communication between senior government officials of the United States and China, U.S. National Security Adviser Jake Sullivan and Chinese State Councilor Wang Yi had two full days of closed-door private consultations in Vienna, Austria, on May 10 and 11. The talks were not announced beforehand and came as a surprise to observers, but they are overdue and welcome.

The two sides had not had any high-level engagements since the February shoot-down of a high-altitude Chinese balloon by the U.S. Air Force off the coast of South Carolina. The Chinese side had claimed that the balloon was a weather monitoring aircraft that had drifted off course over the continental United States, while the American side

argued that it was on an intentional intelligence surveillance mission hovering over U.S. intercontinental missile silos and sensitive military installations in Montana. The high-resolution photography and signals intelligence collection equipment on board the balloon strongly suggests that it was on an intelligence collection mission, even if it had drifted off its original course. (The craft had already traversed Alaskan and Canadian airspace.)

The balloon incident led U.S. Secretary of State Antony Blinken to cancel a long-scheduled important visit to Beijing. That aborted trip had been intended to reestablish a framework and road map for a variety of government-to-government consultations and engagement.

Beijing was clearly giving Washington the cold shoulder

Subsequently, over the more than three months since the February incident, the Chinese government suspended all interactions with the American side (although not announcing it). The American ambassador in Beijing, Nicholas Burns, could not get an appointment with his counterparts in the Chinese government until May 8, when he finally met Foreign Minister Qin Gang. The Chinese side even declined American entreaties to schedule a telephone or vi-

deo conference with Chinese President Xi Jinping, while high-level interactions between other ministerial officials were also frozen (by the Chinese side), including the Chinese defense minister, who refused to take telephone calls from his American counterpart.

Beijing was clearly giving Washington the cold shoulder — not so much because of the balloon incident but rather because the U.S. government permitted Taiwan's leader, Tsai Ing-wen, to stop twice in the United States in April — once in New York and once in Los Angeles. On the latter stop, Speaker of the House of Representatives Kevin McCarthy flew to California to greet her at the Ronald Reagan Presidential Library. This in turn provoked another coercive



▲ U.S. National Security Adviser Jake Sullivan has met for two days (May 10-11) with China's top diplomat Wang Yi in Vienna, Austria. The two sides exchanged views on the situation in the Asia-Pacific region, Ukraine and other international and regional issues of common interest.

military response from China against Taiwan. The Chinese government is increasingly upset by Washington's erosion of the normalization agreements reached in 1979, which mandated very limited and strictly unofficial interactions between officials of the U.S. and Taiwan.

Thus, the stonewall treatment of Washington by Beijing over the past few months involved much more than the balloon incident. In the interim, the U.S. government made several entreaties to Beijing to reopen channels of communication. Finally, with the Burns-Qin and Sullivan-Wang meetings this past week, there was a breakthrough.

Both sides have been very tight-lipped about what was discussed in the Vienna encounter, although each used nearly identical language in describing the talks as “candid, substantive and constructive.” By contrast, in the Burns-Qin meeting the Chinese foreign minister admonished his American counterpart on several issues — primarily about Taiwan and “hollowing out the one-China principle” by “saying one thing and doing another.” Qin went further to blame the U.S. for a series of “erroneous words and deeds,” and warned the United States to “stop damaging China’s sovereignty, security and development interests,” to “stop continuously suppressing and containing China,” and to “reflect deeply” on its actions.

No doubt, Wang Yi echoed these themes in his meeting with National Security Adviser Sullivan. Nonetheless, both meetings and sets of officials addressed the need for “stabilizing” relations and “expanding high-level communications.”

So bilateral dialogue has restarted between the two powers. That is very good news, as it is always best to talk directly

—especially when relations are so strained and a dangerous unintended incident or crisis could unexpectedly erupt. The question is where will it go from here? It is highly likely that the two sides discussed (and likely worked out) a “road map” for sequential mutual steps to be taken by each side in order to stabilize ties and re-institutionalize high-level government-to-government interactions.

The problems and strains on both sides run deep, and they are real. So it will not be easy to overcome the obstacles. But meeting and talking is a beginning and the best way forward.

It is highly likely that the two sides discussed (and likely worked out) a “road map” for sequential mutual steps to be taken by each side in order to stabilize ties and re-institutionalize high-level government-to-government interactions.

Positive Signals from Vienna



Dong Chunling

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The Austria meeting between China's Wang Yi and America's Jake Sullivan has injected positive energy into China-U.S. relations, not only for both major economies but also for the global economic recovery. It kept the door open for future dialogue and moved a step closer to stability.

Wang Yi, director of the Communist Party of China Central Foreign Affairs Commission General Office, met with U.S. National Security Adviser Jake Sullivan in Austria on May 10 and 11. The meeting attracted broad international attention because of three background factors.

First, it was an important high-level meeting between senior officials from the world's two largest economies after the COVID-19 pandemic.

The shocks to global socioeconomic development and international security philosophies brought by COVID-19 are comparable to a world war: Three years in a pandemic dealt a heavy blow to many countries' economies; cut off normal trade and personnel exchanges; disrupted the previous global industrial division of labor and international trade order; rebuilt, to some extent, many countries' concepts of economic security and mindset for national development, resulting in global economic stagnation, even recession; and exerting a far-reaching influence on human progress.

The importance of relations between China and the United States — the world's two largest economies and important engines of global economic development — has gone far beyond the bilateral level. Will the two countries continue heading toward decoupling and finally confront each other over their parallel economic systems? Or will they manage to repair the cracks in the world economic system and provide fresh dynamism for a post-COVID economic recovery and globalization? Countries are all waiting to see.

Second, it was an important dialogue between two countries of global influence — as the Ukraine crisis persists and global security continues to worsen.

Both Russia and Ukraine have found themselves in a state of fatigue in which neither can launch an effective offensive, afford to lose, find an exit or ultimately prevail. There is clear evidence that the conflict will be long-term.

The crisis marks the disintegration of the post-WWII international regime. Military conflicts escalate, extreme means are frequently employed, the risk of nuclear war lingers, the arms race intensifies, the international order is collapsing and the two sides are bogged down in a game of "chicken." The trend of a world suffering from camp confrontation is becoming increasingly obvious, and international politics are rapidly headed toward the law of the jungle.

Will the two countries continue heading toward decoupling and finally confront each other over their parallel economic systems?

Meanwhile, a series of conundrums in regional and global security governance derived from the crisis are in a state of free fall, bringing humanity to the brink of another global security train wreck. Yet there is hope: Brokered by China, the almost overnight reconciliation between longstanding foes Saudi Arabia and Iran has shown the world the light of peace.

At present, anti-war feelings are also running high in the United States. An increasing awareness of strategic autonomy is driving U.S. allies and partners, who want to rid themselves of the fetters of war. There have been ever-louder voices for ending the chaos and conflicts in the international community. So then, can the continuous worsening of the Ukraine crisis be reversed? The world is again setting its eyes on China and the U.S.

Third, the Austria meeting was an important attempt at crisis control between China and the U.S. against the backdrop of escalating competition and, especially, risks over Taiwan.

Changes in China-U.S. relations are an inherent motivating force for the centennial changes in the international community, as well as a miniature of this round of great changes. Proceeding from its historically hegemonic mindset and Cold War-era zero-sum thinking, the U.S. is looking at the changes in the two countries' comparative strengths, strategic dynamism and strategic foundations through rose-colored glasses. It sees the great rejuvenation of the Chinese nation as a primary cause of the decline of U.S. power, and identifies China as its foremost strategic rival.

The United States is mobilizing an all-of-government, all-of-society effort to suppress China, constantly making trouble on matters concerning China's core sovereignty, security and development interests. Through its alliance system, it is pressuring other countries to take sides, using ideology, monetary aid and sanctions, thereby adding new fissures to an already divided world.

However, such acts of constraining others' right to development have shown the true colors of U.S. hegemony, while China's practice of seeking survival, development and unity — guided by its holistic view of national security — has offered hope for changing the world order. American strategists are seeing the dangers of bi-polar confrontation in an era of multi-polarization.

Ordinary Americans have begun to see the danger of playing with fire over Taiwan. There are increasing voices in the U.S. — and among America's allies and developing countries — asking President Joe Biden to reconsider relations with China and rejecting a new cold war. Whether the brakes could be applied as China-U.S. relations slide toward that very outcome has become a significant concern for many countries.

During the meeting in Austria, the two sides engaged in candid, in-depth, substantive, and constructive discussions about removing obstacles for bilateral relations, stopping the downward spiral and stabilizing ties. Wang comprehensively reiterated China's solemn position on Taiwan. The two sides also exchanged ideas about conditions in the Asia-Pacific and Ukraine, as well as about regional and international issues of common concern. And they agreed to continue taking advantage of this channel of strategic communication.

The meeting released four positive signals to the world:

First, that China has always looked at China-U.S. relations from a strategic perspective.

China has always attached great importance to the development of the relationship. It has considered bilateral relations in light of the well-being of the people of both countries and that of “a community with a shared future for mankind.” It has emphasized the significance of China-U.S. relations to both sides and to the world. It has handled China-U.S. relations based on principles of mutual respect, peaceful coexistence and win-win cooperation, as proposed by President Xi Jinping. It has attached importance to solving problems in global security governance through constructive strategic cooperation, promoting a stable bilateral relationship with Chinese wisdom and Chinese strength, providing security guarantees for the great rejuvenation of the Chinese nation and avoiding various traps set by anti-China forces in the U.S.

Second, China has always kept an open mind about dialogue and consultation with the United States.

The Trump administration initiated the China-U.S. trade conflict, and China has subsequently faced a series of suppressive measures by the U.S. government. It has always welcomed moments when the U.S. side wanted to talk, opposed provocation, emphasized that dialogue is better than confrontation and carried out communication with utmost sincerity.

From the Zurich meeting in October 2021 to the Rome meeting in March 2022, the Luxembourg meeting in June last year and the recent meeting in Vienna, high-level dialogue and consultation have continued between China and the U.S. As a responsible major country, China has always promoted stability in the bilateral relationship with proactive diplomatic efforts.

Third, both China and the U.S. are striving to remove obstacles in the bilateral relationship and to find ways to stop and stabilize the downward spiral.

Currently, the American economy is underperforming at home. The dispute over the nation’s debt ceiling are worsening. One after another, financial institutions are going bust, while the Republican Party, which has taken back control of the House of Representatives, is using this as a political weapon to launch an all-around assault on the White House.

High-level dialogue and consultation have continued between China and the U.S.

Under mounting domestic political pressure, the Biden administration badly needs a dose of economic stability and dynamism. China, meanwhile, is going all out to promote economic growth by following the strategic road map planned at the 20th National Congress of the Communist Party of China, building a new order of development and national security and promoting Chinese-style modernization. It, too, needs a stable external environment. The Austria meeting added positive energy not only for both major economies but also for global economic recovery.

Fourth, the Austria meeting further confirmed that China and the U.S. will continue take advantage of this channel of strategic communication, and they created some conditions for managing the relationship in the future.



Ted Galen Carpenter

Senior Fellow in foreign policy studies at the Randolph Bourne Institute
Senior Fellow at the Libertarian Institute

The meeting between Jake Sullivan and Wang Yi was positive, at least in the sense that it did not allow the balloon incident to become a major crisis between the two countries. That's a good thing. But I believe that the significance of the meeting and the benefits of the meeting have been overrated. The tensions still remain very high over so many other matters. And the United States may be backing off a little in terms of its very confrontational approach toward the PRC, with respect to trade, with respect to Taiwan, and with respect to a number of other issues. But the two parties are still a very long way apart. Even after that meeting. It was mildly encouraging, but nothing more than that.

It is absolutely crucial that the two parties find common space to address important issues. The United States, especially, needs to be more flexible than it has been. Perhaps starting with the trade issue, because the current situation does not benefit either party. This is damaging to both China and the United States, there ought to be a significant incentive to try to find more common ground. I believe the U.S. should be much more receptive to China's diplomatic efforts with regard to Ukraine. That's another space where Washington could make a concession that would actually end up benefiting Washington itself and a lot of other parties. But I don't see that kind of creativity or that kind of flexibility very much in evidence at this point.

The meeting was an important component of the combination blow Chinese diplomacy reflected after the 20th CPC National Congress. It served as a key link in formulating China's national security environment. Nearly 10 hours of face-to-face, candid, in-depth communication, including tense wrangling over Taiwan, were conducive to both sides' crisis management posture. They were also conducive to reducing the disruptions to China-U.S. relations by third-party factors, reining in Taiwan independence forces and such U.S. pawns as Japan and South Korea, which tirelessly seek a new cold war between China and the United States. It preserved greater strategic space for rebuilding China-U.S. relations in a new era.

Will it help create "guardrails" for crisis management with China?

As the Chinese proverb goes, "It is better to watch what one does than to listen what one says." A G7 leaders' summit has been set for May 19 to 21 in Japan. We'll be looking to see whether the United States is sincere. Will it help create "guardrails" for crisis management with China? The entire international community wants to know. The ball is now in America's court.



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Communication Is Key

The following was transcribed from a video featuring Craig Allen, president of the U.S. China Business Council, in which he speaks about export controls in the high-tech sector and other sanctions the U.S. government has placed on China. Allen also comments on the need for the two governments to manage conflicts and stabilize the relationship. The transcript has been lightly edited for clarity.

Sanctions and export controls apply only to a relatively small part of our bilateral trade. If we wanted to be generous, we could say 10 percent, and the other 90 percent is operating pretty much free of any of the controls put on the high technology sector. So if you're in ag, consumer goods, financial services, energy, retail, wholesale, chemicals or industrial, it doesn't really apply to you. But it is very important to the high technology sectors where it does apply. And that would be in telecommunications, high-speed computing and semiconductor manufacturing equipment.

There, what we have seen is a kind of contradictory and paradoxical trend, where there is a huge amount of trade, but those trade flows are being constricted and are flowing into the lower technology rungs of the industry. I think the controls will certainly impede any joint research and development activities that may be underway.

