EuroHub4Sino

European Hub
for Contemporary China

ALMANAC 2024



Funded by
the European Union

European Hub for Contemporary China (EuroHub4Sino) is a three year project funded by the European Union's Horizon Europe programme. Its principal objective is to facilitate the independent knowledge production on contemporary China and promote cooperation among fragmented China expertise in Europe by developing a cutting-edge digital platform (eh4s).

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EuroHub4Sino Almanac 2024

Please cite as: Surname, Name (Writer) (2024), "Policy Paper Title", EuroHub4Sino Policy Paper – 2024/[numeration], Brussels. DOI: [DOI number].

European Hub for Contemporary China – EuroHub4Sino
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Foreword

Dear Reader,

As the EuroHub4Sino project marks its first year, we reflect on a period rich with research and collaboration, underscoring our commitment to understanding and addressing the complexities of Sino-European relations. This almanac represents the culmination of our year-long research programme, synthesising the findings of our various papers into a single, accessible volume.

The research presented here offers a comprehensive overview of the shifting dynamics in Sino-European relations. These findings emphasise the necessity for European policymakers to develop a more nuanced understanding of China's strategic intentions and the implications of its ascendance. By conducting extensive research and offering policy contributions, our objective is to provide actionable insights that will shape European policy and global discourse on China.

The articles in this almanac provide an in-depth examination of China and its activities, as well as a robust foundation for future research. Primarily, the almanac addresses trade and economic issues, security concerns, global governance, the complex relationship between China, Europe, and other global powers, environmental and climate change concerns, science, technology, and innovation (STI), and the domestic power centres in China and their influence on Chinese foreign policy.

As the EuroHub4Sino project progresses, we will persist in providing perspicacious, research-based analysis to inform Europe's approach to China's evolving domestic policies and its increasingly assertive global stance. The research presented here offers valuable context for a number of different audiences, including policymakers, researchers, business leaders, members of the media, and anyone with an interest in the future of China's interaction with Europe and the wider world. In this regard, our publications are accessible via open access on our website (*eh4s.eu*).

As we look ahead to the forthcoming two-year period, our objective is to continue to provide well-considered, evidence-based policy recommendations with a view to fostering enhanced mutual understanding and cooperation between Europe and China. In addition, we are committed to further developing our platform to support the research, collaboration and communication activities of European China experts.

Yours sincerely,

EuroHub4Sino

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https://doi.org/10.31175/eh4s.2014.01

The "Two Integrations" and the (Increasing) Chineseness of Chinese Marxism

By
Shaun Breslin

Executive Summary

- Ideology matters in China; and matters more than it does in many political systems. Not least because it is made to matter by the way that it is disseminated and promoted by the party.
- Changes in the nature of the party's guiding thinking are an essential pre-requisite for key policy changes, and establish new objectives and benchmarks that the party wants to be judged against.
- Studying ideological changes helps us understand the party's preferred direction of travel.
- Even radical changes are explained as representing a form of continuity with the past, by emphasising the supposed methodology of theorising, with Marxism needing to be integrated with practical national conditions to become a usable guide to action. As times and circumstances change, so Chinese Marxism needs to change too.
- Attaining national goals and protecting national interests, have long been an important component of Chinese Marxism. So too has a focus on China's pre-revolutionary past as a source of Chinese greatness and of a distinct and unique way of thinking. However, Xi has taken this emphasis on China's traditional culture to a new level.
- The Two Integrates formally establishes the need to integrate Marxism with not only China's specific national circumstances at any given moment in time, but also China's traditional culture, thinking and values. Xi's version of Chinese Marxism seems to be much more influenced by his understanding of China's pre-revolutionary past than it is by the writings of Marx and Engels.
- Xi has identified what he argues are core elements of Chinese culture. One consequence is an increasing focus on China's uniqueness, exceptionalism and fundamental difference from other countries and societies; a focus and argument that is likely to increase in the future.
- From the Autumn of 2023, Xi's speech on *"Cultural Inheritance and Development"* (originally given in June 2023) has been widely reported and re-printed, and represents that start of a new emphasis on the importance of China's pre-revolutionary past for its present and future.

Keywords

Ideology

Sinification of Marxism

Cultural inheritance

Xi Jinping

Two Integrations

Traditional culture

Marxism



Introduction

Although Mao Zedong's revolutionary strategy differed considerably from the sort of proletarian revolution foreseen by Marx and Engels, he was very clear that his strategy was a *Marxist one* (actually, usually a Marxist-Leninist one). So too was his conviction that *class struggle* should continue after the creation of the socialist state; a conviction that resulted in the chaos of the Cultural Revolution. After his death, the abandonment of his radical policies and a new emphasis on economic reform was also explained as being fundamental Marxist. More than that, it was explained as being the natural *continuation of Mao Zedong Thought* rather than the rejection of it. How can this be the case? How can both what Mao argued and did, and what was subsequently done to overturn what Mao did, both be result of the same guiding ideology? And how is the work of Marx and Engels reflected in any of these incarnations of Chinese Marxism?

The answer lies in the way that the CCP explains what it thinks of as its methodology of ideological innovation to make Marxism relevant for different settings and changing times. Marxism-Leninism, so the argument goes, only provides the theoretical starting point, and not a blueprint or fixed guide to action. To make it have salience and actual real-world applicability, then it needs to be applied to specific and real world practical contexts. In the Chinese case, this entails imbuing it with specific Chinese characteristics; a process often referred to in English as the *"Sinification of Marxism"*. And as times change, then so the guiding ideology needs to change as well.

This "methodology" in effect can be used to justify pretty much anything and any turn in direction that the party leadership wants to do and take. It allows for things to be done by the ruling CCP that don't seem to have much to do with things written and said by Marx and Engels. Or more latterly, things done and said by ear lier CCP leaders like Mao himself. As we shall see, it is thus important in allowing

for change – and at times quite radical change - to be explained as representing continuity rather than a fundamental rupture with the party's (sometimes failed) past.

All CCP leaders have used the same justification to explain and justify their own ideological innovations and additions to guiding theory. And this includes Xi Jinping who has placed a particular emphasis on developing new thinking for a new era following the *"spirit of Mao Zedong Thought"*. Given that this justification for theoretical malleability has been used to justify very different policy preferences, then it is easy to dismiss it as sloganeering; do we really need to know how Xi justifies the way he has derived at his new way of thinking?

It is hard to disagree with the argument that what Xi actually does is more important than how he explains the process at arriving at new ideological positions. Nevertheless, understanding the argument does no harm when trying to work out the sort of benchmark of achievements and goals that the party wants to be judged against as it shifts the basis of its legitimacy away from an over-reliance in the past on generating growth.

In addition to changing the context of CCP ideology, Xi has broken away from his predecessors in explaining the way in which he arrived at his new thinking and where the ideology comes from; where its origins lie. During the Cultural Revolution, any manifestations of old thinking and old practices were subject to vilification and violent attacks. Exhorted to "destroy the *four olds"*, radicalised youth attacked any symbol of this past; temples, monuments, books and also people who were accused of upholding the four olds or in some ways representing them.

The transition from seeing the past as the problem and something to be rejected to lauding it as a source of China's successes and greatness did not originate with Xi. In the 1990s, there was a concerted attempt to use *nationalism* as a unifying and legitimating force, as the party portrayed itself as the defender of China's proud national interests, struggling to return the country to its rightful place in the global order in the face of an often-hostile international environment. And much of what Xi has said about integrating Marxism with China's great cultural traditions builds on what was said and debated under his predecessor, *Hu Jintao.*

That said, Xi places an even greater emphasis on China's past than his predecessors did: its ancient pre-revolutionary culture, thinkers, philosophies, practices, world views and so on. Moreover, he has formalised the relationship between Marxism and China's long, distinct and exceptional past through the adoption and promotion of what is variously translated into English as the Two Integrates, Two Integrations or Two Combinations (两个结合). In order to understand the nature and significance of this change, we have to begin by going back to basics to understand of how the CCP previous explained how it derived at its guiding ideology, and how this explanation allowed for considerable flexibility and change within a framework of continued one party rule.

The First Integration: Integrating Marxism with China's Concrete Circumstances

The Marxism that Marx and Engels wrote about was a theory of post-industrialisation; an industrialisation that was only at best in its infancy and not geographically widely spread in China when the Chinese Communist Party (CCP) was formed in 1921. Indeed, fit was for this reason that a number of this new party's members and leaders thought that a socialist revolution would be a long time coming.

Mao was not alone in coming to a different conclusion. One of the co-founders of the CCP in 1921, *Li Dazhao*, had already written about the importance of developing a form of Marxism that worked in China by incorporating China's unique and specific cirumstances and history even before the establishment of the party. And earlier Marxists were not the only source of ideational inspiration for Mao and other early Chinese Marxist thinkers. *John Dewey's* emphasis on the importance of pragmatic experimentalism, for example, was particularly influential at the time. But in the way the party retells its history and builds an explanation for ideological transformations, Mao's thinking and convictions take on a special role. And the influence of earlier Marxist thinkers and practitioners are highlighted when it comes to explaining the evolution of Mao's thinking.