In terms of a response, we have seen no material response at all from the



- Craig Allen is the President of the United States-China Business Council (USCBC), a private, nonpartisan, nonprofit organization representing over 200 American companies doing business with China. Prior to joining USCBC, Craig began his government career in 1985 at the Department of Commerce's International Trade Administration (ITA). He served as United States Ambassador to Brunei from 2014 to 2018.



You can watch the interview by scanning the QR code.

Chinese government thus far. And I think that's because if they reach out and sanction or block companies in this industry, it will boomerang back on them and hurt China more than it hurts anyone else. And thus they've been very cautious and careful not to engage in retaliatory behavior yet. Now, they do have those tools, and they could retaliate if they wished. But let's recall that it's not only trade. ... There's a lot of investment in this area as well. Global supply chains are intricately interlinked, and it's important to the Chinese side, as well as to the Americans, not to disrupt the flow of either high-end or low-end semiconductors.

Both governments have expressed a desire to reduce their dependence on the other, particularly in the technology sector. And both governments have put into place policies that will lead to greater self-reliance in high technology. Now, AI is unique in this regard because, unlike semiconductors, where there's a relatively small number of companies involved, AI is everywhere and it affects everyone. It is predominantly a civilian technology, developed by civilians for civilian purposes. And so it presents a real conundrum to both governments as they kind of maneuver or seek leverage to gain advantage. Will they be able to control both trade and investment in AI-related products, companies and industries? I suspect that it will be very difficult to do.

Both governments have expressed a desire to reduce their dependence on the other, particularly in the technology sector.

AI, at the end of the day... it's just an algorithm, and algorithms are traded pretty quickly, with a stroke of a keyboard on a global basis. And so it's hard to restrict another's development of AI. ... Both governments [will] grapple with a rapidly developing technology with a regulatory framework that's very 20th century for an industry that's very much 21st century. ... Can it be done? That is a question on which many of us will be interested in finding an answer.

Will they be able to control both trade and investment in AI-related products, companies and industries?

I am hopeful that as we enter 2023, we can help to stabilize the relationship and make its foundations more predictable and stable. That will not be easy. In a year where we are preparing for a U.S. election, I think it is going to be more difficult than previous years. But we're hopeful that the two presidents both want a good APEC meeting in San Francisco.

That there's a political will on both sides to stabilize the relationship, to bring down the temperature and recognize that both governments have a responsibility to the global commons. They should be working together on issues such as climate change, public health, anti-narcotics, peace and stability in Northeast Asia and on, for example, North Korea, putting guardrails around areas of really sensitive, strategic importance, including Taiwan.

I think the nexus between competition and cooperation and conflict is a very important one. We accept that this is an incredibly complex, dynamic, multifaceted relationship in which cooperation, competition, and conflict are all apparent every day. Naturally, we wish to maximize the areas for cooperation and minimize the possibility of a crisis leading to conflict. I think the balloon was really a stark reminder, at least in part, that because of COVID there has been a lack of military-to-military and government-to-government dialogue between the two countries. The balloon incident and the panic it created really underlines the fact that we're not well prepared for crisis management and conflict avoidance. In my view, that's the most urgent imperative of the relationship right now: to encourage our military to talk to the Chinese military, to encourage our national security leaders to talk to each other.

The United States and China have the largest militaries in the world and they're not talking with each other. This is not natural, nor is it healthy for such a dynamic relationship. So conflict avoidance should be a top priority of both leaders, and more practical actions need to be put into place to encourage the men and women in uniform on both sides to visit with each other to talk with each other, to talk about the rules of the road in the air and on the sea — or, indeed, under the sea, so that we avoid mistakes, miscalculations and accidents. At this stage, in my humble opinion, that is the most important requirement to stabilize the U.S.-China relationship.

The balloon incident and the panic it created really underlines the fact that we're not well prepared for crisis management and conflict avoidance.

Keep Talking and Keep Listening



An Gang

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This needs to happen if the two great powers expect to reconcile. But it won't be easy. The Biden administration has continued to damage China-U.S. relations, even as it asks China to be restrained. China may find it increasingly difficult to trust the United States.

On the occasion of the China Development Forum and other events in spring 2023, many scholars and businessmen from the United States took a long-awaited trip to Beijing upon invitation. In addition to attending the forum, they greeted Chinese officials, held dialogues in academic and business circles and visited Shanghai, Guangzhou and other cities.

Three years of the COVID-19 pandemic virtually cut off face-to-face communication between those in the strategic circles of China and the U.S. Most were only able to communicate virtually, which yielded undesirable results. It is during these three years that China-U.S. relations continued to deteriorate, strategic mutual trust collapsed and substantial strategic changes took place. These undesirable results can be mainly attributed to two factors: First, limited communication channels combined

with limited time and time differences rendered candid, in-depth dialogues almost impossible. Second, the lack of a clear endorsement and authorization from the Track I dialogue limited the effectiveness and significance of communications.

Those U.S. scholars and businessmen who had the chance to visit Beijing again seemed more than excited, not only because it had been a long time but also because they believe that with the growing tensions between the two countries, there is little time left to take steps to prevent further deterioration.

Bilateral relations should have improved in early spring. Unfortunately, the modest progress Chinese President Xi Jinping and U.S. President Joe Biden made at their meeting in Bali, Indonesia, has all but disappeared, swallowed by the balloon incident, and a meeting

between top diplomats of the two countries in Munich, Germany, that did not go well. In the meantime, the Biden administration placed new targeted restrictions on China's high-tech industries; the U.S. Congress in Washington held a series of China-related hearings; and Speaker Kevin McCarthy of the U.S. House of Representatives met with Taiwan's leader, Tsai Ing-wen, in California. These incidents combined to plunge China and the U.S. further into a quickly developing spiral of hostility.

In a manner of speaking, China has taken a wait-and-see attitude toward strategic adjustments from the U.S. and the trajectory of relations in the past few years. Nevertheless, it is now reaching a tipping point in its attitudes toward an unstoppable, final, determined shift.

Has the Biden administration gone too far in its attempt to suppress China, which runs contrary to the long-term strategic interests of the U.S.?

Those involved in communications between the two countries have undoubtedly already noticed the ongoing changes, pointing out that China-U.S. relations are increasingly overshadowed by pessimism. Such sentiments as “diplomacy is dead” and “it is hopeless” run rampant, which may lead to the appearance of contradictions and differences between the two countries.

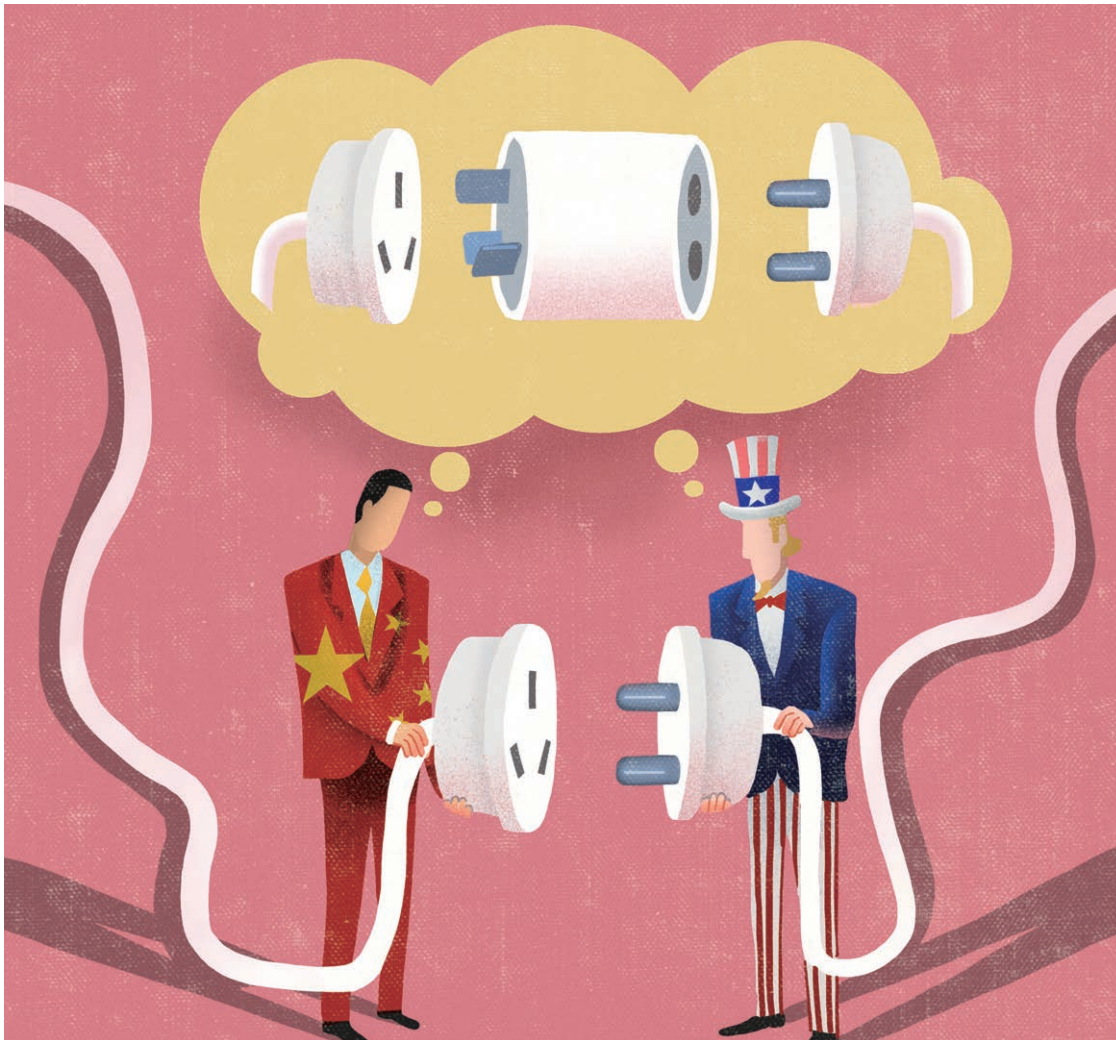
In fact, before this group of people came to China, there had already been some reflective rhetoric in the U.S. — questions that are not quite mainstream but are fairly influential. They mainly include: Has the Biden administration gone too far in

its attempt to suppress China, which runs contrary to the long-term strategic interests of the U.S.? Since neither the U.S. nor China can survive and develop without economic globalization, does decoupling cause as much harm to the U.S. as it does to China? Given the fact that U.S. allies and partners have their own considerations in their policies toward China, can they really work in concert with U.S. strategy?

The “door-to-door communication” by U.S. scholars three years later exemplifies these reflections. Considering full-on strategic competition with China, quite a few do not believe that the U.S. has secured its victory. They admit that the U.S. has never encountered a country like China — with such a powerful system — in the history of its foreign strategy. In the future, the U.S. should count its blessings if it is still able to maintain a globally leading position in some fields.

The scholars believe it's not possible, given the economic interdependence of China and the U.S., that the two countries can completely decouple, with the probable exception of the semiconductor industry. They have also noticed that some countries seem to focus on increasing investment in key areas of China's manufacturing industry. In their opinion, some officials in the U.S. administration and Congress continue to formulate legislation based on political logic, whereas enterprises and individuals with commercial logic can only find their own new position in the changing environment.

Regarding the Taiwan question, it is acknowledged that China and the U.S. have sunk to their lowest point and risk a direct conflict, which is expected to trigger overwhelming consequences upon its outbreak, thereby leading to the collapse of the global supply chain and damaging economic globalization.



Some U.S. scholars have called for a re-examination of the common interests between the two countries. They maintain that even in areas of competition, the diplomatic actions taken by China to contain the U.S. may not challenge its interests but in fact serve the interests of the U.S. in some ways — such as the effort to promote reconciliation between Saudi Arabia and Iran for better relations in the Middle East. The Russia-Ukraine conflict is another good case. The U.S. and China have different views on the cause of the war and different solutions to ending it. However, China's posture is also worth considering for the fact that it provides some room for coordination.

Scholars call for minimum cooperation between the two countries on common challenges confronting humankind, such as actions to combat climate change and fight crime. Some people suggest that we start in some simple but feasible areas, such as reconstructing air routes between the two countries, to pave the way for better bilateral relations.

This so-called Track II communication in essence marks a reunion after a long time apart. The people who visited Beijing from the U.S. were not able to bring much substantive information. Obviously, the two countries are unable to engage in in-depth, detailed exchanges in the current atmosphere, and dia-

logue remains fragmented. However, half a loaf of bread is better than none. Scholars from both sides agree that it is better to have communication and pull everything back on track than to talk about different things across the ocean.

A key message brought to Beijing by U.S. scholars is that China and the U.S. need to keep communication lines open and set guardrails for competition to prevent catastrophic consequences.

Some U.S. scholars have also mentioned domestic politics in the U.S. during their chats — for example, the logic behind the behavior of the Democratic and Republican parties with respect to the 2024 general election. Thus, Chinese scholars have developed an in-depth understanding of the political dynamics in the U.S., a new perspective that they would not have developed if they had just sat at home and read the news. It is of great significance for them to be able to make an accurate judgment about the trajectory of U.S. diplomatic behavior.

There are a great many issues that can and should be addressed by China and the United States. Issues have not decreased but multiplied in the framework of competition and rivalry. One face-to-face exchange cannot satisfy the needs of both sides. Strategically, what are their respective ideas? Is there a huge difference between their judgments and realities? Technically, how should the means and channels of competition between the two countries be regulated to avoid subversive consequences for the peace and development of humankind? Globally, how should the responsibilities of major powers be fulfilled

and destructive damage to the efforts of humankind be avoided to meet the common challenges created by the rivalry?

High-quality communication is still an indispensable part of major-country competition even in the post-cooperation era of major country relations. When Beijing reopened its communication lines to the world, an incident in which a Russian fighter collided with a U.S. Reaper drone, forcing it down into the Black Sea, the two countries could still pick up the phone for emergency communication despite their ongoing hostility.

A key message brought to Beijing by U.S. scholars is that China and the U.S. need to keep communication lines open and set guardrails for competition to prevent catastrophic consequences. Some expressed deep concerns about the “echo chamber effect” in their discussions of U.S. policies toward China — or rather, tough voices echoing between the walls and now arising from the situation room of the White House and the conference rooms of Capitol Hill. There is also the other side of the Pacific. As a result, those who sincerely look to develop a stable China-U.S. relationship are increasingly restrained and reluctant to speak up.