China did not, *Mao argued*, have to wait to go through the same processes of political and economic change that Marx and Engels had observed in Britain and Germany before revolution would occur. After all, neither had Russia in 1917. And yet a successful revolutionary had occurred there. This was not because Russia's revolutionary thinkers and leaders treated the works of Marx and Engels as some sort of blueprint that had to be slavishly followed, but rather because "Lenin and Stalin integrated the universal truth of Marxism with the concrete practice of the Soviet revolution and thereby developed Marxism".

Once more recognising that the real source and flow of ideas is not always the same as how history is later explained, the foundations of this approach to theorising are typically explained as having their roots in *Marx's own belief* in the need to "prove" the truth "of his thinking in practice". The specific focus on dogma – and the errors of being dogmatic - comes from a relatively short letter written by *Engels* to the German born American labour leader, Friedrich Adolph Sorge. In it, he criticised those who approached theory in "a doctrinaire and dogmatic way, as something which has got to be learnt off by heart" rather than as a more abstract "guide to action". This idea became shorted to the principle that "Marxism is not a dogma but a guide to action", and was used by *Lenin* and *Stalin* to explain and justify why their thinking, practices and policies differed from the original revolutionary expectations of Marx and Engels; and in the latter's case, also to justify his attacks on other Soviet leaders (like Zinoviev). Both in the Union and in China, being the wrong sort of Marxist at times was a bigger sin than not being a Marxist at all. So explaining why a certain way of thinking was truly Marxist (and another was not) became an important political tool

in either attacking political opponents or subsequently justifying such attacks (or both).

It is not clear that the origins of Mao's own theoretical innovations were directly influenced by studying the evolution of this line of argument, rather than independently emerging from his own personal experiences (and indeed, the influence of non-Marxists like Dewey). Indeed, in his *1927 Report* on an Investigation into the Peasant Movement in Hunan – a report that established his conviction that a correctly lead peasantry could become a potent revolutionary force - he places the emphasis on the time he spent living with the peasants in the countryside. Certainly, though, once he became the effective leader of the CCP,[1] he specifically placed himself as inheritor and continuer of this tradition in developing a new practice-based revolutionary thought that worked for China. In doing so *he criticised* both "empiricists" (who built their understanding solely on their experiences without any Marxist knowledge or guidance, and also the dogmatists who only studied the works and words of previous Marxist thinkers and "cut themselves off" from the real world around them. This included those who were overly influenced by the experience and trajectory of the Soviet Revolution in Russia, and who thought that this provided the guide for China's own revolution.

For Mao and his followers, if Lenin's and Stalin's logic of adapting Marxists truths to fit the reality of the Russian situation was ideologically correct, then it would be ideologically wrong to expect that experience to be germane for China. On the contrary, China must instead develop revolutionary thought that was built on integrating the universal truths of Marxism with China's own very specific set of circumstances. As perhaps most clearly expressed in *"On Practice"* in 1937 – a paper that refers to practice some 93 times (98 including the foreword) – "the truth of any knowledge or theory is determined not by subjective feelings, but by objective results in social practice. Only social practice can be the criterion of truth".

After Mao

As with XI's Thought, the actual content of Mao's Thought and what it meant in practice does not concern us here. The key is the way in which this process of theorising was first explained at the time, and then more important, subsequently explained by China's post-Mao leaders as they too sought to innovate. This is because exactly the same logic that Mao used to justify his ideological innovations – including the need to wage class war during the Cultural Revolution – was used by the post-Mao leadership to theoretically justify their abandonment of his policies. And it has been used ever since too. It has become a foundational truth of developing and evolving the CCPs guiding ideology.

Those who wanted to take a new direction under the effective leadership of Deng Xiaoping even used Mao's own words and thinking to justify the new turn against him after his death. Mao's 1940 call to Seek Truth From Facts" (as

used in *"On Democracy"* in 1940) and his arguments about the relationship between practice and truth – now typically described as "Practice is the Sole Criterion of Truth" – became the ideological justification of the urgent need to turn away from his policies.[2] More than that, those who wanted to continue Mao's policies (as his immediate successor Hua Guofeng did) were actively abrogating Mao Zedong Thought not following it. Their emphasis on wanting to emphasise continuity even though times had changed, so the argument went, was a new form of dogmatism that "violates Comrade Mao Zedong's principle of seeking truth from facts and the principles of dialectical and historical materialism".

This quote is from a speech made by *Deng Xiaoping* in 1978, when he asked how the party should " Hold High the Banner of Mao Zedong Thought"? His answer was to focus on repeating the method of theorising rather than the policies that this theorising led to at different times. This was because "the fundamental point of Mao Zedong Thought is seeking truth from facts and integrating the universal truth of Marxism-Leninism with the concrete practice of the Chinese revolution". Mao Zedong Thought, then, became defined as the process of theorising rather than the actual content and consequences of Mao's theories themselves.[3] As times had changed, new thinking was required to reflect these changes and provide new theoretical guidance for new times.

Identifying the Principal Contradiction

Mao supposedly using this method of theorising in the 1960s Mao to identify class conflict as the *Primary or Principal Contradiction.* This refers to uncovering the single most important challenge facing the party and the revolution at any given time; a contradiction that could lead to the end of the party (and thus the CCP led political system in general) if not correctly dealt with. The existential nature of this challenge thus justifies doing *whatever it takes* to defeat it. So in the Cultural Revolution, this provided a theoretical justification for defeating class enemies. After he died, supposedly using the same theorising method, Deng and other reform minded leaders undertook a new process of integrating the scientific truths of Marxism-Leninism with China's new and changed specific national circumstances, which included thinking through the impact on the party and the people (and on the economy) of the Great Leap Forward and the Cultural Revolution. This led to the identification of a *new Principal Contradiction* for a new Post-Mao era.

At the core of what was after Deng's death officially designated *Deng Xiaoping Theory[4]*, was a focus on China's level of underdevelopment and the need to "improve the people's material and cultural life and broaden their outlook"; if these development based issues were not dealt with, then the party and the one-party state would be lost. Once again, this justified doing whatever it took to deal with this new primary contradiction, including using the sort of capitalist means and methods that were anathematic to Mao. And also eventually becoming a key actor on the (capitalist) global economy too.

Again, it is not the content of policy that is relevant for this discussion as the way in which this new direction was justified. The development of Socialism with Chinese Charac teristics after Mao represented the *"second historic step* in adapting Marxism to China's conditions". When Party General Secretary *Jiang Zemin* argued in 1997 that "The fundamental task of socialism is to develop the productive forces", he was basically talking about promoting the sort of industrialisation and economic growth that Marx and Engels thought would have happened before the revolution and the seizure or power in the first place; and indeed, would have been a cause of that revolution. Moreover, they were trying to do this in the wake of the impact on the economy (and potentially the people's support of the party) of the Great Leap and Cultural Revolution.

For Deng, Jiang and other post-Mao leaders, there was no contradiction between socialist and Marxist principles and thinking on the one side, and the use of markets, the private sector and other capitalist forms on the other. They are two parts of a bespoke and specific form of *socialism with Chinese characteristics* that worked for China precisely because it is based on China's unique and specific circumstances at the time.

After Deng

All of China's leaders have used the same justification in making their own ideological innovations and contributions as they reflect on changes in China's concrete (and unique) national circumstances, or as they seek to leave a theoretical mark on history (depending on your point of view). In *Jiang's case*, this was manifest in The Theory of the Three Represents, which officially became part of the CCPs guiding ideology in 2004. This took an even greater step away from the class basis of politics under Mao by stating that the party now represented China's advanced productive forces, advanced culture, and "the overwhelming majority of the Chinese people"; not just workers and peasants but everybody including capitalists (or perhaps that should be capitalists with Chinese characteristics). Again, this was explained as being entirely appropriate (and entirely Marxist) as it simply reflected the integration of Marxists truth with the new and changed realities of the day in China.

Subsequently, at the 17th Party Congress in 2007, *Hu Jintao* announced that his Scientific Outlook on Development was a new addition to "Theories of socialism with Chinese charac teristics" and represented "the latest achievement in adapting Marxism to Chinese condi tions". This was explicitly in part inspired by the impact of SARS, and more broadly by the emerging negative consequences of the pursuit of rapid economic growth above all else. In the same year at the annual meeting of the National People's Congress (China's parliament), Premier *Wen Jiabao* painted a not particularly rosy picture of the health of the economy, captured by the idea that *it was* "unstable, unbalanced, uncoordinated and unsustainable".[5] Hence the need to move to a new growth mode built around "comprehensive, coordinated and sustainable development".

The new emphasis was captured by two major concepts, backed up by a propaganda campaign to promote them; "put people first" and build a "harmonious society". It might seem odd that these needed to be promoted as new initiatives given that most governments of most complexions would probably say that this was what they were doing, and this was their aim. But the implication here is that people had not previously been put first; overall growth and development had instead been prioritised. And this dash for growth had resulted in disharmony and the sort of structural problems outlined by Wen Jiabao. Stressing the need to *"Put people first*, exercise governance for the people and always maintain close ties with them" – as Hu did at the 18th Party Congress – also suggests that previously the party had been losing touch with the people too.

Continuity, Criticism and Change in a One-Party State

This points to the problems of moving on from the past in a one-party state. In a competitive electoral system, a new government often comes to power precisely because it has highlighted the failings of the incumbents and promised a better new future. It is harder (or maybe more dangerous) to do this, though, in a one party state because the previous ruling party that might have made mistakes is the same as the ruling party that now wants to move in a new direction. Moreover, the same party that used its extensive propaganda tools to promote and extol the wisdom and successes of previous leaders now needs to extol the wisdom of doing something different to overcome existing problems too.

Mistakes can be and are acknowledged. As *Goodman* notes, one of the reasons that the CCP argues that it is the "guarantee of China's future [is] not because it has always acted perfectly but precisely because it is a learning organisation". This is a party, so the argument goes, that is always vigilant and looking for any error or any sort of change that needs a response. When something does change, then by applying the universal ideological truths of Marxism to the new changed circumstances, the party comes up with new thinking that generates new policies to deal with the new reality. The focus then turns to the new and the solution rather than the past and the sources of the problems that need resolving. And to make sure the message gets across, the party uses its extensive propaganda machinery and control over the media to ram the message home. The extensive exegesis that typically often takes place in academic works helps as well.

The massive transitions that took place after the death of Mao are a clear example of trying to build support for something new and acknowledging past errors without totally undermining the party with a wholesale rejection of the past. Even though "chief responsibility" for the error of the Cultural Revolution were blamed on Mao in the party's 1981 *review* of its own history,[6] and this was an "error comprehensive in magnitude and protracted in duration", the report was largely positive in its evaluation of Mao's revolutionary contribution. Even the Cultural Revolution was explained as "the error of a great proletarian

revolutionary", and only partially Mao's fault with the Gang of Four taking most of the rest of the blame. And as we have seen, turning away from Mao was explained as actually maintaining his tradition (of theorising if not of policy) rather than abandoning it.

The shift to putting people first was considerably less dramatic and less extreme than the post-Mao transition. It was also incomplete, with something of a consensus emerging that Hu's presidency was unable to break through the various *vested interests* that were happy with an unreformed status quo. Given what Xi has subsequently done to impose himself on the party and to centralise power around himself, then it would seem fair to suggest that he had reached the same conclusion about obstructions and bottlenecks within the party too. And part of the process of moving to a new stage entailed Xi making his own theoretical contribution to the party's guiding ideology.

Xi Jinping Thought: From One to Two Integrations

Hu Jintao's Scientific Outlook on Development was formally adopted as part of the party's guiding ideology at the CCP's 18th Party Congress in 2012; the Congress that saw the end of Hu's tenure and the beginning of Xi Jinping's. So as Xi became party leader, the *CCP's constitution[7]* stated that:

> *The Communist Party of China takes Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the important thought of Three Represents and the Scientific Outlook on Development as its guide to action.*

Marxism-Leninism in itself is the result of adapting the original to the specifics of the Russian/Soviet case. And everything after the word Leninism has been at various times explained by the CCP as resulting from integrating Marxist truths with practical Chinese national contexts of the time. While the following quote, also from the party constitution, is rather long, it is worth repeating here in part to explain the supposed method in the party's own words. And also in part to show that at its very fundamental starting point, the method of theorising (and the justification for doing it this way) remains unchanged from Mao's arguments in On Practice in 1939:

> *To uphold and develop Marxism, we must integrate it with China's specific realities. Taking Marxism as our guide means applying its worldview and methodology to solving problems in China; it does not mean memorizing and reciting its specific conclusions and lines, and still less does it mean treating it as a rigid dogma.... We must base everything we do on actual conditions and focus on solving real problems arising in our reform, opening up, and socialist modernization endeavours in the new era. We must keep responding to the questions posed by China, by the world, by the people, and by the times; in doing so, we should find the right answers suited to the realities of China and the needs of our day.*

In truth, it is often difficult to immediately see what the Marxist elements actually are, but the supposed methodology of theorising is clear.[8]

The nature of Xi's theoretical contribution is significant in four main ways. First, it was added to the party constitution as guiding Thought while Xi was still General Secretary rather than as (in Hu's case) or after (in Jiang's) he stood down; or after he was dead in the case of Deng Xiaoping. Second, the designation of Xi's thinking as Thought (思想) is important, as only Mao's thinking was previously called Thought(and only Mao and Deng previously had been mentioned by name). Third, and following directly from this, Xi Thought is presented as a much more substantive addition than those made by Jiang and Hu. It is not a modification or tweaking of the status quo ante within an existing framework (as happened under Jiang and Hu). Rather, it was a move to a new frame work – a new era – because of the identification of a change in the principal contradiction.

The main challenge for the party and the regime was no longer China's levels of underdevelopment as it was throughout the previous post-Mao era. Now:

> *The principal contradiction in Chinese society is that between the ever-growing needs of the people for a better life and unbalanced and inadequate development.*

This is not to say that the task of promoting development was over. Far from it. China was still in the primary stage of socialism and would be "for a long time to come". Old challenges remain. Indeed, even class struggle has not totally disappeared according to the party constitution.[9] It's just that these are no longer the most urgent and pressing existential challenges for the party. While Hu's people centred preferences might have also pointed in a similar direction, the designation of a new Principal Contradiction represents an entirely different degree of change in the basic orientation of CCP policy under Xi.

Fourth, and perhaps most important, Xi's process of theorising differed from previousinnovations. Like his predecessors, his Thought was said to have emerged from integrating Marxist truths with the concrete circumstances of China in this new era. However, he added to this a second integration; integrating Marxism with China's traditional culture, thinking and practices.

Making the Past Serve the Present

The way in which Xi's ideas are words are presented can make it sound if all that he says and does is a new and original contribution. In reality, though, a number of his supposed innovations build on what has gone before. To be sure, where there is continuity, then in pretty much every case pre-existing trends have been intensified, accelerated and concentrated under Xi. This includes when it comes to theory building.

Xi was not the first Chinese leader to refer to the historical origins of contemporary China. As the party leadership looked for new sources of legitimacy after Tiananmen in 1989, they increased the focus on national goals and national(ist) aspirations. Providing more "patriotic education" was seen as being one way of inculcating a sense of common purpose across society (and particularly among the young) and also fostering a sense of gratitude and support for the party in delivering these national goals. This included looking back to periods of previous Chinese greatness when it was a global innovator and regional leader (and the goal of returning China to where it belongs in global hierarchies).

Hu Jintao's emphasis on harmonious development and building a harmonious world explicitly referred back to Confucian principles and objectives. Indeed, in his speech to the Party Congress in 2007, Hu effectively laid the foundations for Xi to build on when he argued that

> *Chinese culture has been an unfailing driving force for the Chinese nation to keep its unity and make progress from generation to generation. We must have a comprehensive understanding of traditional Chinese culture, keep its essence and discard its dross to enable it to fit in with present-day society.*

As is typically the case in China, this was followed by an increased scholarly interest in integrating Marxism and traditional culture. In addition, a 2009 Central Committee meeting was specifically devoted to the promotion, sinification, modernisation and popularisation of Marxism. Foreshadowing the formal adoption of the Two Integrates a decade and a half later, China's traditional culture was included alongside China's changed practical circumstances as an essential component of a distinct and usable new form of Chinese Marxism. At this stage, there was no clear identification of any specific elements of this traditional culture – the detailed features of it that informed and influenced the present. This was to come later under Xi.

The transition from the Hu to Xi in 2012 was accompanied by the establishment of a set of new Core Socialist Values. These values represent an aspirational ethical and moral code for the nation (prosperity, democracy, civility, harmony), Chinese society (freedom, equality, justice, rule by law), and individuals (patriotism, dedication, integrity, friendship). [10] Although they are called socialist values, none of these immediately leap out as being specifically socialist ones; or put another way, they are all values that many non-socialist nations, societies and individuals could associate with and aspire to manifesting. It is probably easier to discern traditional Chinese and Confucian concepts in these 12 values, rather than socialist ones.

Indeed, in explaining the genesis of these values at a politburo study group in 2014, Xi was explicit about their Chinese origins:

> *by etching these values in our minds can we forge ahead, and only by carrying forward what our ancestors have left us can we learn to be more creative.*

Equally as significant, in a document that was all about the origins of China's core socialist

values, he did not refer to Marxism once.