Issues have not decreased but multiplied in the framework of competition and rivalry.

They have called up on scholars from both countries not to sit idly by but rather to try their best to be a rational voice to enable a soft landing for the increasingly intense China-U.S. relationship. Chinese scholars have heard their voices, but the problem is that there is a serious discrepancy be-

There is a serious discrepancy between the deeds of top-level politicians in the U.S. and the discourse conveyed in dialogue with scholars.

tween the deeds of top-level politicians in the U.S. and the discourse conveyed in dialogue with scholars.

The United States has been continuously challenging China's interests and red lines on such issues as Taiwan, the integrity of supply chains and reinforced Indo-Pacific alliance mechanisms. It abuses and recklessly imposes sanctions and interventions against President Biden's "five-nos" — no seeking a new Cold War, no trying to change China's system, no revitalization of alliances against China, no support for Taiwan independence and no support for two Chinas (one China, one Taiwan). There have also be challenges to Biden's four "no intentions" of the U.S. — no intention to have a conflict with China, no intention to decouple, no intention to halt China's economic development and no intention to contain China. These are statements from the Biden-Xi meeting in Bali.

Yet the Biden administration has continued to substantively damage China-U.S. relations, even as it repeatedly asks China to respond in a restrained and professional manner. If the U.S. does not play down or change its arrogance, China will find it hard to trust the U.S. despite whatever communications take place. As Qin Gang, Chinese State Councilor and Foreign Minister, pointed out, the U.S. in fact wants China not to respond at all, either in words or actions, when slandered or attacked. That is just impossible.

It seems that the White House is quite anxious about its failure to restart a high-level dialogue with China and should be able to see how to work it out. Will it be motivated to adjust its current, limited perspective and lack of reflection? Well, that is another story.

China Engaging for a Multipolar World



Brian Wong

Doctor of Philosophy in Politics Candidate and Rhodes Scholar at Balliol College Oxford

China's recent diplomatic wins could be indicative of the type of world it hopes to build — one in which a number of stakeholders have more equal footing, rather than being led by one powerful hegemon.

Consider two propositions:

The first, is that the world is shifting from a unipolar, U.S.-led world (an ancien régime of sorts) toward a multipolar new order.

The second, is that globalization, as we know it, is dead. The world is shifting toward more decoupling — globalization ostensibly peaked in 2008.

Both theses are gaining growing traction in mainstream discourse. Both feature a degree of truth, yet should also be taken with a healthy dose of salt and multiple caveats. The world is shifting toward a more multipolar global order, although it is by no means there just yet. The U.S. dollar remains the dominant currency, given its longstanding and historically entrenched legal and reputational credibility, the vast volumes of USD-denominated debt (bonds) held by countries and its institutionally robust financial system (which has nevertheless frayed under recent pile-up of stressors). NATO persists as the dominant military alliance in the world, and yet is knees deep in a hot war in Ukraine.

Globalization has indeed come under significant strain as countries shift to onshoring and reshoring, given strategic constraints and other considerations. In strategically sensitive industries, such as semiconductors and communication technologies, states are decoupling from counterparts whom they view to be strategically non-aligned. Some are even turning to weaponizing these tools as a means of accomplishing geopolitical objectives.

We live in an era of selective recoupling and decoupling.

Yet decoupling is by no means universal or evenly distributed. As I have long maintained, we live in an era of selective recoupling and decoupling: As they distance themselves from actors with whom they do not align, states are also shifting closer to partners they take to be conducive to their own self-interests. It is no surprise that NATO has become more tightly knit. Finland also joined the alliance recently, expedited by widespread security concerns over its border with Russia.



It is against this backdrop that China's recent diplomatic efforts must be understood. I submit that China is engaging in diplomacy with a multipolar order in mind. While selectively bolstering and expanding ties with strategic partners and other actors, it needs to remain tactically neutral and non-aligned with Washington. China is seeking to reframe globalization on its own terms.

The strategy is this: China will continually open itself to actors who are sympathetic and adherent to its geostrategic interests. As for those who have repeatedly exhibited antipathy or bellicosity, however, China has become increasingly vigilant and guarded. This dualistic recoupling/decoupling strategy is the core mechanism paving the way for Beijing's vision of a new world order.

The past five years have seen China seek to actively consolidate and provide a theoretical foundation for its rapidly expanding economic presence within Southeast Asia.

Singaporean Prime Minister Lee Hsien Loong's recent visit to China yielded an upgrade in bilateral relations to an all-around, high-quality, future-oriented partnership, which reflected China and Singapore's joint "desire to set the strategic direction" of the two countries on a sturdier course. President Xi's meetings with President Joko Widodo of Indonesia in Bali in November and Prime Minister Anwar Ibrahim in March, affirm China's interests in diversifying its relations with ASEAN beyond the purely commercial and financial.

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In relatively nascent areas — the digital economy, food security, governmental and public financing (for infrastructure) and cultural and arts exchanges — China is adamant that its relations with its neighbors move past merely the obvious low-hanging fruit of supply chain economics. Much of this in turn highlights Beijing's search for more holistic well-roundedness in its existing partnerships, which is vital to preserving fundamental goodwill between China and Southeast Asia amid overt attempts by external forces to politicize and balkanize the region.

Irrespective of how one appraises the desirability of China's vision for a multipolar world, it behooves the proverbial West to take the vision seriously as a conceptual manifestation of China's latest foreign policy aspirations.

In the Middle East, Beijing's historical brokering of a resumption in diplomatic relations between Riyadh and Tehran is demonstrative not only of its fledgling prowess as a mediator and power-broker in relatively distant regions but also the substantial cache of goodwill that China has amassed in the region over the past few years. With its "engage all sides" approach and fundamental neutrality, Beijing has emerged as a preferred economic, financial and technological partner for a majority of Gulf states —albeit not necessarily in the military-security sense thus far. Across dimensions ranging from data and information technology to energy, food supplies and research into solutions for climate change, the Gulf has rapidly risen in importance within China's strategic calculus. It is increasingly seen as a stand-alone pole epitomizing the "Isla-

mic civilizations" that Samuel P. Huntington wrote about many years ago and who he prophesied would eventually join forces with China against an alliance led by the West.

Beyond Southeast Asia and the Gulf, Brazilian President Luis Inacio Lula da Silva's visit to China and the substantial roster of agreements upon which both countries settled, as well as statements issued by South African President Cyril Ramaphosa in favor of China's "non-interference" foreign policy, point to Beijing's intention to leverage its presence within BRICS to carve out a new geopolitical pole that is firmly under its leadership. While de-dollarization remains some distance away, it is clear that the jettisoning of the USD is high on the agenda for at least a majority (Brazil, China, India) of BRICS nations. The invoking of BRICS also bears an additional layer of significance, as an attempt to implicitly pry India away from the rest of the Quad — a strategic security dialogue of which it is part and which Beijing perceives as an attempt at isolating China internationally.

Irrespective of how one appraises the desirability of China's vision for a multipolar world, it behooves the proverbial West to take the vision seriously as a conceptual manifestation of China's latest foreign policy aspirations. Like it or not, China's foreign policy approach is here to stay, and it is critical for diplomats, politicians and bureaucrats in the U.S. to seek to understand it fully, without falling prey to wishful thinking or the distortions of prejudice.

Great Power Politics at Play



Xiao Bin

Deputy Secretary-general

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Chinese Association of Social Sciences

The deepened military relationship between China and Russia was inevitable in response to challenges from the West. Conflict does not arise simply over current security considerations. It may be triggered by concerns over the changing international balance of power.

Interstate politics is the objective result of anarchy in the international system, as countries all try their best to protect themselves in the face of security threats. As John Mearsheimer wrote in “The Tragedy of Great Power Politics,” there is no night watch in the international system, so countries can never be sure that others are not hostile. Therefore, they must be prepared to deal with dangers from all sides. As such, the trend in military relations between countries is a strategic indicator of great power politics.

Recently, the high-level reception of China’s Defense Minister Li Shangfu in

Moscow attracted wide international attention. During his visit, Li said that China and Russia will expand military cooperation and the two militaries will further develop their ties. But as the war in Ukraine goes on, any change in China-Russia military relations touches the nerves of other great powers. A Russian scholar interviewed by RIA Novosti pointed out: “On the whole, Russia-China relations are becoming even closer and more prominent in a multipolar world. As an organization like NATO is becoming a thing of the past, it is not surprising that the West feels threatened by their military cooperation.”

Red lines stable for now

Although some of the international community worries about a deepened China-Russian military relationship, that relationship is framed within the Joint Statement on Deepening the Comprehensive Strategic Partnership of Coordination for the New Era, with three built-in red lines for bilateral interaction: non-alignment, non-confrontation and not targeting any third country.

Military cooperation between China and Russia has produced many results in communication and coordination on global strategic stability — for example, joint exercises and drills at sea and in the air. During his visit, Li also went to the Military Academy of the General Staff of the Russian armed forces. The school tour allowed him to make a positive assessment of the significance the Russian side attached to his visit. The academy has a long history, traceable to the reign of Peter the Great, and an important position involving access to the core secrets of Russian military activities. Since the end of World War II, it has adapted on many occasions in response to changes in the strategic environment, but its core organizational structure and functions have remained basically stable.

However, military cooperation activities will not go beyond the preset red lines for now, and their future development will depend entirely on great power politics.

The arrangement for Li to visit the academy sent an important message to the

world — that the level of mutual trust between Russia and China in the military field is at an unprecedented high. However, military cooperation activities will not go beyond the preset red lines for now, and their future development will depend entirely on great power politics.

Although military cooperation does not necessarily increase the chance for peace, deepened military relations between China and Russia do help improve their ability to deal with external threats.

“Whoever wishes for peace, let him prepare for war”

The most important rule in great power politics is to improve one’s own security as much as possible. In this regard, ancient Roman scholar Vegetius wrote, “Therefore, whoever wishes for peace, let him prepare for war” (“Epitoma rei militaris”). Although military cooperation does not necessarily increase the chance for peace, deepened military relations between China and Russia do help improve their ability to deal with external threats.

In July, Russian President Vladimir Putin approved a new maritime doctrine for Russia describing the opposition of the United States and its allies to Russia’s independent foreign and domestic policies and their pursuit of sustained hegemony in the world. It vowed to make every effort to defend Russia’s national interests and adopt new mechanisms to do so in a state of military preparation and alert.

Competitive or confrontational great power politics will only destabilize the global order.

China has also proposed that its armed forces focus on readiness for war. Therefore, active war preparations in the face of external threats have become an important shared view of China and Russia in deepening their military relations. The fundamental purpose is to avoid interference by external forces in their respective internal affairs.

Two sides of the same coin

Great power politics does not always have just one result. For the U.S. and its allies, the growth of China-Russia military relations is indeed a challenge. But the U.S. may also benefit from the process in terms of consolidating its alliances in Europe and Asia — making its allies more dependent on its security protection, improving its offshore balancing capability and enhancing its homeland security.

Competitive or confrontational great power politics will only destabilize the global order. The recent joint statement of G7 foreign ministers issued in Nagano, Japan, was clear that the deepening China-Russia military relationship had redoubled pressure on the U.S. and its Western allies, but it will not make the United States give up its effort to suppress China. Nor will China change its comprehensive strategic partnership of coordination with Russia. Great power competition and confrontation has already increased the severity of global challenges by distracting attention from addressing energy, food, debt and climate in developing countries.

Finally, it was inevitable that China and Russia would respond to challenges from the West with deepened military relations. A military conflict is not caused by current security considerations only but may be triggered by concerns over the changing international balance of power. Similarly, closer China-Russia military cooperation has been the result of shared concern over ongoing great power politics to an extent greater than the direct benefits available from such cooperation.



- ▲ On 6 April 2023, Ursula von der Leyen, President of the European Commission, visited China. She met Xi Jinping, President of the People's Republic of China, and Emmanuel Macron, President of the French Republic, to discuss “extensive and complex relationship.” (Photographer: Dati Bendo)

Good Reason for Europe to Change Its Approach



Wu Baiyi

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Chinese Academy of Social Sciences*

Europe faces three imperatives: It needs to seize the opportunity presented by China's post-pandemic reopening; it needs China as a stabilizer, in light of the unpredictable prospects for peace in Eastern Europe; and it needs to rebalance its relationship with the United States because of dramatic international shifts in recent years.

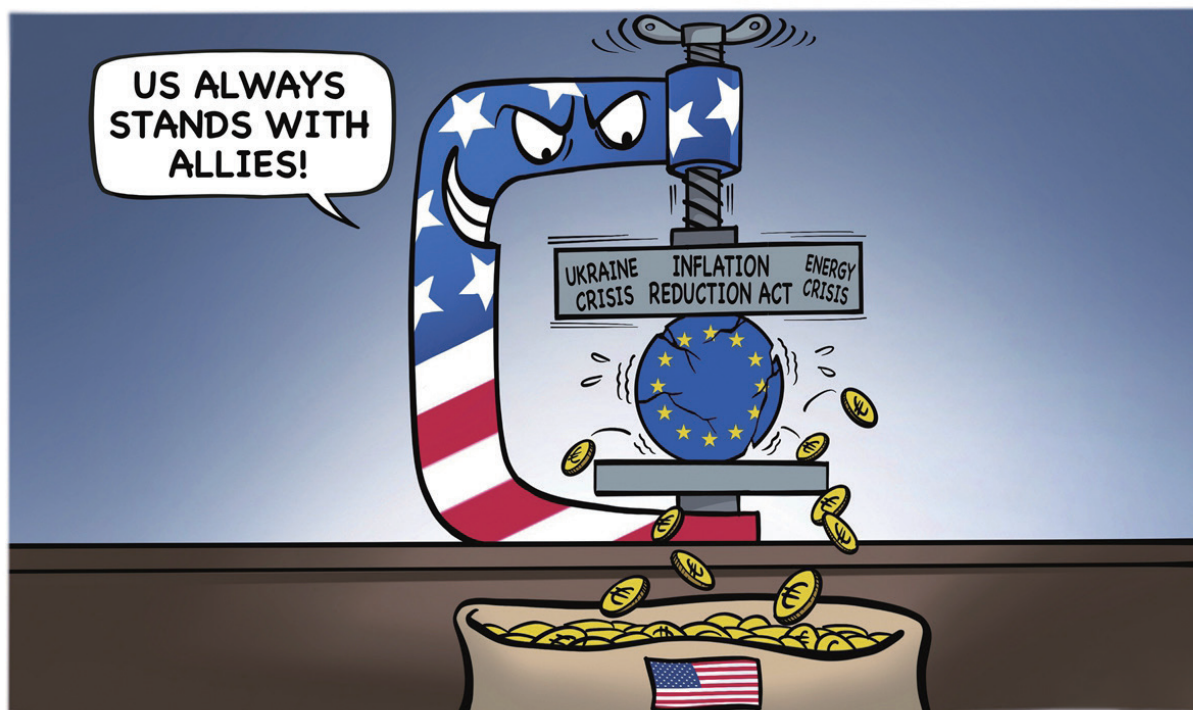
Since late March, Spanish Prime Minister Pedro Sanchez, French President Emmanuel Macron, European Commission President Ursula von der Leyen and German Foreign Minister Annalena Baerbock have visited China one after another. The intensive interaction and frequent dialogue between China and Europe have not only contributed to the impact of China's diplomacy so far this year but also sent a message of cooperation and stability to the international community.