At *his speech* to the 19th Party Congress in 2017 – when Xi Thought was added to the Party Constitution – Xi referred to the great civilization built over 5,000 years, and the party's task of completing national rejuvenation; returning China back to the great power status it had before the arrival of the British in the Opium War. Four years later in commemorating the centenary of the CCP in 2021, Xi placed this past alongside China's present (its practice circumstances) as an additional *second integration*; the need "to adapt the basic tenets of Marxism to China's specific realities and its fine traditional culture". There was no further detail explanation or elaboration in this speech. This occurred the following year at the 20th Party Congress. Once more, the *following quote* is quite long. But as it is meant to fundamentally change the way in which Chinese Marxist theorising takes place, it deserves to be repeated in full:

> *To uphold and develop Marxism, we must integrate it with China's fine traditional culture. Only by taking root in the rich historical and cultural soil of the country and the nation can the truth of Marxism flourish here. With a history stretching back to antiquity, China's fine traditional culture is extensive and profound; it is the crystallization of the wisdom of Chinese civilization. Our traditional culture espouses many important principles and concepts, including pursuing common good for all; regarding the people as the foundation of the state; governing by virtue; discarding the outdated in favour of the new; selecting officials on the basis of merit; promoting harmony between humanity and nature; ceaselessly pursuing self-improvement; embracing the world with virtue; acting in good faith and being friendly to others; and fostering neighbourliness. These maxims, which have taken shape over centuries of work and life, reflect the Chinese people's way of viewing the universe, the world, society, and morality and are highly consistent with the values and propositions of scientific socialism.*

This formalised the process of placing an ever-greater emphasis on tradition and the past that had been evolving over a number of years. In fact, Hu Jintao might have a claim to be the originator of this understanding. You would not realise this, though, if you only read the things written by and about ideology in the Xi era, as any influence that Hu might have had has been drowned out by the focus on Xi's innovative thinking. In this respect, the specific announcement is probably less important than the evolution of the idea more generally over a longer gestation period. But formally changing what had supposedly been the foundation of CCP theorising over the previous century is not insignificant. In addition, there is more substance to this focus on the past that before; Xi now identifies specific elements and manifestations of this traditional culture that have salience for today. Establishing the second integration also lays the foundations for even further changes in the future.

Although the 2022 party congress marked the formal origin of the Two Integrations, it was not immediately given a huge amount of emphasis. It was a year later that it began to be pushed. As is often the case in China, a previous speech by a leader - in this case *Xi's speech* at the Meeting on Cultural Inheritance and Development in June 2023 - is subsequently published and promoted. This speech (rather than the announcement at the party congress) in many ways acts as the foundational document on this new approach to theoris-

sing. In this case, although the speech *was reported at the time*, the subsequent publication of the speech in the party's theoretical journal, *Qiushi*, in September was the key moment. The decision to publish it was widely reported in the press in advance, underlining its significance, and it was followed by discussions in the *People's Daily* on how best to implement Xi's thinking, which were later collected in book form at the end of the year.

There are probably five key takeaways from what is a relatively long document given that it started life as a speech. The first is that this is not about finding a specific historical period or single philosophical source of this wisdom, but rather distilling an essence of Chineseness from the entire sweep of history. One of what Xi calls "the defining characteristics of Chinese civilization" is the "philosophical thoughts of seeking truth from facts and combining knowledge with action". And the second key takeaway is that while the methodology of theorising has always previously been explained as a product of Marxist theoretical innovation, it is now established to be a product of China's past. Presumably the inference is that it has both Marxist and Chinese precursors and precedents rather than just a Chinese one alone. But the third takeaway is that this traditional culture is **at least** on an equal footing with Marxism when it comes to theorising.

Indeed, when you read what Xi Jinping says about the importance of this cultural tradition, then you begin to ask if it has become the single most important source of contemporary ideology. Statements like:

> *without the 5,000-year-old Chinese civilization, where would the Chinese characteristics come from? If it wasn't for these characteristics, how could we have charted the triumphant path of Chinese socialism? Only within the context of more than 5,000 years of Chinese civilization can we genuinely comprehend the historical necessity, cultural significance, and unique advantages of the Chinese path.*

do not necessarily mean that it is the pre-Marxist Chinese past **alone** that is the key source of what the party and the country is today. But it can certainly be read that way.

Fourth, as noted above, there is nothing about the core socialist values that seems to be unique to China. The same is true for the specific crystallisations of Chinese wisdom that Xi has clarified. Yet the intention certainly seems to be to establish China's difference from others and even its uniqueness. China's 5,000 years of "uninterrupted civilization" are a starting point for understanding what China is today. As argued in the *June 2023 speech:*

> *If not through the prism of its extensive history of continuity, one would not be able to understand ancient China, contemporary China, let alone China of the future.*

This longevity and also continuity over time represents the first of what Xi argues are China's distinctive features. In listing these features the English language version uses the term "distinguished by" to refer to this and four other distinctive characteristics; creativity, unity, inclusiveness and peacefulness. While distinguished on its own might simply refer to emi-

nence or famed, the addition of "by" means that it is different from others. The Chinese version uses 突出特性 which also points to being distinct and unique. It seems pretty clear that China's traditional culture is not just noteworthy, but fundamentally different from others; and in much of what is said, morally superior to those others too. As *argued elsewhere,* students of different parts of Chinese history might question some of the assertions of this distinctive Chinese culture, such as "the intrinsic peacefulness of Chinese civilization". But once more the actual content of theory is not the focus of interest here. Rather it is how theorising takes place, and the potentially huge significance of now having two rather than just one element of Chineseness to integrate with Marxism in developing new theoretical innovations.

The fifth takeaway, already hinted at above, is that there is no mention of Hu or those who had previously pointed to the significance of traditional culture in applying Marxism to China. Rather, *in the words of The Global Times*, this is based on Xi's own personal "profound understanding" of Chinese culture. This is very much a document that is all about Xi.

Going Forwards

Pretty much from the outset, then, Chinese Marxism has always had a distinct and specific Chinese nature to it. Without "sinifying" Marxism to make it relevant to the reality of China at the time, then Marxism might well have largely remained a subject of intellectual debate rather than part of a real-world political movement. And without subsequently then re-applying it to a new set of changed conditions after Mao's death, who knows, the party might not even have survived.

This malleability of Marxism has become entrenched as a fundamental validation of a certain way of theorizing and part of the CCPs DNA. It provides the basis for the ideological justification and rationale for all the things that the party has done, particularly when it decides to do something different; even when it does things that on the face of it at least look like the antithesis of Marxist thinking or what a Communist Party should be doing (like developing quasi capitalist practices and the private sector). It is a methodology that provides a form of continuity even in times of quite radical change, and the ability to respond to problems and failings with new innovations. Or at the very least, that is how it is argued and explained.

What Xi has done, then, by introducing and formalising the second of the Two Integrations represents both an end and also probably a beginning at the same time. It is the endpoint of a process of gradually establishing elements of China's pre-revolutionary past as a source of present and future thinking and practice. The introduction of the second integration also affirms what was already a process of establishing China's essential and fundamental difference from other civilisations and polities; particularly (but not only) western liberal ones. There is now a rather strong formal assertion that an essentialised

Chinese difference that has emerged over centuries is now a core part of establishing a form of Chinese Marxism that increasingly looks more Chinese in origin than Marxist.

In terms of a beginning, the Two Integrations had a relatively quiet early life and was rather crowded out by other things that Xi was saying and doing in 2021 and 2022. But from the Autumn of 2023, they took on a greater profile, and seem destined to be increasingly important in the future. To some extent they have been captured and rolled into the somewhat bigger and grander focus on *Xi Jinping Thought on Culture* since October 2023 which included the call to "to advance the protection and inheritance of fine traditional Chinese culture, and extend the reach and appeal of Chinese civilization".

This is an ideology that is also increasingly presented as morally superior to others too (rather than just different); the idea of China's essential pacifism being a case in point. Given the direction of travel, including Xi's focus on ancient Chinese wisdom before the Two Integrates, then it is likely that there will now be an ever-greater focus on China's fundamental difference, exceptionalism, uniqueness, and moral and ethical superiority across a range of policy areas. Xi's interest in *archaeology* as a means of understanding the origins of "Chinese civilization, history and national spirit" also suggests that there is much more to come in terms of looking to the past to explain the present and the future.

In truth, the long term objectives and goals of the CCP long ceased to be revolutionary ones. For quite some time now, they have very clearly been replaced by national ones. The Two Integrations is the latest step in imbuing Chinese Marxism with increasing amounts of Chineseness, and Chinese uniqueness. Clearly, understanding the organizational structure of the Chinese Communist Party remains essential in trying to comprehend how the Chinese political system works. But if you want to understand the nature and future of Chinese Communism, then despite the frequent references to scientific socialism, it is worth spending more time studying the way that China's history and civilization is now understood and explained than studying the Marxist classics.

[1] Despite Mao's rise to ascendency at the Zunyi Conference on the Long March in 1935, Zhang Wentian was the elected General Secretary of the CCP until replaced by Mao (as Chairman) in 1943.

[2] The party's theoretical journal, Qiushi or Seeking Facts, takes its name from the second part of this term in Chinese (實事求是). It replaced the previously more revolutionary focused theoretical journal, Red Flag, in 1988.

[3] And also not just the result of what Mao alone thought. In 1981 Mao Zedong Thought was defined as emerging from the "collective struggle of the party and the people" and not just by Mao alone.

[4] At the 15th Party Congress in September 1997.

[5] This specific comment was not made in his speech as often reported, but at a subsequent press conference.

[6] Formally titled the "Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China".

[7] This is a link to the current constitution rather than the 2012 one and includes the addition of Xi's Thought and other amendments in 2017 and 2022.

[8] There may be other reasons why the works of Jiang, Hu and Xi are not available on Marxists.org which has a massive collection of works by a wide range of not just avowedly Marxist thinkers, but those influenced by elements of Marxist thought as well.