A changed European attitude toward China can be attributed, fundamentally, to a triple challenge:

First, given its multiple economic difficulties, it is necessary for Europe to seize the important opportunity presented by China's post-pandemic reopening. Following the outbreak of the Ukraine

conflict, energy flows from Russia to Europe have been interrupted. Meanwhile, in the face of growing inflation and sluggish investment and consumption, Europe finds it wise to maintain the stability of its industrial and supply chains with China, which helps to ease economic pressure and forestall a potential regional and global recession.

As early as November, when China began to adjust its epidemic control policy, German Chancellor Olaf Scholz led a large business delegation of chemical, manufacturing, pharmaceutical and financial giants to China and signed a series of investment and trade deals. This signaled Germany's intent to deepen cooperation with China, its commitment to free trade and its opposition to decoupling. Five months later, Macron undertook a well-crafted trip to China, bringing business orders worth \$130



Illustrator: Liu Rui

billion to French and European companies. European Commission President Ursula von der Leyen, who traveled with him, publicly stated that the relationship with China is “too important” and that decoupling is clearly not viable, desirable or even practical for Europe, because “China is a vital trading partner — our trade represents some 2.3 billion euros a day.”

Given China’s key position in both China/U.S./Russia relations and China/U.S./Europe relations, Europe should not, for its own benefit, push Beijing further toward Moscow.

Obviously, Europeans cannot afford to underestimate China’s industrial strength, market size and consumption potential — on all of this, it’s difficult to move beyond reliance. After all, in the context of an economic crisis, development is the biggest political issue, and diplomacy is the extension of domestic politics.

Second, the uncertain prospects for peace in Eastern Europe highlight the important role of China as a stabilizer. Since the outbreak of war between Russia and Ukraine, China has been calling for a cessation, accompanied by dialogue, and has also taken the lead in embracing the principle of not adding fuel to the fire by refraining from providing military equipment and technology to Russia.

On the other hand, the European Union and some major European countries continue to provide military aid to Ukraine, which adds to their already heavy economic burden. As many as 10 rounds of

sanctions against Russia have not achieved the desired results and Europe, as its bargaining power declines, has found that there’s little it can do to curb the risk of escalation.

By employing diplomatic pressure, Europe is urging China to change its policy toward Russia. However, Brussels, Paris and Berlin have gradually realized that China — one of the five permanent members of the UN Security Council — not only acts as an influential player in international cooperation on issues such as Ukrainian food exports, nuclear safety and humanitarian assistance but also will play a critical and constructive role in the establishment of the European security landscape in the years to come.

Given China’s key position in both China/U.S./Russia relations and China/U.S./Europe relations, Europe should not, for its own benefit, push Beijing further toward Moscow. Thanks to cooperation with Beijing, the multipolar structure envisioned by Europe remains within reach. Without Beijing’s cooperation, the world will undoubtedly move toward division and confrontation, and Europe will return to the age of competing camps, rendering its goal of “strategic autonomy” impossible to achieve.

Third, dramatic shifts in the international situation demand a rebalancing of the relationship between Europe and the United States. To start with, by following the U.S. policy toward Russia and China, Europe has not reduced but actually increased risks to its own interests. Last year, the U.S. Federal Reserve’s interest rate hikes and the introduction of the Inflation Reduction Act had a significant siphoning effect on European capital, leading to a record low of the euro exchange rate.

At the same time, American increases in domestic subsidies further weakened the competitiveness of European companies.

In March this year, the collapse of Silicon Valley Bank — a result of domestic interest rate hikes — once again dealt a heavy blow to the European financial system. In the wake of the bankruptcy of Credit Suisse and other incidents, panic is quietly spreading globally, and a wave against the U.S. dollar is on the rise.

The EU regards itself as an “institutional force.” Only by strengthening, not weakening, its contact and dialogue with China can its global influence remain unabated.

Meanwhile, U.S. control over the world has declined significantly, and a “new global South” has taken shape, which places more restrictions on U.S. hegemony. As the world’s largest developing country, China is undoubtedly a pivotal force in promoting regional and global governance, resolving contradictions, promoting a new type of South-South cooperation and advocating a new type of North-South relationship. The recent reconciliation between Saudi Arabia and Iran with the help of China, for example, has led to a rapid improvement in relations between countries in the Middle East and the Gulf region, which must have left a deep impression on Europe.

The EU regards itself as an “institutional force.” Only by strengthening, not weakening, its contact and dialogue with China can its global influence remain unabated.

Additionally, expanding third-party cooperation with China in developing countries and regions serves Europe’s long-term interests.

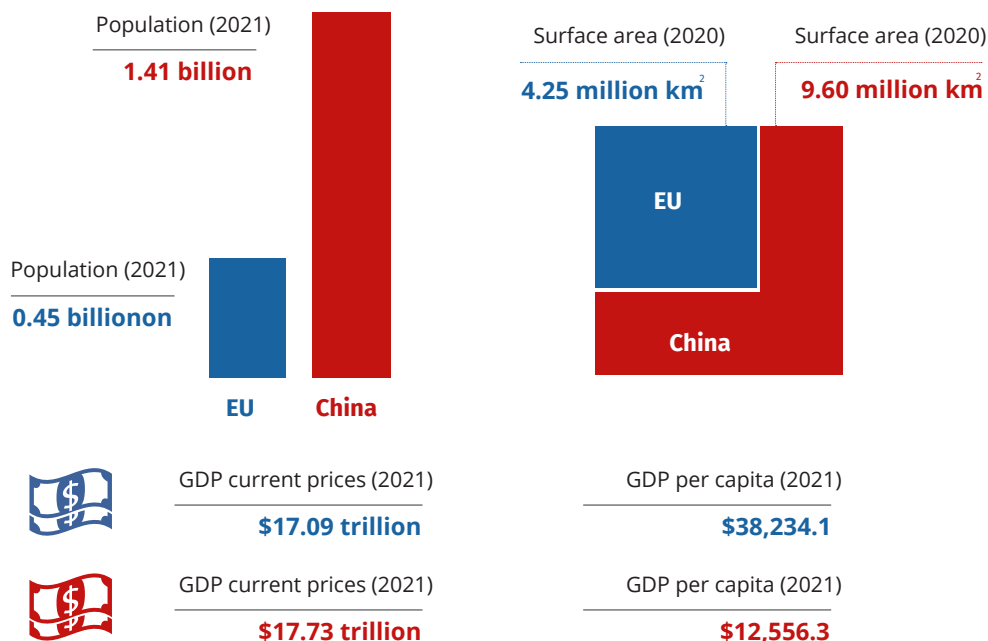
Finally, maintaining close ties with China can help European countries prevent the specter of being swept along by uncertainty due to the strategic rivalry between China and the United States — and of being reduced to the status of “America’s followers,” as Macron put it. More important, it contributes to Europe’s strategic autonomy and increases its status in transatlantic relations. Although Macron’s remarks on China drew public criticism in Europe and the United States, EU leaders such as Von der Leyen, Charles Michel and Josep Borrell clearly expressed their support. This indicates that senior European leaders have begun to fine-tune their perception of China. Europe sees China simultaneously as a partner, competitor and rival, as EU member states struggle to exit the quagmire of troubles caused by differences in their viewpoints and policies on China.

Senior European leaders have begun to fine-tune their perception of China.

Numbers behind China-EU Economic Ties

China and the EU have maintained vigorous economic cooperation despite the negative impacts of the COVID-19 pandemic. Let's look at some numbers that reflect China-EU ties.

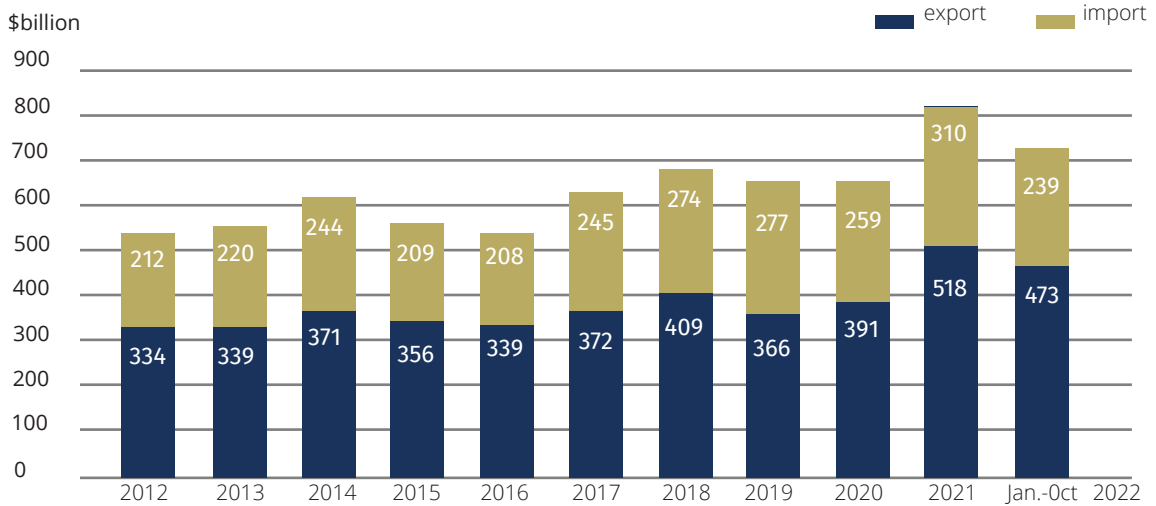
Basic facts



China and the EU are the second and the third largest economies in the world, with their share of global GDP standing at 18.5 percent and 17.8 percent respectively in 2021, according to the World Bank data.

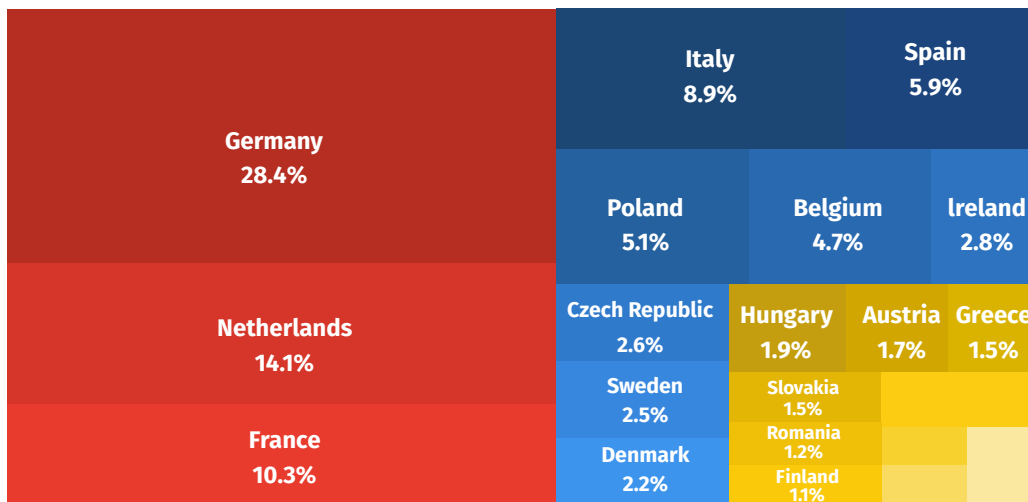
Source: World Bank

China-EU trade in goods



China overtook the U.S. to become the EU's largest trading partner in 2021, with bilateral trade volume hitting a record high of US\$828.1 billion. The EU has maintained its position as China's second-largest trading partner in 2022, according to China's General Administration of Customs.