[9] According to *the constitution*, "Owing to both domestic factors and international influences, a certain amount of class struggle will continue to exist for a long time to come, and under certain circumstances may even grow more pronounced, however, it is no longer the principal contradiction".

[10] These echo Jiang Zemin's promotion of a *Socialist Spiritual Civilization* in the 1990s, which was in turn influenced by Deng's use of the term in the 1980s.

https://doi.org/10.31175/eh4s.2014.02

China's new global governance institutions

By
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KEY TAKEAWAYS

- In the first three decades of the twenty-first century, China has established regional groupings to steer its relations with partner nations, especially in the global South.
- The Chinese government supports its regionalisation efforts with a number of forums, conferences, and other events intended to promote China's influence.
- Chinese-led regional cooperation platforms have generated a degree of support for Beijing's attempts to gain acceptance of Chinese norms in the areas of human rights, security, and governance.
- The collective impact of conferences and meetings is significant in shifting discourses beyond China's own borders and chipping away at some of the normative foundations of the Western-led liberal international order (LIO).
- The West, including of course the EU, needs to present a viable alternative to China by presenting an effective counter-offer based on mutual respect and what countries and regions think they need rather than what the EU thinks they need.

Keywords

Human Rights

Liberal International Order

Norms

Global Governance

Regional Cooperation

Global Development Initiative



Introduction

In the Xi Jinping era, China is emerging as a self-declared leader in the search for global governance reform. Through its Belt and Road Initiative (*BRI*), its membership of *BRICS*, and its launch of new institutions such as the Asian Infrastructure Investment Bank (*AIIB*), Beijing is challenging the Western-led liberal international order (*LIO*) represented by the *G7* and other international institutions.

China's attempt to alter the global governance architecture has massive implications. But the world will not simply be changed by China alone. For Chinese ideas, preferences and initiatives to have global salience, then they need to be accepted and supported (and maybe promoted) by others too; and there needs to be a significant amount of those others if Chinese initiatives such as the BRI are to lead to a fundamental shift in ordering and governance.

Many aspects of the means by which China is expanding its influence have been studied. For instance, expanding China's international economic interactions through trade and investments is one way of engaging others and potentially gaining their acceptance of Chinese positions. By harnessing the hard power of money, the Xi administration attempts to promote an idea of China as a new type of global actor that is fundamentally different from other great powers. The Chinese Communist Party (CCP) wants China to be perceived as a *global power* that will not repeat the errors and sins of imperialist colonisers in the past. It also seeks to oppose those who (*it claims*) seek to dominate, bully and exploit developing economies today. This fundamental difference, so the argument goes, will be manifest both in China's bilateral relations, and also in its initiatives and innovations at the global level too. Examples of novel *Chinese structures* with global implications include the *Global Development*, *Global Security*, and *Global Civilization* Initiatives, Chinese preferences for global

cyber governance (or the lack of it), and the internationalisation of Chinese definitions and understandings of *human rights*.

Somewhat less studied are the now quite extensive range of other platforms that China has established or co-established to provide mechanisms for talking to the rest of the world. Chinese initiatives include a range of more or less formal intergovernmental type structures built to facilitate interactions with groups of potential followers in different parts of the world, such as the Shanghai Cooperation Organization (*SCO*) and the Forum on China-Africa Cooperation (*FOCAC*). There are also a number of China-centred international meetings and forums often (but not always) built around specific issue areas.

Of course, China is not alone in establishing or joining such mechanisms. And what China is doing is not new either; China's leaders have been trying to find effective ways of getting their message across to international audiences since *before they came to power* in 1949. Indeed, a number of the groupings and meetings discussed in this paper pre-date Xi Jinping's rise to power. But as with most things related to the politics and international relations of contemporary China, things have become somewhat supercharged since Xi became General Secretary in 2012. There is also evidence that these attempts to encourage buy-in and support have had some success too. Whether the West likes it or not, China's regional and other cooperation mechanisms are impacting the norms through which nations engage with each other by offering alternative arrangements to the customary global institutions.

Regional Based Groupings

Regional groupings serve a range of different purposes. Most obviously they provide mechanisms for high-level diplomatic interaction during which China's leaders can explain their goals and initiatives, and showcase their capacity to push for change. For example, *FOCAC* summits and meetings have been used to not just announce new financial projects, but also to re-iterate China's preferred national image as a new and different type of (non-Western) great power, and to rebuff criticism of China. For example, Foreign Minister Wang Yi used the *2019 FOCAC meeting* to reject accusations that China was deploying debt trap diplomacy and acting as a neo-colonial power in its relations with the continent.

They also show (or at least are meant to show) that China is not alone in being dissatisfied by the distribution of power in current institutions of global governance, some of the norms and principles that underpin them, and the more general dominance of the West/liberal/US power and preferences in the international system. Individually, they reflect (to varying extents) international acknowledgement of China's global status and global governance reform ambitions. Just the fact that they exist is significant in itself. And this is multiplied by their combined aggregate significance.

The way they operate is also meant to show this different type of great power in action. Although there appear to be very clear power asymmetries in all of them, they are explained as not about China imposing its will and authority on others, but instead being built on *mutual respect and mutual learning*.

While the two-way flow of ideas and influence and the mutuality of any gains might be questioned, there is some evidence to show that China's regionalisation efforts have had some impact on its partners. At the 2012 FOCAC Summit in Johannesburg, South African President *Jacob Zuma* explicitly pointed to the different Chinese approach compared to Africa's dealings with Western states:

> *We are particularly pleased that in our relationship with China we are equals and that agreements entered into are for mutual gain. This gathering indicates commitment to mutual respect and benefit. We certainly are convinced that China's intention is different to that of Europe.*

In general China does not engage in criticism of other developing states' domestic policies – most notably in terms of human rights and the nature of illiberal political regimes - or of other states' political leaders. This is not to say that criticism is always totally absent (particularly if issues relating to Chinese core interests like Taiwan are involved). But these political issues are not what China's summit meetings with regional groupings are all about.

FOCAC is the most studied of all the regional groupings. It is one of the longest existing, originating with ministerial level meetings in 2000 before the addition of a heads of state *summit in 2006*. It has a formalised and institutionalised working structure as well, with three-year action plans agreed at each summit with regular follow up meetings to check on implementation. It has also generated a number of *functional sub-groupings* too; "the China-Africa People's Forum, China-Africa Young Leaders Forum, Ministerial Forum on China-Africa Health Cooperation, Forum on China-Africa Media Cooperation, China-Africa Poverty Reduction and Development Conference, FOCAC-Legal Forum, Forum on China".

In a very similar vein, the *China–Arab States Cooperation Forum* was established in 2004 with the Arab League and its members, and the *China-CELAC Forum* with 33 Latin American and Caribbean (*LAC*) States in 2014. Like the FOCAC, these have spawned a range of different functional and specific bilateral mechanisms too. The former organises four seminars (on entrepreneurs, economics and trade, "civilizations dialogue", and Higher Education and Scientific Cooperation), an energy conference, two exchanges (cultural, and non-governmental) a news cooperation forum, and training (environmental and human resources). The latter has forums on agriculture, science and technology, business, infrastructure; for collaboration between political parties, think tanks, and young leaders; and to promote *"people-to-people"* friendship. Interactions with the Pacific Islands Forum (PIF) have not reached the same level, even though China provides some funding for the Forum

through the China-PIF Cooperation Fund and participates in multilateral functional level ministerial meetings (for example, on Agriculture and Fisheries). A China-Pacific Island Countries Economic Development and Cooperation Leaders Forum was established in 2006 and to date there have been two bilateral foreign minister meetings in 2021 and 2022. At the second of these, Wang Yi "announced that China will continue to build six new cooperation platforms, including poverty reduction, climate change, disaster prevention, agriculture and Juncao centers" (Juncao is a patented Chinese grass species that is particularly good at growing grass and/or mushrooms in difficult environments which has been championed by Xi Jinping).

Interactions with the Pacific Islands Forum (*PIF*) have not reached the same level, even though China provides some funding for the Forum through the China-PIF Cooperation Fund and participates in multilateral functional level ministerial meetings (for example, on Agriculture and Fisheries). A China-Pacific Island Countries Economic Development and Cooperation Leaders Forum was established in 2006 and to date there have been two bilateral foreign minister meetings in 2021 and 2022. At the second of these, *Wang Yi* "announced that China will continue to build six new cooperation platforms, including poverty reduction, climate change, disaster prevention, agriculture and Juncao centers" (Juncao is a patented Chinese grass species that is particularly good at growing grass and/or mushrooms in difficult environments which has been *championed by Xi Jinping*).

China's formalised interactions with the Association of Southeast Asian Nations (ASEAN) via annual *ASEAN Plus China Summits* since 1997 also serves some of the functions outlined above. Here, though, there is also an element of *confidence building* too, as China seeks to "reassure Asean states that China's rise doesn't threaten their economic and security interests" by emphasising cooperation and collaboration and the positive contributions China's rise can make to regional prosperity and peace.

Some of what China does in and with the *BRICS* shares some of these traits, as do China's role and actions in the *SCO*. Certainly, both are non-Western organizations whose members share a broad position on the nature of the global order – a sort of alliance of the dissatisfied – even if they don't always agree on what a future alternative could or should look like.

China has now also established another separate mechanism for interacting with some of the SCO countries. In 2023, meetings with the C-5 group of Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) were elevated from foreign ministry level to a heads of state summit, hosted by Xi Jinping in XI'an. China is far from alone in engaging the C-5 in this way. Indeed, China was perhaps a little behind the curve given the institution of C-5 countries ministerial level meetings with the US back in 2015. The EU held its first similar summit in Kazakhstan in 2022. Even so, the establishment of a relationship without Russian or Indian participation is not insignificant, and resulted in

a formal declaration of the C-5 countries *support and promotion* of XI's Global Development, Global Security, and Global Civilization initiatives.

In Europe, in 2012 Beijing set up a similar regional grouping in the form of the so-called '*16+1*' platform for cooperation with Central and Eastern European (CEE) countries. *Greece* was added in 2019, making the grouping '17+1'. In the early years, things went smoothly and the CEE nations welcomed the increased Chinese presence, even if the EU was suspicious of what it saw as an attempt to *divide and conquer*. However, when investments tended to come in a dribble rather than a flood, enthusiasm waned. The issues of Hong Kong, Taiwan and China's human rights record in Xinjiang came to the fore. *In 2022*, the Baltic states, led by Lithuania's turn to Taiwan, withdrew from the mechanism, while the Czech Republic wavered. By 2023, the now 14+1 had effectively become a *zombie mechanism* with *few real results* apart from increased bilateral cooperation with political outliers, most notably Hungary and Serbia.

Nevertheless, one can take the apparent failure of 16/17/14+1 to be an exception to the general trend of China increasing its influence across the (mostly developing) world via regional groupings. Their relative success is due to the use of a range of events and other mechanisms intended to provide regionalised support to China's bilateral ties with individual states.

Promoting China

China's regional groupings are complemented by a wide range of conferences, forums and other forms of "international exchange" that are designed to bring (usually sympathetic) international audiences to China and explain Chinese policies and ambitions to them. These are not intergovernmental events as such, designed to bring together a range of different actors (particularly in the issue-based organisations). That said, the hand of the Chinese state or the party is never very far away from the Chinese organizing bodies, and foreign leaders and officials do often participate. Foreign ex-leaders are particularly prominent in some of them.

Indeed, probably the most famous of these forums, *the Bo'ao Forum for Asia*, in some ways straddles the boundary between the two types of institution covered in this paper. Although the forums are always hosted in Bo'ao on Hainan Island with a secretariat in Beijing, it came into existence in 2001 – seven years before it held its first conference – as a result of a broader regional consensus that Asia needed its own equivalent of the Davos Forum. Despite the pan-regional participation, Chinese leaders have often given keynote presentations, and used the annual conference to make major new announcements. It was at Bo'ao, for example, in 2022 that Xi Jinping launched his *Global Security Initiative*. And his choice of this venue might have been influenced by the fact that it was also at Bo'ao in 2003 that the idea of China's Peaceful Rise was launched in an attempt to convince the world that

they had nothing to worry about.

The peaceful rise argument became the key foreign policy concept (or slogan) of the Hu Jintao era, and was introduced at Bo'ao by Zheng Bijian. Zheng later became the founding Chair of the *China Institute for Innovation and Development Strategy*, which is part of the *Chinese Academy of Sciences*, which in turn sits under the State Council (China's governmental cabinet organisation). It organizes what is now the annual *"Understanding China Conference"*, which are "scheduled to take place following the conclusion of the CPC National Congress or the yearly plenum of the CPC Central Committee to get across the guiding principles of these important CPC conventions and the Party's statecraft at home and beyond".

In a similar vein, *The China Development Forum* is normally scheduled to coincide with the key annual government (rather than party) meeting; the plenary session of the National People's Congress in March. It is specifically designed to facilitate interaction with leading global business leaders. And as its *delegate list* from the 2023 forum shows, it has been very successful in attracting top executives from top companies to attend. As this is organized by the Development Research Center of the State Council, it once more is not an intergovernmental event, but neither is it a non-governmental one (on the Chinese side at least).

There are others too. They Include a number of think tanks, such as the *China Global Think Tank Innovation Forum*, the China Development Institution's *China Think Tank Forum*, and the International Think Tank Forum co-led by the Counsellors' Office of the State Council, the China Public Diplomacy Association, and the China Council for International Investment Promotion. There are also a range of specific regional think tank forums that mirror the regional groupings noted above (for China and CELAC, Southeast Asia, Central Asia, Africa, and East and Central Europe). Think Tanks have been particularly important in promoting a *preferred understanding* of what the BRI is meant to be about. In addition to the special *thematic forum* on Think Tanks as part of the bigger Belt and Road Forum, there is a Silk Road Think Tank Network and a Silk Road Think Tanks Association. Collectively, this focus on think tanks perhaps says something about the importance of trying to get others to not just share Chinese perspectives, but to disseminate them as well.

From Promotion to Endorsement

Regional groupings are designed to project a preferred idea of China and dispel what Beijing argues are deliberate distortions of China's intentions. The next step is to get active support for China's global ambitions and preferences. This drive to gain endorsement for the Chinese approach to international affairs has already had a degree of success in some areas.

The annual *World Internet Conference*, also known as the Wuzhen Internet Summit, is a good example. The first summit in November 2014 was one of the first clear(ish) statements

of China's intent to play a leading role in global governance reform. In a very short opening message of congratulations, Xi repeated and essentially internationalised the basic outline of China's approach from its 2010 White Paper on The Internet in China:

> *Following the principle of mutual respect and mutual trust, China is ready to work with other countries to deepen international cooperation, respect sovereignty on the Internet, uphold cyber security, and jointly build a cyberspace of peace, security, openness and cooperation and an International Internet governance system of multilateralism, democracy and transparency.*

We should note that democracy here means equality between nations rather than the electoral system used in liberal polities. In the Chinese usage, democracy represents an ideational counter-offensive to what is seen as the dictating of terms by powerful nations in the North. An important aspect of this is what has become known as cyber-sovereignty: the idea that states should be able to govern their national cyberspace as they see fit, unhindered by any higher or external level of authority. While there is more to China's internet conference than just a focus on cyber-security, and more to the promotion of Chinese normative preferences than just the summit alone, cyber-sovereignty is a position that resonates with the political priorities of other national leaders too.

Something similar is occurring in the fields of human rights and global governance. The South-South Human Rights Forum was established in 2017 by the Chinese State Council Information Office and the Ministry of Foreign Affairs. As a video explaining its functions explains, it has a mission to provide a collective voice for developing countries, to endorse a developmental centred approach to human rights in developing countries, and to promote the recognition of cultural and national diversity when it comes to global human rights governance. Despite its Chinese government origins, it is not a formal inter-governmental organization. But its status is even further blurred as its non-Chinese participants include a number of government officials (mainly from foreign ministries), political advisors, and diplomats (as well as a range of different non-governmental researchers). The documents that it produces, then, do not constitute formal and binding positions on the governments of the participants. But it is nevertheless fair to assume that it reflects at least some of these governments' positions.

One of the key documents produced at the first forum in 2017 is the Beijing Declaration, which endorses and adopts the key tenets of Chinese definitions and understandings of Human Rights. Article one, for example, establishes the national relativity principle:

> *the realization of human rights must take into account regional and national contexts, and political, economic, social, cultural, historical and religious backgrounds. The cause of human rights must and can only be advanced in accordance with the national conditions and the needs of the peoples.*

Article three reaffirms the priority of socio-economic and developmental rights over others:

> *The right to subsistence and the right to development are the primary basic human rights.... Developing countries should pay special attention to safeguarding the people's right to subsistence and right to development, especially to achieve a decent standard of living, adequate food, clothing, and clean drinking water, the right to housing, the right to security, work, education, and the right to health and social security.*

The ultimate goal is to go beyond shared language amongst like-minded leaders and states, and to shift the dialogue at the global level too. To this end, the various meetings and groupings discussed in this paper can be thought of as providing interim stepping stones towards a bigger global audience and agenda. In addition to building a critical mass of supporters – very useful when China itself is facing criticism – as *Fung and Lam* note, "Beijing also seeks to project discourse power by having officials from other member states or the United Nations repeat China's policy narratives".