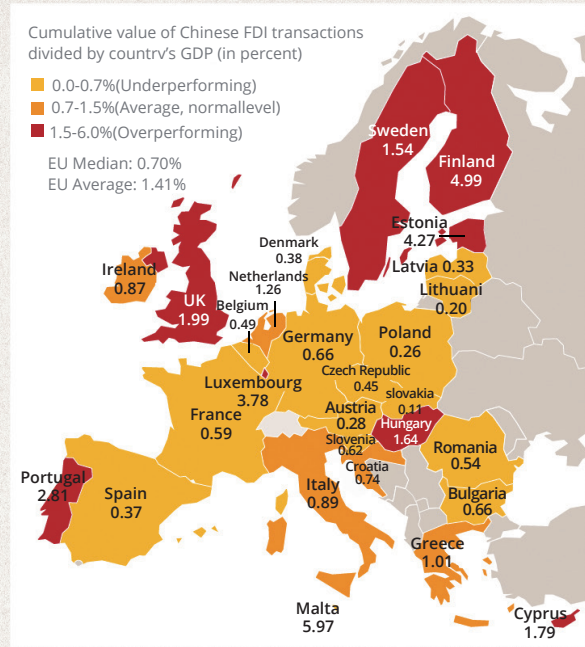
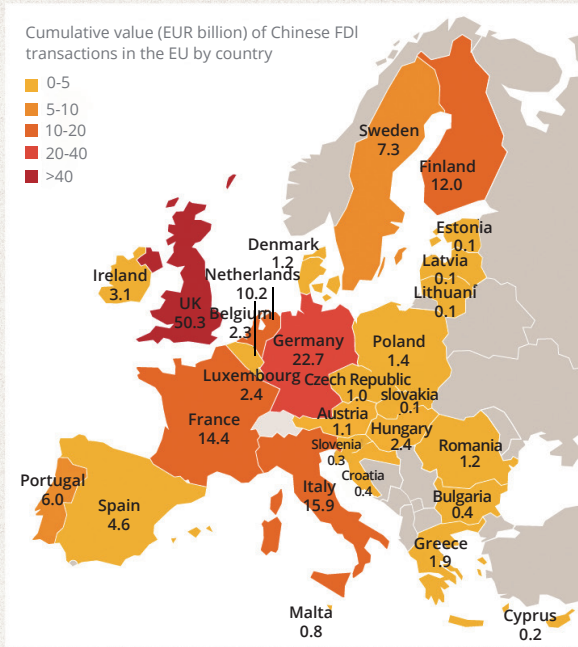
EU member states' share of China-EU foreign trade in 2021



Source: Chinese Ministry of Commerce

Western Europe and Scandinavia are the main recipients of Chinese investment

Chinese Foreign Direct Investment (FDI) in the EU, 2000-2019

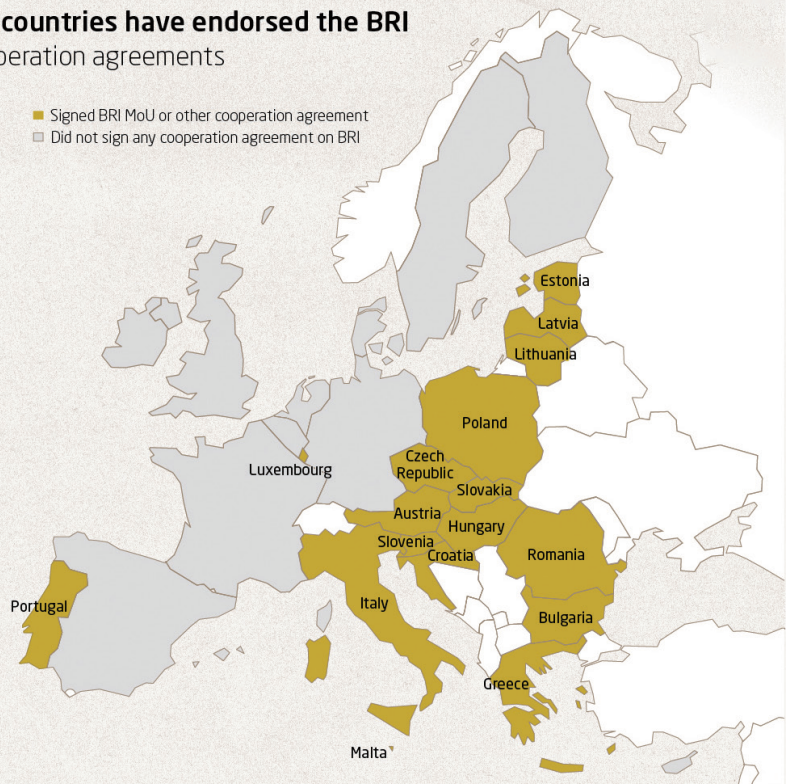


Sources: Rhodium Group, Eurostat

Note: UK still included

Many Eastern and Southern European countries have endorsed the BRI

A total of 17 EU members have signed cooperation agreements



Source: Belt and Road Portal of the Chinese government

Note: UK still included



▲ Chinese President Xi Jinping and French President Emmanuel Macron have tea by the water at the Pine Garden in Guangzhou, South China's Guangdong province, April 7, 2023.

Macron's China Visit Nips at U.S.



Zhang Yun
Associate Professor
National Niigata University in Japan

European interests, in France's view, will be ignored under America's grand strategy to preserve its hegemony, and so Europe should avoid becoming a U.S. pawn. But this idea has yet to find wide sympathy in Europe, which looks to the United States for its security.

French President Emmanuel Macron recently returned from a state visit to China, during which he had long conversations with his Chinese counterpart. Afterward, the two sides released an extensive joint declaration. The visit not only injected strong new dynamism into China-France relations but also brought opportunities for China-EU ties. In an interview following the visit, President Macron said Europe, instead of being dragged into the Taiwan matter or becoming a vassal of the United States, should become a “third pole” globally through the exercise of strategic autonomy.

His China trip triggered fierce attacks from some European countries and the United States, accusing him of being weak on China, undermining a united U.S.-EU stance and damaging the transatlantic alliance. Strategic autonomy for the European Union conforms to the bloc’s fundamental interests as an important force in international politics. So why has Macron repeatedly been criticized, especially by some EU member countries? This is because of an increasingly apparent strange circle that has developed in U.S.-Europe relations in recent years: European dissatisfaction with the U.S. gives rise to a motivating force for autonomy, yet Europe quickly chooses and internalizes the U.S. logic and embarks on a path of becoming a U.S. strategic follower.

This strange circle starts with Europe following the U.S. strategically in the security field. America’s hasty military withdrawal from Afghanistan in the summer of 2021 shocked Europe and triggered strong dissatisfaction with the administration of newly elected U.S. President Joe Biden. The war in Afgha-

nistan was the only case in which NATO had previously activated its collective defense clause. Germany criticized the U.S. for ignoring allies. Italy deemed its participation in the U.S.-led war a “shame.” And even Britain, which claims a “special relationship” with the U.S., accused it of betraying the troops and the Afghan people. Some analysts assumed at the time that the incident would seriously damage U.S.-Europe relations and inspire a renewed European impulse for strategic autonomy.

European dissatisfaction with the U.S. gives rise to a motivating force for autonomy, yet Europe quickly chooses and internalizes the U.S. logic and embarks on a path of becoming a U.S. strategic follower.

Because the U.S. labels China a strategic rival and resorts increasingly to the democracy vs. autocracy polemic, its European allies have begun to accept the logic that the West needs to concentrate on coping with the “China challenge.” The Afghan lesson has faded swiftly, and anger over the withdrawal was completely gone by the time of the outbreak of the Ukraine crisis in early 2022. The impulse for strategic autonomy in Europe has given way to the logic that the West must unite under America’s anti-Russia banner to guarantee security.

A similar circle exists in the economic realm. The U.S. has imposed extremely restrictive measures against chip sales to China since autumn 2022 and has asked European nations to follow suit. Although countries such as the Netherlands had different arguments at the be-



- ▲ During the French state visit to China, Airbus signed the General Terms of Agreement (GTA) with China Aviation Supplies Holding Company covering the earlier deal of 150 A320neo and 10 A350-900 widebody aircrafts. Another deal Airbus signed on the last day of Macron’s visit was the sale of 50 H160 helicopters to Chinese leasing firm GDAT, which is the largest single order for H160 since the helicopter was unveiled in 2015.

ginning, the logic of economic security ultimately silenced those voices of dissatisfaction.

European economic losses are seen as a necessary cost in protecting Western security and its economy from coercion and threat by authoritarian states. With Europe’s previous “mercantilist” strategic mistake of relying on Russia for energy supplies — to cite a negative example — this logic warns Europe against making the same mistake in economic ties with China. This seems to have played a significant role in unifying U.S. and European perceptions. The president of the European Council said the EU won’t decouple from China economically, but it will take measures to lower the risk, which means Europe has essentially accepted the U.S. logic of “friend-shoring” value chains.

Similarly, the U.S. Inflation Reduction Act offers preferential treatment to domestic U.S. companies. The EU reportedly intends to file a lawsuit at the WTO against the heavily protectionist industrial policy and may take retaliatory measures. The U.S., meanwhile, has tried to justify its moves by citing the need to cope with climate change, while outcompeting China in new clean energy technologies.

With Europe’s previous “mercantilist” strategic mistake of relying on Russia for energy supplies — to cite a negative example — this logic warns Europe against making the same mistake in economic ties with China.



what the EU believes



In French eyes, European interests will be ignored under the U.S. grand strategy to preserve its hegemony, and Europe will need to set its own strategic goals so as to not become a U.S. pawn.

Following European Commission President Ursula von der Leyen's March visit to the U.S., the EU appeared to have subscribed to the U.S. logic. Von der Leyen welcomed the act, calling it an investment in the green transition. The subsequent joint statement defined U.S.-EU negotiations on clean energy as coping with the non-market policies and behaviors of third parties, especially China.

France is among the first European nations to achieve strategic self-awareness, but strategic autonomy has yet to find wide resonance within the EU. France has a tradition of strategic autonomy, which was obvious in its being the first Western country to establish diplomatic relations with China in 1964. In 2014, seven years ahead of the U.S. and other NATO members, France withdrew its remaining troops from Afghanistan out of its realization that the issues could not be resolved militarily.

France's pursuit of strategic autonomy has also been driven by a keenly felt pain. The core concern of the U.S.-led AUKUS is arming Australia with nuclear-powered submarines — and that was based on nullifying the France-Australia contract for the vessels. In French eyes, European interests will be ignored under the U.S. grand strategy to preserve its hegemony, and Europe will need to set its own strategic goals so as to not become a U.S. pawn.

Unfortunately, the French idea has yet to find sufficient sympathetic response in Europe. Some countries see it as a sign of French strategic blindness; others worry that France is practicing French chauvinism in the name of European autonomy.

It will take time for the strange circle in Europe to become clear. As the cost of following the United States is felt by European nations sooner or later, conditions for a great European political awakening will finally emerge.

A Well-Timed Phone Call



Jade Wong
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Chinese President Xi Jinping’s outreach to the president of Ukraine, Volodymyr Zelenskyy, could be a game-changer. The call was welcomed by Zelenskyy, who called it “long and meaningful.” As Beijing steps into its role as a global peacemaker, the world is taking notice.

The long-awaited phone call between Chinese President Xi Jinping and Ukrainian President Volodymyr Zelenskyy on April 26 raised the eyebrows of many who thought it might never happen. It was the first direct connection by the two leaders since the outbreak of the war in Ukraine. In the nearly hourlong call, which Zelenskyy called “long and

meaningful” on Twitter, the strategic partnership established in 2011 between the two countries was stressed. Xi assured his Ukrainian counterpart that China would not “sit idly by” nor “add oil to the fire.” China’s special representative for Eurasian affairs will have follow-up travels to Ukraine, with extensive talks.



◀ Ukrainian President Volodymyr Zelenskyy on a telephone call with Chinese President Xi Jinping in Kyiv, Ukraine, April 26 2023. (Photo: Ukrainian Presidential Press Service)

China-Europe ties continue to heal

Spring has seen a steady improvement in China-Europe relations, culminating in French President Emmanuel Macron's state visit to China earlier in April. Both China and Europe are trying to walk out of the shadow cast by the havoc in Ukraine. Differences over the conflict pose the biggest challenge to their relationship since the end of the Cold War.

Both China and Europe are trying to walk out of the shadow cast by the havoc in Ukraine.

The upward trend proved fragile when Lu Shaye, China's ambassador to France, questioned the sovereignty of former Soviet states during a TV interview. Although Beijing soon walked back Lu's "personal remarks," suspicion in European capitals lingered. Had Xi not called Zelenskyy, the awkward incident might have disrupted the recovery of China-Europe ties, as the balloon incident did to China-U.S. relations.

The French Foreign Ministry applauded the call as "positive" and said that during his visit to China earlier this month President Macron "made the case to his Chinese counterpart for such a call to be made soon." The European Union also welcomed the "important, long-overdue first step" made by China. In a word, forward momentum in China-Europe relations is back.

New round of great power games

Galvanized by the war in Ukraine, the great powers are reshuffling. China has been regarded by the West as a potential accomplice with Russia because of their joint statement that their friendship has

"no limits." However, China has not accepted that characterization. By telling Zelenskyy that China is not a party to the crisis, China has actually earned a role as mediator. The phone call also stemmed the hawkish noise in the United States to the effect that China is untrustworthy. It enabled China to act as a natural participant in the economic reconstruction and orderly recovery of Europe. Additionally, it struck a balance between wooing Russia and not being swept along by its actions.

Another winner emerging from China's calculated move is Europe. Macron, who has been criticized as having driven a wedge between the Western allies after his visit to China and his remarks on Taiwan, is now able to claim some credit. He is said to be preparing a summit for peace in Ukraine, to which China will be invited. If things go well, he can demonstrate that Europe is not a U.S. vassal.

For the United States, the phone call seemed less lyrical. The U.S. has urged China not to stand in its way, with the White House repeatedly warning Beijing not to provide Moscow with weapons. But more broadly it doesn't want anybody taking the driver's seat. The U.S. is therefore lukewarm toward proposals from previous would-be mediators, whether that be France, Turkey or Brazil.

In a word, forward momentum in China-Europe relations is back.

The reaction in the U.S. to the Xi-Zelenskyy call can be described as welcoming, but with caution. Russia's position is even more awkward. On one hand, it would be inappropriate for Russia to condemn the call, since China has become Russia's most important and irreplaceable partner. On



▲ Dai Bing (Center, front), charge d'affaires of China's permanent mission to the United Nations, addresses a high-level Security Council briefing on Ukraine at the UN headquarters in New York, Feb 24, 2023.

the other hand, Russia prefers ammunition over admonitions.

Power transition

In the long run, it is unclear how the phone call's implications will play out. But it could be a sign of a more peaceful power transition. First, the Ukraine crisis has been widely feared as a prelude of a much wider catastrophe. The Taiwan Strait has already felt the heat. Amelioration of Ukraine's pain will cool the prospect of a global war.

Second, China's peace initiative goes beyond Ukraine. Beijing has calmed feelings between Iran and Saudi Arabia. China's foreign minister also called his counterparts in Palestine and Israel, offering to help them resume peace talks. Successful mediation in the case of Ukraine will greatly boost China's role as a bridge, rather than a challenger.

Third, many politicians in the West see China and Russia from the perspective of ideological and bloc confrontation. Nevertheless, as Bobo Lo, a longtime observer of China-Russian relations, pointed out, the two countries have very different attitudes toward the international order. China is an active participant in the international system. It is a revisionist rather than revolutionary.

Successful mediation in the case of Ukraine will greatly boost China's role as a bridge, rather than a challenger.

By contrast, Putin's approach to the global order is anarchic and destructive. If China contributes to peacemaking in Ukraine, politicians in the West will feel the need to read Bobo Lo in earnest.

The Butterfly Effect: A Diplomatic Reshuffle?





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Having summarily rejected China's political proposal for Ukraine, European leaders now find themselves mesmerized by the prospect of a phoenix rising from the ashes in the form of Chinese diplomacy in the Middle East. China's accomplishment in helping ease tensions between Saudi Arabia and Iran could have far-reaching consequences.

The so-called butterfly effect has taken wing. China's diplomatic accomplishment in helping settle tensions between Saudi Arabia and Iran could have far-reaching consequences, with Ukraine's future caught in its wake. The unexpected nature of this historic move means that its ramifications are rapidly gaining momentum and could unleash a tidal wave of global proportions, particularly in Europe.

China's diplomatic feat has highlighted the transformative potential of an outsider's perspective in resolving enduring disputes when there are established friendly relationships — particularly in the business realm.

Reshaping power dynamics

A stunning reversal of fortune has left European leaders reeling. Having summarily rejected China's political plan for Ukraine, they now find themselves mesmerized by the prospect of a phoenix rising from the ashes of conflict. An imaginative connection between Riyadh, Tehran and Kyiv has seized their attention, and they now ponder whether Beijing's newfound influence could decisively alter the course of the war. As they grapple with this seismic shift in power dynamics, the world is watching how the game-changing development will play out.

The shift started in the Middle East when China facilitated a historic detente between Saudi and Iran on March 10. This achievement, which coincided with the ratification of President Xi

Jinping's third term, has enormous geopolitical implications. In a region where deep-seated animosities and power struggles have thwarted diplomatic efforts, the breakthrough should ease longstanding tensions that have fueled conflicts from Yemen to Syria, Iraq, Lebanon, and Bahrain.

China's diplomatic feat has highlighted the transformative potential of an outsider's perspective in resolving enduring disputes when there are established friendly relationships — particularly in the business realm. The move underscores the Chinese Global Security Initiative, or GSI, which emphasizes the importance of constructive engagement. Now the

attention has turned from the sands of the Middle East to the golden fields of Ukraine.

China's plan for Ukraine rejected

Following a year of pressure from European officials, China released its position on the political settlement of the Ukraine crisis on Feb. 24, calling for a cessation of hostilities and the preservation of “sovereignty, independence and territorial integrity.” The plan was accepted by Russia and Ukraine, setting the stage for potential collaboration. However, it failed to meet the expectations of the United States and European Union, drawing criticism. While some might view their



▲ On March 11, newspapers in Tehran feature on their front-page news about the China-brokered Saudi-Iran deal, which has big repercussions for the Middle East — and the U.S.

comments as overly severe, it is essential to conduct a thorough analysis of the underlying factors.

First, the plan did not address the fundamental source of the war in Ukraine: Putin's invasion. The plan failed to demand that Putin assume responsibility and cease Russian aggression. This omission is concerning, particularly because there are no Ukrainian troops present in Russia.

The stark reality is that the war has inflicted far more pronounced damage on Europe than on the U.S., thwarting economic growth, stymying developmental goals and impeding progress on geopolitical ambitions.

Second, China's ambiguous approach to the war has generated apprehension. Xi's failure to publicly endorse Ukraine and the absence of communication with Ukrainian President Volodymyr Zelenskyy, [note: Xi and Zelenskyy spoke on the phone on April 26] coupled with expressions of "unlimited friendship" with Putin, has led many to believe that Beijing lacks the requisite neutrality. Furthermore, both Saudi Arabia and Iran acknowledged the pivotal role that Xi's personal involvement played, yet such direct intervention has not been observed in the case of Ukraine.

Third, Beijing's apparent inconsistency in upholding principles of sovereignty while denouncing perceived "imperialistic" actions by other powers, particularly given its silence on Russia's recent actions, has led other powers to view China's Ukraine plan

as a tactical maneuver, or at the very least a perplexing departure from its previous foreign policy strategy.

Xi's 2023 visit to Russia

Xi's visit to Russia in March this year, was seen as an opportunity to further solidify China's diplomatic achievements in the Middle East. Xi told Putin: "On the Ukraine issue, voices for peace and rationality are building. Most countries stand for peace talks and are against adding fuel to the fire."

Notwithstanding the gravity of the conflict, Xi's diplomatic approach to Putin lacked hard resolve. The visit ultimately fell short of expectations, as Xi prioritized commercial agreements such as increasing Russian payments in renminbi and constructing the Power of Siberia 2 pipeline. Consequently, the pursuit of an armistice may have to wait, as diplomatic efforts remain focused on economics rather than resolving the war.

Although the EU does not have a unified approach toward China, leaders are closely monitoring Beijing's foreign policy advances with interest, as they represent an innovative approach to conflict resolution.

Europe reconsiders peace proposal

The perceived misstep in the plan for Ukraine may yet be rectified, especially following the historic Saudi-Iran accord, which has thrust the plan onto the EU's agenda. China's role in promoting peace has prompted Europe to reevaluate perceptions of its potential as a mediator beyond the Middle East. Xi's ability to bring longtime adversaries to the negotiating table has been lauded as an exceptional achievement. Although the EU does not have a unified approach toward China, leaders are closely monitoring Beijing's foreign policy advances with interest, as they represent an innovative approach to conflict resolution.

In the wake of this development, several European leaders will be visiting Beijing in the coming weeks in part to voice their stance on the war in Ukraine. However, they will be primarily pushing their domestic interests, which are closely tied to their substantial trade relations with China — their largest partner — while attempting not to upset the United States, which serves as security guarantor via NATO.

The stark reality is that the war has inflicted far more pronounced damage on Europe than on the U.S., thwarting economic growth, stymying developmental goals and impeding progress on geopolitical ambitions. As a result, Europe may be veering away from two key issues of the U.S. foreign policy agenda — one that seeks to contain China through strategies like decoupling and one that assumes the war in Ukraine can only be resolved through a resounding triumph. This leaves scant leeway for diplomatic intervention.

The current state of affairs could also be a wake-up call for U.S. President Joe Biden to acknowledge the diplomatic success of his Chinese counterpart and potentially reorient his foreign policy focus to other regions. By doing so, he may help alleviate tensions in the Middle East, where the U.S. had been grappling with a loss of credibility and allowing other actors to step up and pursue peace negotiations. We are currently observing the emergence of this new critical juncture in power dynamics.

Will realism stand?

China's shift toward cooperation and mutual development — marked by a balanced distribution of power — could serve as a catalyst for reconciliation and elevate its role as an arbiter. This approach would mitigate the likelihood of economic upheaval and nuclear escalation, provided that said policies are not primarily opposed to the U.S., as has frequently been observed before. The unexpected transition, despite raising concerns and inviting criticism, also highlights Xi's pragmatism, a significant departure from his previous hard-line approach at the 20th Communist Party of China National Congress held in October.

In the coming weeks, China's commitment to promoting peace will be put to the test, particularly in terms of its willingness to play a more active role in Ukraine. Given the absence of a viable peace plan from the U.S., the EU and other powers, China's proposal stands today as the best chance to secure a cease-fire.

China could use its strategic advantages to exert influence and assert agency, including its favorable relationship with Putin (despite criticism) and the Saudi-Iran hesitance to break the deal, provoking China's displeasure and potentially jeopardizing their trade relationship. This approach could be equally effective in resolving the conflict between Russia and Ukraine, given their reliance on Chinese trade. Ultimately, China will need to persuade Russia to comply with international law and restore the status quo that existed before the outbreak of war.

The ultimate proof of China's commitment to peace lies in the sensitive issues of Taiwan reunification and the pursuit of hegemony in the South China Sea. These actions will address whether Beijing's pivot toward a peaceful foreign policy represents a fundamental shift or is merely a tactical maneuver. Further, this will impact perceptions regarding which power, Beijing or Washington, will emerge as the architect of the global order and whether future international relations will be based on economic interdependence rather than military might.

Global powers should focus on achieving tangible, resilient outcomes that transcend political or historical predilections in their endeavors to make a substantial contribution to international relations. Incidentally, a successful opening of de-escalation talks by the "Dragon of Peace" and the eventual achievement of an armistice in Ukraine would constitute a monumental feat that would likely be remembered and celebrated on a global scale for years to come.

UKRAINE CRISIS A DIPLOMATIC APPROACH

President Xi Jinping has emphasized that dialogue and negotiation provide the only viable chance of resolving the crisis in Ukraine, underscoring the truth that there are no winners in a nuclear conflict.

In a proactive move, China's special representative for Eurasian affairs, Li Hui, is set to visit Ukraine, Russia and other European countries, including Poland, France, and Germany, to discuss a "political settlement" to the Ukraine crisis, the Foreign Ministry announced.

China has been consistent in advocating for peace. Its fundamental position involves facilitating peace talks, President Xi said. He outlined his strategic plan, which includes four key actions that must be undertaken and four responsibilities that the international community should collectively shoulder. He also shared three observations on the situation. Based on these inputs, China formalized its stance in a position paper called Political Settlement of the Ukraine Crisis — also known as the 12-point document — and released it in February.

President Xi stressed that China neither instigated the Ukraine crisis nor a participant in the ongoing conflict. However, as a permanent member of the U.N. Security Council and a responsible global power, China will not remain passive. It pledges not to exacerbate the situation or take advantage of it for self-interest.

Xi expressed the hope that all parties involved in the crisis would engage in serious reflection and, through dialogue, jointly explore strategies to achieve lasting peace and security in Europe.

(Content above is based on reports from Xinhua News Agency.)

Detente Today, Truce Tomorrow?



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China upped its game in international statesmanship by playing the middleman in securing a historic agreement between Iran and Saudi Arabia. Working with other countries, such as India and Turkey, Beijing's economic and diplomatic leverage may become a factor in bringing Russia and Ukraine to the negotiating table.

China's role in mediating peace between regional rivals Iran and Saudi Arabia may resonate in the ongoing Russia-Ukraine war. During a recent visit to Beijing, French President Emmanuel Macron encouraged China to play a role in winding down the conflict. In late March, the European Union's top diplomat, Joseph Borrell, said that China is in a position to facilitate talks between Moscow and Kyiv.

China's peacemaking role abroad may also have a moderating effect on its attitudes toward territorial and maritime disputes with its own neighbors.

By not being a party to the conflict, despite pressure both domestically and externally, Beijing preserved for itself a

role acceptable to the belligerents. China's peace plan, along with President Xi Jinping's trip to Moscow and the phone call with Ukrainian President Volodymyr Zelenskyy all show Beijing making an effort to attain a negotiated solution to the cruel yearlong conflict. China's peacemaking role abroad may also have a moderating effect on its attitudes toward territorial and maritime disputes with its own neighbors.

New dawn for turbulent region

The Iran-Saudi rapprochement confirmed China's rise as a major power broker in the Middle East. It compares with the 2020 U.S. brokered-Abraham Accords, which normalized relations between Israel and four Muslim countries — the United Arab Emirates, Bahrain, Sudan and Morocco. But the Iran-Saudi deal is arguably of a higher order of magnitude. Not only are the two sides

recognized as the respective leaders of Islam's two main branches but both are also actively involved in proxy wars throughout the region. China's growing economic clout and regional countries' desire to diversify their foreign relations have converged to give Beijing a platform to facilitate the final leg of talks between two traditional arch foes.

Peace between Tehran and Riyadh bodes well for a region that produces one-third of the world's oil and one-fifth of the world's gas. Both Iran and Saudi Arabia are members of the Organization of Petroleum Exporting Countries, or OPEC, and mutual understanding can improve policy coordination. The detente also bears on the nine-year-old civil war in Yemen, the 12-year-old civil war in Syria and other long-running proxy wars in the region. Working together, Saudi Arabia and Iran can better address sectarian strife. The peace deal may inject fresh momentum into similar talks between Turkey and Syria, which were mediated by Russia. Thus, the pact pays immediate and long-term humanitarian, economic and political dividends for the region and the world.

Economic muscle, diplomatic weight

The breathtaking Iran-Saudi accord caught many by surprise. Eyebrows were raised about the intent behind China's peacemaking foray, but of course it did not happen overnight. Rather it was the culmination of the country's growing trade and investment in the region — a master class on how economic muscle can translate to diplomatic heft. China has been the largest trading partner for both regional powers for more than a decade.

In 2021, Saudi Arabia's trade with China surpassed the combined value of its trade with the United States and the European Union. Both Tehran and Riyadh were provisional founding members of the China-led Asian Infrastructure Investment Bank, established in 2016. Both signed on to China's Belt and Road Initiative, and both Iranian and Saudi ministerial-level delegations attended the first and second Belt and Road forums held in Beijing in 2017 and 2019.

Security and economic groupings in which China plays an outsized role are also making inroads in the Middle East. Last year, Iran became the newest member of the Shanghai Cooperation Organization — the first country from the region to do so — while Saudi Arabia, along with Egypt and Qatar, were inducted as dialogue partners. Both Tehran and Riyadh also expressed interest in joining the BRICS grouping. Last year, the foreign ministers of Saudi Arabia, Egypt and the UAE, among others, attended the BRICS Foreign Ministers Meeting for the first time.

Rather it was the culmination of the country's growing trade and investment in the region — a master class on how economic muscle can translate to diplomatic heft.

China's top diplomat, Wang Yi (centre), presides over a closed meeting between representatives of Iran (right) and Saudi Arabia (left) in Beijing on March 10, 2023.



The high point of China's burgeoning influence in the region came in December with the first China-Arab States Summit in Riyadh. The event was indicative of the shifting sands in West Asia's geopolitics, with Beijing becoming a new force to reckon with. China's role in securing detente between Iran and Saudi Arabia did not materialize out of nothing. It was built on solid ground.