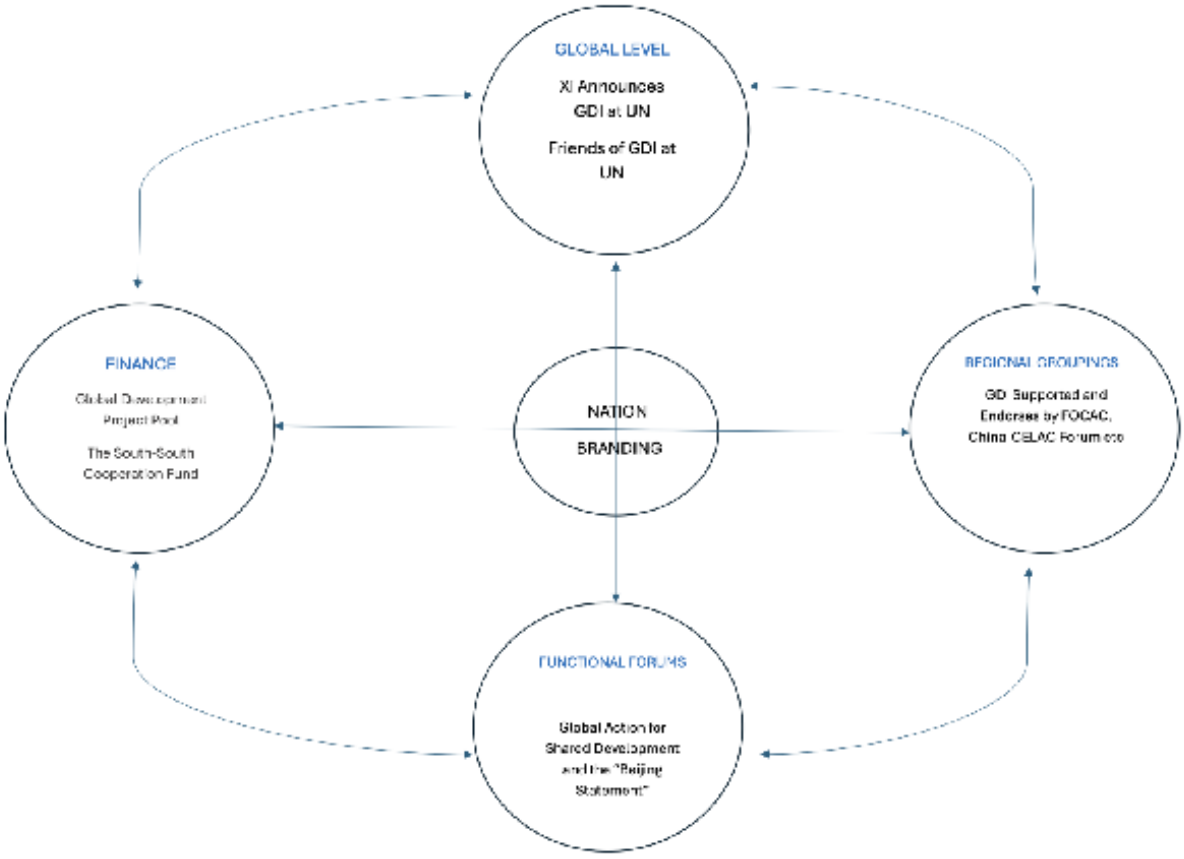
The consequences of Chinese influence-building

The above observations point to two key takeaways. First, each of these individual forums, conferences and so on might not be that important in themselves. To be sure, some have a bigger impact than others. But overall, it is the collective impact of all of these endeavours added together that is most significant in shifting discourses beyond China's own borders and chipping away at some of the normative foundations of the liberal global order.

Second, we need to think about how different elements of Chinese global initiatives work together to reinforce and support each other. These include: the announcement of grand plans, the establishment of special forums and conferences, work with regional groupings, the provision of financial support, and discussions among global South actors at the UN.

The promotion of a specific understanding of the nature of development provides the best example of how these different elements work together. *The Global Development Initiative*, announced by Xi (via video link) at the UN in 2021 provides the big picture grand vision and ambition. This is then endorsed with promises to promote it in regional grouping forums; for example, at the C+C-5 (already noted above), *at FOCAC*, at the *China-CELAC Forum*, and so on. At the global level, Xi used a virtual High Level Dialogue on Global Development in June 2022 to announce and upgrading of funding for South-South development projects. Three months later, a new *Group of Friends of the GDI* was established at the UN which was attended by high-level representatives of 60 countries ... as well as principals of about ten international organizations and UN entities, and Secretary-General's Special Adviser on Africa. UN Secretary-General António Guterres delivered a video message and Deputy Secretary-General Amina Mohammed attended the meeting.

A new meeting mechanism was then established in the form of the *Global Action for Shared Development* by the state China International Development Cooperation Agency (*CIDCA*) which held its first forum in July 2023. This forum produced an agreed final *Beijing Statement* which praised and endorsed the GDI, and called for "the integrated implementation of the UN 2030 Agenda for Sustainable Development and the GDI". The statement also noted the coordinating role for the forum's work of the *Global Development Promotion Center* also under the CIDCA, which oversees the disbursement of money via the Global Development Project Pool and the South-South Cooperation Fund. The first batch of *development pool funding* had already been released in August 2022, and while the implementing agencies were primarily the CIDCA itself and the Chinese Ministry of Commerce, this was often in partnership with UN agencies, and even included projects solely implemented by non-Chinese agencies (such as *The Asia-Pacific Network for Sustainable Forest Management*).



Grand plans, regional groupings, functional forums, agreed statements, UN level activity and – maybe most important of all – money are used collectively as part of a process of *nation branding*; establishing the CCPs preferred idea of what China is and what it stands for. They have also have come together to establish the GDI as a project that has significant international support and buy-in. To be sure, it might be an initiative that does not revolutionise the nature of the global order. Indeed, China's leaders are very keen to emphasise its compatibility with the pre-existing UN *Strategic Development Goals*, and pitch the GDI as a

means to attaining these goals. It is an initiative that has the potential to do a lot of good. But it is not value free, and is built on a certain understanding of what development should be about; or more correctly, what it need not or should not be about (ie: Sen's understanding of *Development as Freedom)*.

Conclusion: Leadership and Followership

Understanding that Chinese influence attempts have achieved some degree of impact and success suggests that there is an international market for what China is selling. Dissatisfaction with the existing global order is not just limited to China; or just to a small handful of states and state elites. To varying degrees, there is dissatisfaction with various parts and elements of the status quo ante in many parts of the world (including within the liberal West itself).

A shared dissatisfaction, though, does not automatically equate to an unquestioning acceptance of Chinese alternatives across all of these different parts and elements. There is a need for a nuanced and variegated study of who simply shares Chinese dissatisfaction, and who is prepared to support Chinese alternatives in which issue areas. In addition to studying potential alternatives and potential new leaders, then, it is important to also undertake a comprehensive audit of what Cooper, Higgott and Nossal way back in 1991 called "the *dynamics of followership* – in other words, **what drives followers to follow** [emphasis added]".

Accepting this truth implies that there is a need to examine further – in a systematic, coordinated manner, and with appropriate institutional support and public dissemination – exactly what China is doing to attract other countries to its camp. It is also necessary to admit that part of China's attraction is based on negative views of the West. Swallowing this bitter pill means re-evaluating the assumption that everybody thinks the EU is a moral force or a *normative power*. Instead, it is advisable to adopt a revised approach to both China and its partners, present and potential, which learns lessons from China's rising influence. It is essential, for the future of the Liberal International Order and the EU's position in the world, to provide a viable alternative to China. This can be done, but only by presenting an effective counter-offer based on an appropriate respect for what countries think they need rather than what the EU thinks they need.

https://doi.org/10.31175/eh4s.2014.03

China's alternative global order: a primer

By
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KEY TAKEAWAYS

- The Chinese government is steadily gaining influence in the nations of the global South. Since 2013, this process has been taking place under the label of the Belt and Road Initiative (BRI).
- Influence is gained through Chinese-led international institutions such as BRICS+ and regional cooperation forums such as the Shanghai Cooperation Organization (SCO). Significantly, these institutions exclude the global North, effectively creating an alternative global governance system in opposition to the liberal international order (LIO).
- Influence-building takes place through regional mechanisms such as the Forum on China-Africa Cooperation (FOCAC) and the China-Arab States Cooperation Forum (CASCF), and also via bilateral trade and investment deals.
- The EU (like the US) has been slow to take the BRI and Chinese alternative order-building seriously. Despite talk of a 'Global Gateway', Brussels has so far failed to construct a coherent and coordinated response.
- The EU needs to understand why China's alternative order has more appeal in many parts of the global South. Reasons include the following: the absence of post-colonial baggage and dependency; Beijing's insistence on non-interference in domestic politics; the relative ease of obtaining financial assistance and investment capital; and Chinese infrastructure construction know-how.
- The EU needs to find a way to build more influence across the global South as a counter to China. The basis of a renewed soft power campaign should be greater respect for the needs, interests, and identities of global South countries rather than depending on the uncertain appeal of 'European values' alone. The EU needs to show that it is capable of listening to its potential partners rather than just lecturing them about norms and values. A good start would be to increase diplomatic engagement via EU-led regional cooperation mechanisms promoting and facilitating Global Gateway investments.