Can it work in Ukraine?

The Iran-Saudi saga has some parallels with the Russia-Ukraine conflict. Iran's domestic challenges and isolation, the Saudis' desire to hedge as Washington shifts its priority to the Indo-Pacific region and China's economic leverage all played a part in making the landmark dialogue happen. Like Iran, Russia also became a pariah and was subjected to unprecedented sanctions. The International Criminal Court has issued an arrest warrant for Russian President Vladimir Putin.

Moreover, Beijing's influence over Moscow grows as Russia's economic exposure deepens. Russia has already dislodged Saudi Arabia to become the biggest oil supplier to China. Faced with

price caps and embargoes in Europe, Russia's energy and trade will turn ever more eastward. Finally, despite Ukraine's being beholden to the West for massive military support, and despite misgivings over China's war stance, it still sees Beijing as a potential partner in reconstruction.

China will mean a lot to Ukraine, a country that is bracing to endure sanctions and charting a road to postwar recovery. As the world's biggest food and energy consumer, Chinese demand is a major driver in the commodities market. The world's second-largest economy is the top buyer of Iranian and Saudi crude oil. This leverage is also at play in the case of Russia and Ukraine. Since the onset of full-scale war last year, China has displaced the EU to become the principal destination for Russian fossil fuels. It is also the chief importer of Ukrainian sunflower meal and corn. The country's reopening signals the return of spring for such exporters.

In addition, as with Iran and Saudi Arabia, Russia is a founding member of the AIIB. Both Moscow and Kyiv have joined the BRI. Putin attended the first and second BRI forums in Beijing. Ukraine's

First Deputy Prime Minister and Minister of Economic Development and Trade Stepan Kubiv was present. And in his recent visit to Moscow, Xi invited Putin to join the third iteration, which may be convened this year.

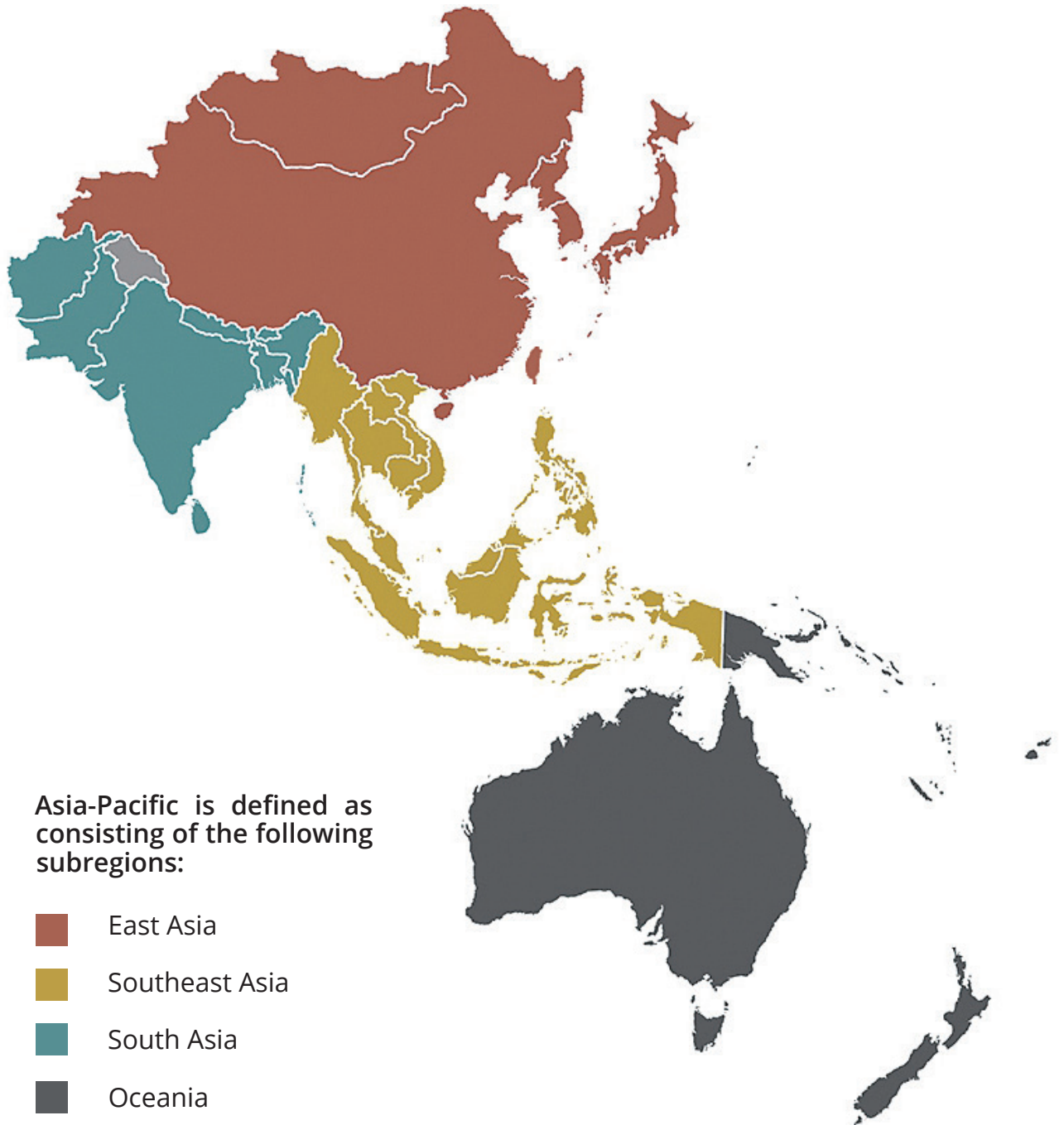
The Arab Spring, which turned into an Arab Winter, brought havoc to the Middle East. Governments ceased to exist as regimes collapsed, non-state actors filled the void and civil strife erupted, some of which rages on to this day. It took five years and the mediation of three countries — Iraq, Oman, and China — for Tehran and Riyadh to bury the hatchet. This development can help stabilize a volatile region, offering a possible exit from the quagmires of Syria and Yemen.

Moving to the Russia-Ukraine war, which arguably began in 2014 and escalated last year, signs of strains are becoming apparent. Inflation, an energy crunch and protests in Europe against sending arms to Ukraine may undercut NATO support, especially if the war continues to drag on. War fatigue and the coming elections in the U.S. and the European parliament next year, and in Germany and UK the year after, may impact Kyiv's campaign. Russia is also running short of war material, turning to Iranian drones, and possibly soliciting military aid from China. These may create fertile ground for making peace overtures, and the renewal of a deal to ensure the safe passage of grain exports from Black Sea ports may provide an opening.

Chin's cautious approach to the crisis — opposing the violation of Ukraine's territorial integrity and the threat of nuclear weapons, while recognizing the deeper roots of the conflict — makes it an acceptable arbiter. But at the end of the day, it is Beijing's ability to throw a lifeline regardless of the war's outcome that makes the parties — whether in the Middle East or Eastern Europe — eager to listen.

But at the end of the day, it is Beijing's ability to throw a lifeline regardless of the war's outcome that makes the parties — whether in the Middle East or Eastern Europe — eager to listen.

The Dragon or the Eagle?





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When countries in the Asia-Pacific region look at the relative merits of alignment with China or the United States, the tradeoffs are sometimes clear and other times cloudy. A few countries have outwardly shown their support for one party or the other, but the choice turns on many factors.

The shift of U.S. policy from engaging China to containing it can be traced to the Obama administration and his “pivot to Asia” strategy in 2009. It coincided with the Chinese economy surpassing 10 percent of global output in real terms to become the world’s second-largest economy a few years earlier. In 2020, China even surpassed the economic size of the European Union, at 18 percent of global output.

The containment policy went into high gear during Donald Trump’s administration, with the trade war of 2018. The tension deepened further with restrictions imposed on Chinese companies operating in the U.S., particularly those in the technology sector (e.g. Huawei and ZTE), which led to discussions about decoupling the China-U.S. economic relationship. COVID-19 added further cracks to the relationship. While the Trump administration took on China on its own, Trump’s successor chose to rally other countries to join the crusade against China. The re-emergence of the

Quad (U.S., Australia, India and Japan) and the establishment of AUKUS (Australia, UK and U.S.) are good examples of such alliances.

China’s increasing influence around the world, on one hand, can be traced to President Xi Jinping’s flagship project, the Belt and Road Initiative, and on the other to China’s ambition to dominate in several key industries as outlined in the Made in China 2025 document.

Impact of China-U.S. tensions

The impact of a strained relationship between the two superpowers over their respective economies is obvious. Numerous studies point to the negative impact of the trade war on both countries. Abiad et al. (2018) showed that trade tensions can result in the loss of both output and employment with minimal impact on trade imbalances. Huang et al. (2018) studied the impact of the trade war on the stock market responses of companies and found that financial

market losses were experienced not only by those dependent on China-U.S. trade, but also on a host of other enterprises indirectly linked through global value chains, or GVCs. Tam (2020) in fact claimed that the move by the U.S. to direct investment away from China would actually hurt the U.S. and worsen its trade imbalances. Thus, economic reasons seem insufficient to explain these geo-political tensions.

The impact of a trade war between the two superpowers is not limited to their own economies but also to every other economy linked to this relationship in various degrees. Fajgelbaum et al. (2021) calculated that the trade war would decrease trade between the two warring countries, but the exports of bystander countries as a whole (the study considered 48) will in fact increase. These bystander countries, in general, reduced their exports to China but increased exports to the U.S. and other countries.

However, the effect was heterogeneous across countries depending on the rate at which a bystander country could substitute goods from China. Ferchen (2022) stated that Southeast Asia is the region that will experience the most intense impact (compared with Africa and Latin America) from the U.S.-China rivalry. This is because of the neighborhood effects and the intensity of the economic relationship between the three entities. China and the U.S. made up 16 percent and 15 percent of total ASEAN exports in 2020, respectively. Imports from China had been growing in the past decade and were significantly higher (24 percent) than the U.S. (8 percent). However, as far as FDI is concerned, the stock of U.S. FDI is much greater than China's, simply because the investment relationship goes back to the 1970s. Chinese FDI is more recent, particularly in the infrastructure and energy sectors (Ferchen, 2022).

Choosing between China and U.S.

A few countries in the region have outwardly shown their support for one party or the other. By joining AUKUS and the Quad, Australia's support for the U.S. is clear. The military alliances that Japan and South Korea have with the U.S. allow limited options in their own backyard. Myanmar supports China's position vis-à-vis the interference of the U.S. in China's domestic issues when it comes to Taiwan (Tiezzi, 2022). Laos and Cambodia often defend China at ASEAN summits with respect to maritime issues in the South China Sea (Sutter, 2021).

The impact of a trade war between the two superpowers is not limited to their own economies but also to every other economy linked to this relationship in various degrees.

However, other countries in East Asia prefer not to take sides. Singapore, for example, is trying very hard to be friends with both superpowers. Despite having a defense memorandum with the U.S., it also conducts joint military training with China (Choong, 2021). A survey by the Pew Research Center in 2022 provides further support to the findings above (Silver et al., 2022). Among the countries in the Asia Pacific that were included in the survey, unfavorable views of China above the median (68 percent) were found in Japan (87 percent), Australia (86 percent) and South Korea (80 percent), compared with Malaysia (39 percent) and Singapore (34 percent).

Another survey of thought leaders and policymakers in the ASEAN region conducted by the ISEAS-Yusof Ishak Institute in 2022 found that 76.7 percent of respondents ad-

mitted that China is the undisputed influential economic power in the region, although a majority of them worry about its growing influence. As for the U.S.-China rivalry, 57 percent would prefer their country to align with the U.S. Of all countries, the choice of the U.S. ranged from 83.5 percent in the Philippines to 18.2 percent in Laos (Seah et al., 2022).

On the economic front, both the U.S. and China have been lobbying Asia-Pacific countries to choose sides. A good example is in regional economic cooperation. China spearheads the Regional Economic Cooperation and Partnership (RCEP) while the U.S. once led the Trans Pacific Partnership (TPP) and now the

Indo-Pacific Framework for Prosperity (IPEF). The RPEC focuses more on enhancing trade among member countries, while the IPEF focuses on how business is done. Although these two initiatives can be complementary, a tacit competition emerges because they are led by one superpower over the other.

What if countries need to take sides? Do these bystander countries have a choice? Which superpower should countries align themselves with?

Figure 1. Membership in key regional agreements

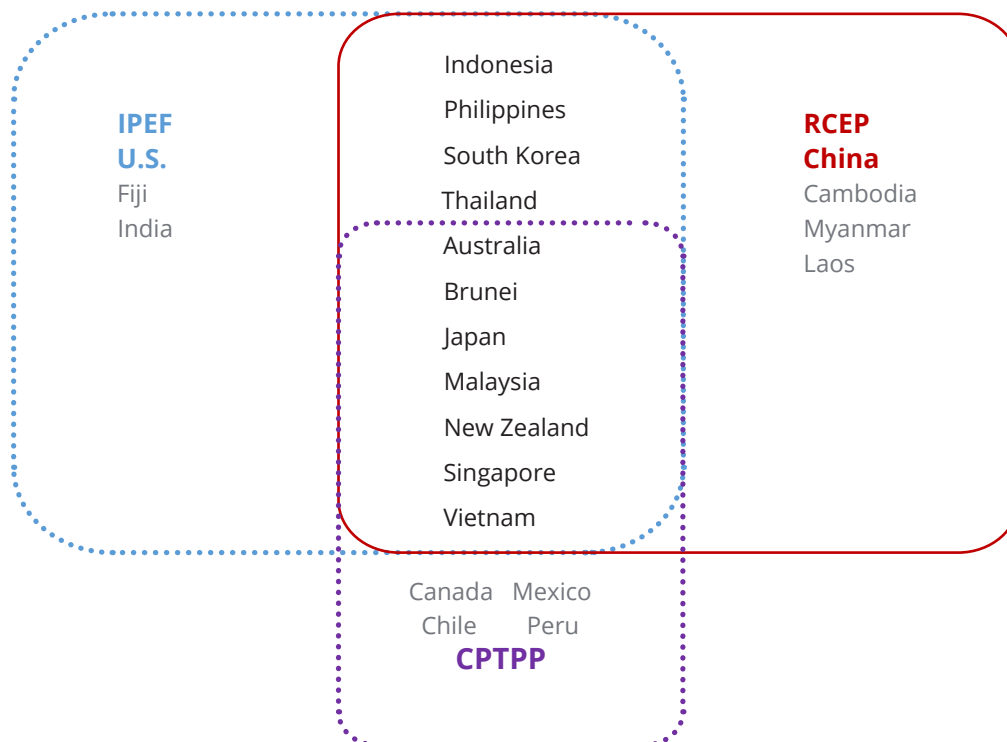


Figure 1 shows the members of the three groupings. Most of the countries in the Asia Pacific region are in all or two of the groupings. It is not surprising that countries may prefer to be non-aligned, as China and the U.S. are significant trading partners for those countries.

Forced to make a choice

What if countries need to take sides? Do these bystander countries have a choice? Which superpower should countries align themselves with? We address these questions using a framework introduced by Dawar and Frost (1999) that describes strategies available to

local companies in emerging markets when large multinationals enter their home markets.

The framework is based on two factors: the pressure on a company to globalize its operations and the extent to which its capabilities (or company-specific assets) are internationally transferable. The former deals with external pressures, while the latter deals with the company's internal capabilities. Mapping these into a 2x2 matrix results in four distinct strategies available to local companies when faced with competition from large multinationals: defend, extend, dodge or contend.

Figure 2. Options available to bystander countries

		Relative Comparative Advantage	
		Less competitive	Globally competitive
Trade Intensity	More Significant	<p>Dependent</p> <p>Choice is with country j. Build political connections with country j that can enhance economic co-operation. Choose trade blocs spearheaded by country j.</p>	<p>Negotiate</p> <p>Country i is globally competitive but country j is an important partner. Relationship with country j is important although being an efficient producer can give some advantages.</p>
	Less Significant	<p>Choose</p> <p>Choose country j that can build national competitiveness eg through technology transfer, access to country j's markets etc.</p>	<p>Independent</p> <p>The choice is country i's. Look for long term benefits and the potential for country i to grow so that exports to country j can continue to increase.</p>

*Country j is China or U.S. Country i is the bystander (exporter) country.

The strategies based on Dawar and Frost's typology include focusing on market segments where multinationals are weak, expanding into similar markets abroad, entering into joint-ventures with a giant firm and focusing on niche markets locally and abroad.

In the context of the availability of options among bystander countries when faced with the choice of the two giants — China or the United States — two main factors have to be considered. First is the importance of the superpower in the trading regime of the bystander country (i.e. the external pressure). Since many East Asian countries are open trading economies, trade is an important feature of their respective economies and, as shown earlier, China and the U.S. are important trading partners. Second is the extent to which a bystander country's exports have a comparative advantage compared with other countries (i.e. the internal capability). A bystander country will have stronger bargaining power if it is an efficient producer. Mapping these two factors into a 2x2 matrix results in four available options, as shown in **Figure 2**.

The top right quadrant is a scenario in which the superpower is a significant market to the bystander country, but it has an above average comparative advantage. This provides the bystander with some negotiating power and allows the country to remain neutral. However, the bystander has to ensure a good relationship with the superpower.

In the quadrant at the bottom left neither power is a significant trading partner, and so the bystander has little comparative advantage. While the superpower may be interested in the support of the bystander in international organizations like the UN or WTO, it would be advisable for the bystander to choose the partner that will be

willing and able to help build lasting capabilities over the long-term, such as infrastructure, education or technology.

The top left quadrant is where the bystander is dependent on the superpower that dominates the trade relationship. There is little negotiating power for the bystander and there is little option but to look for opportunities to please the partner — say, closer political relationships or supporting trade blocs. These would be spearheaded by the great power.

In the bottom right quadrant, the bystander is in a position to remain independent or choose between great powers to build closer relationships. The bystander may even have capabilities that the superpower is interested in.

Next, we map a few selected Asia-Pacific economies by using the following measures. For trade intensity, we simply use the exports to China or the U.S. as a proportion of total exports of the bystander country. As for the comparative advantage measure, we use the well-known Revealed Comparative Advantage (RCA). A country is said to have a revealed comparative advantage in product x when the ratio of exports of the product to the total export of all goods is greater than the same ratio for the world as a whole. When the RCA is above 1, it is considered to be a competitive exporter and producer of that product relative to other countries whose RCA is lower. The higher the RCA, the more efficient the country is in producing product x . Since the RCA is for a particular product category, we aggregate the RCAs of all products (using SITC 2-digit aggregation), weighted by the importance of the product imports in China or the U.S. Thus, the weighted RCA considers the comparative advantage of a bystander country relative to the importance in China's import basket.

Figure 3. Bystander Countries' Positions vis-à-vis China and the U.S., 2019

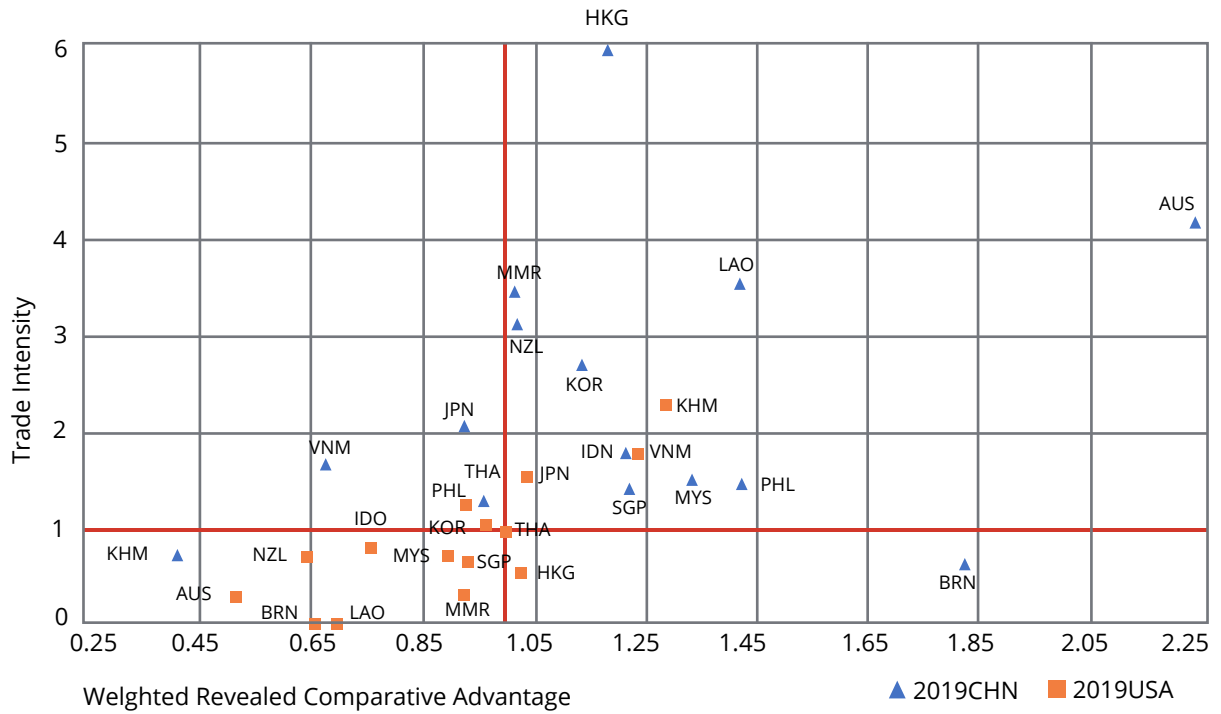
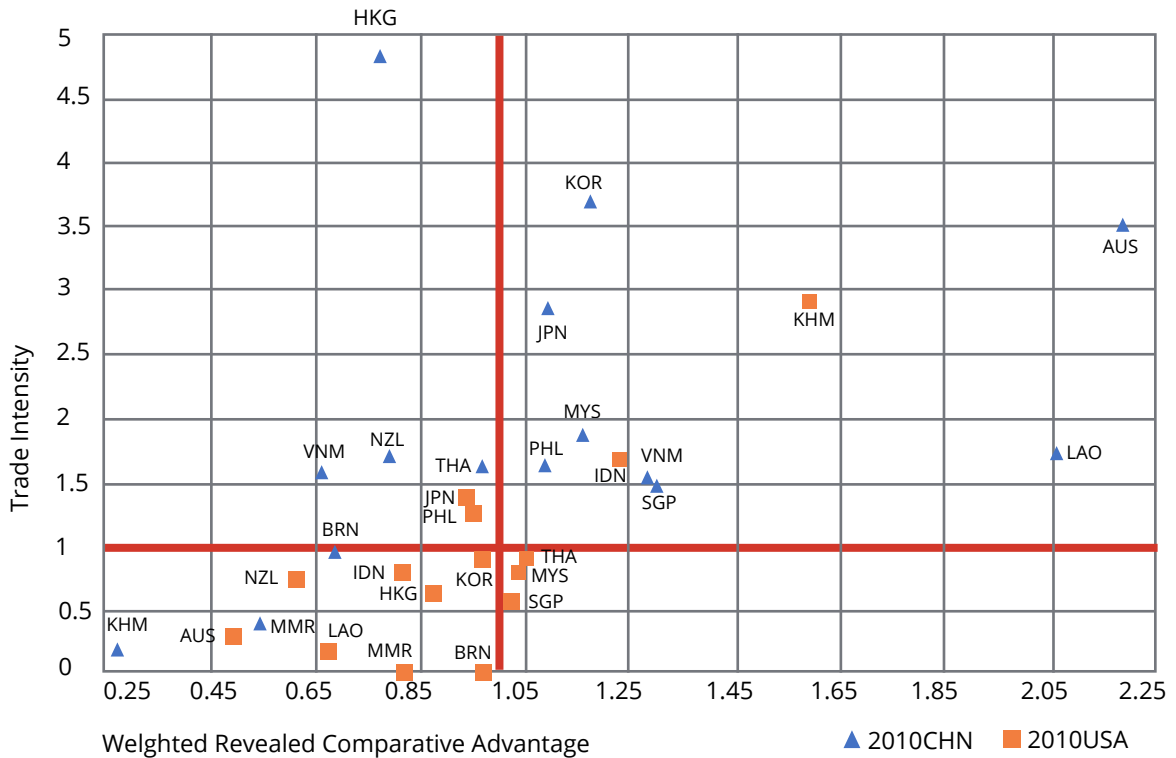


Figure 4. Bystander countries' positions vis-à-vis China and the U.S., 2010



The position of the selected bystander countries with respect to the U.S. are clustered in the bottom left quadrant while the relationship vis-à-vis China is mainly in the upper right quadrant. Thus, China is a more important trading partner, and many bystander countries are efficient producers, given the needs of China.

The bystander countries in the upper right quadrant should be able to negotiate with China since the outcome could be a win-win for both parties. However, with respect to the U.S., most bystander countries (except Vietnam and Cambodia) may not have much bargaining power, as they are relatively inefficient. If the bystander countries hope to improve their positions vis-à-vis the U.S. in the long term, this may not be likely since the situation in 2010 was not much different from 2019 (see **Figure 4**).

An extreme example is Australia. The position of Australia with respect to the superpowers is a study in opposites. China is an important trading market for Australia, but Australia also has comparative strengths. In other words, both countries need each other. Negotiations between the two would be beneficial for both. On the other side of the coin, the U.S. is neither an important partner nor is Australia an efficient producer for the needs of America. The current international relationship of Australia with the two superpowers — i.e. favoring the U.S. over China — is confusing. Clearly, in this situation, ideology seems to trump economics.

Japan, on the hand, needs both China and the U.S., since its position with respect to both is similar. Note that Japan's position vis-à-vis China has deteriorated over time and marginally improved with the U.S. In addition to the defense alliance, Japan's affinity for the U.S. seems appropriate.

South Korea's position is more complex as compared with Japan. While China is an important market and the U.S. is more or less neutral, its non-economic relationship with the latter creates a difficult choice.

As for ASEAN countries, Indonesia, the Philippines, Malaysia and Singapore would find it relatively more fruitful if they negotiated with China, as compared with the U.S. Not only is China a more important market but these bystander countries also have their relative strengths, which cater to China's needs.

Thailand is in a more precarious situation, as its position with respect to both superpowers is somewhat similar. Thailand needs to be friendly with both. Our analysis confirms that Vietnam's international relations position is more skewed toward the U.S. On the other hand, Laos and Myanmar will find it more beneficial to continue to deepen ties with China. Cambodia seems to favor China, although our analysis suggests an opposite policy.

The Asia-Pacific countries are right in the crossfire between China and the U.S. The U.S. tries to lure the bystander countries by guaranteeing military assistance if their sovereignty is compromised, while China offers tangible economic sweeteners, such as infrastructure investment and a growing market for exports.

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Non-Aligned Movement 2.0

Countries in the Asia-Pacific region should not have to choose between China and the U.S. Singapore's Prime Minister Lee Hsien Loong wrote in 2020: "Asian countries do not want to be forced to choose between the two. And if either attempts to force such a choice — if Washington tries to contain China's rise or Beijing seeks to build an exclusive sphere of influence in Asia — they will begin a course of confrontation that will last decades and put the long-heralded Asian century in jeopardy" (Lee, 2020).

But the reality is that these bystander countries may not have a choice in the matter due to the worsening of ties between the two superpowers (Weiss, 2022; EIU Update, 23 October, 2020). The Asia-Pacific countries are right in the crossfire between China and the U.S. The U.S. tries to lure the bystander countries by guaranteeing military assistance if their sovereignty is compromised, while China offers tangible economic sweeteners, such as infrastructure investment and a growing market for exports.

Both types of assistance are attractive and necessary, particularly for developing economies. Economic growth depends on political stability and security, and vice-versa. For either superpower, offering both economic or security assistance can tilt the balance. On the other hand, creating an alliance of bystander countries to preserve their neutrality seems to be a necessity. Perhaps it is time for a new Non-Aligned Movement type of organization in the Asia Pacific.

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