Keywords

Post Colonialism

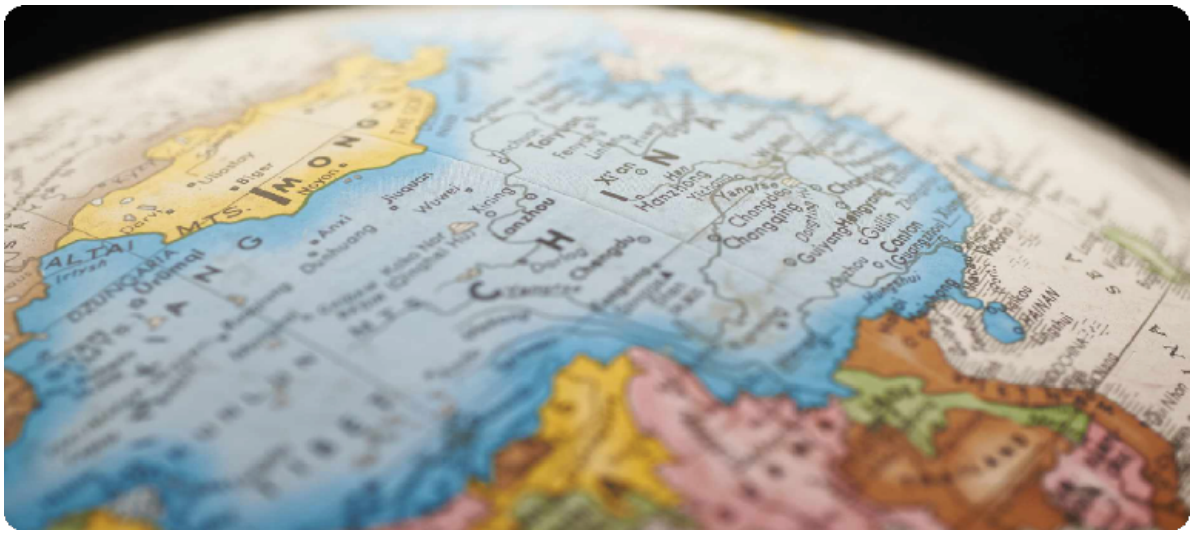
EU's Global Gateway

Global South

Regional Cooperation Platforms

Liberal International Order

Belt and Road Initiative (BRI)



China's challenge to the West

Countries in the global North – defined as the United States of America and European nations, as well as other highly economically developed countries such as Canada and Japan – tend to assume that people worldwide, despite some minor cultural differences, share their belief system. For instance, it is taken for granted that most developing nations in the global South automatically buy into 'Western' norms and values – or that if they don't, they must have been indoctrinated by an authoritarian propaganda machine. Most obviously, *'Western values'* include European-style democracy and human rights, underwritten economically by the system of global free market capitalism.

Clearly, not everybody in the global North makes the assumption that developing countries will recognise the soft power appeal of the 'Western model', but many – including some policymakers – do. And, probably as an unacknowledged, perhaps unconscious legacy of the colonial era when *Europe* ran the world, they tend to do so without sufficient critical reflection upon the role of the global South in the international system. Europe's colonial past – which involved virtually every country in Western Europe, including *the UK*, *France*, *Germany*, *Spain*, *Portugal*, *Italy*, *the Netherlands*, *Belgium*, and even *Denmark*, *Norway*, *Sweden* and *Finland* – continues to colour the developing world's relations with the EU. At the same time, as Belgian historian *David Van Reybouck* points out, the consequences of European imperialism – inequality and exploitation – are underemphasised in Europe itself. Chatham House scholar Hans Kundnani goes so far as to refer to the EU as a "vehicle for *imperial amnesia*."

Be that as it may, internationally, 'Western values' are transmitted through what is often called the 'liberal international order' (*LIO*). The LIO rests on the international system represented by multilateral institutions such as the United Nations (UN), the World Trade Organization (*WTO*), the International Monetary Fund (IMF) and the World Bank. All of these institutions have their headquarters in the US or Europe. Hence, it goes without saying

that the global South has a limited role in the running of these organisations. Even in the UN, three of the five permanent members of the Security Council (with the right of *veto*) are Western countries. Importantly, none of the five permanent members is from Africa or Latin America, while the sole Asian representative is China.

However, bit by bit and without the process being particularly well observed in Europe, China is constructing an *alternative global order* which challenges the global governance system based on Western values. As *Rush Doshi* points out, China is playing a "long game", seeking to increase geopolitical and geo-economic influence over decades. It is doing this by gaining influence in the global South through instruments such as investments and bilateral deals. It is also using Chinese-led multilateral institutions such as the *BRICS+* platform and the Shanghai Cooperation Organization (*SCO*). These arrangements exclude Western countries and so stand outside the LIO.

It should be noted that for each region of the global South there is a dedicated Chinese-led regional cooperation mechanism. The importance of these is often underestimated in the West but emphasised by many *Chinese scholars*. Apart from fostering economic cooperation, these are instruments for gradually transmitting Chinese norms of cooperation to partner countries. Among them, the most prominent platforms are the SCO in Central Asia, the Forum on China-Africa Cooperation (*FOCAC*) in Africa, the China-Arab States Cooperation Forum (*CASCF*) in the Middle East, and the *China-CELAC*. forum in Latin America. Institutional arrangements such as these are subsumed under the overarching label of the Belt and Road Initiative (*BRI*), alongside bilateral deals with individual countries The BRI is the flagship of Chinese foreign policy in the Xi Jinping era and now has a decade of activity behind it.

Regional cooperation platforms play a key role in the BRI and broader Chinese foreign policy in the global South. They allow China to build influence and simultaneously dampen suspicions on the part of target partners, conveying the idea that the benefits of cooperating with China will be spread fairly evenly among all who join the platforms. They also encourage countries to see their region as a community of sorts – in Chinese official jargon, a '*community* of shared future.'

This may seem like mere rhetoric, but there is evidence to demonstrate that regional cooperation platforms such as the SCO have achieved a degree of success in defusing tensions and enhancing economic ties between neighbouring nations. Most notably, Central Asia has been relatively *peaceful* since the advent of the SCO in 2001 despite ongoing territorial disputes in the region. These might have flared into something more serious if it had not been for the annual discussions carried out behind closed doors in the SCO – with China and Russia at the helm rather than at each other's throats.

It is often assumed that the primary goal of the BRI is connectivity through investment in

infrastructure. This is one of its key aspects – but there are others. Among them, in addition to the aforementioned regional cooperation platforms, are what the Chinese government calls '*people-to-people* exchanges.' Often, these consist of training sessions and trips to China for selected elite groups in partner countries. Very specific groups are targeted: military officers, civil service elites, and journalists. *Scholarships* to Chinese universities are also offered to impoverished students, for instance in Africa or Pakistan. Such activities are often coordinated through Confucius Institutes, hundreds of which have been set up around the world. Although *Confucius Institutes* have been controversial in Western countries due to the perception that they are *instruments* through which the Chinese Communist Party (CCP) spreads propaganda and monitors Chinese students abroad, in the developing world they are often seen more positively: as platforms offering *education and opportunities* to locals.

Through such methods, the Chinese government is generating considerable influence in the global South. There is copious evidence of such influence. First, *global South countries tend to vote in line with the PRC in the UN*, for instance on the issue of *human rights*. Second, there is a long-term trend for developing countries to *switch* their allegiance from Taiwan to China, the most recent case being the Pacific microstate of *Nauru*, which dumped Taiwan immediately after the January 2024 Taiwanese general election. This development left Taiwan with *only twelve* remaining diplomatic allies worldwide. Other signs of influence include lack of criticism of China's human rights record, high attendance at *BRI forums* such as the one held in Beijing in October 2023 even in the absence of representatives from most of the global North, and opinion polls showing a surprising amount of approval for China. For instance, a Pew Research Center survey published in *July 2023* revealed a favourable attitude towards China among 80 per cent of the Nigerian population.

In short, there is good reason to believe that China is becoming increasingly influential in the global South and that its multilateral institutional mechanisms are gaining a considerable amount of credibility in many countries. Meanwhile, according to a *recent report* published by the Munich Security Conference, many people in the developing world believe the "western emphasis on the 'rules based order' is hypocritical and aimed at preserving the status quo of western domination, including over the global South."

The clock is ticking – but not the one you think

Some observers suggest that China has a '*demographic timebomb*.' This is the argument that as China's population ages and declines, it will run out of younger workers and the economy will stagnate. Indeed, China's economic growth is slowing down as its decades-long 'economic miracle' comes to an end. At the same time, China's political system is thought to be unsustainable in the long term and incompatible with a free market system. So, the argument runs, China cannot keep rising and must now go into decline.

However, there are no signs so far that China is collapsing economically. *Economic data* reveal that China is still managing to sustain 4-5 per cent economic growth per annum despite high levels of corporate debt and the bursting of the housing bubble in 2023. Nor is there evidence that China's political system is imploding or that the population are losing faith in the Party. The *CCP* under President Xi Jinping retains a firm grip on power, and control has become more entrenched over the last decade. *Research* done in China by Bruce Dickson, a professor at George Washington University in the US, reveals that there is a surprisingly high level of long-term popular support for the government. This finding, albeit in need of an update for the 2020s, negates the argument that the Chinese population's supposed frustrations are about to boil over into open revolt.

At any rate, assuming that the CCP holds onto power (as seems likely), its policy of building influence in the global South is likely to pay dividends in the long run. Economists note that trade between countries in the global South is rising steadily. According to one recent calculation, South-South economic transactions are catching up with trade between nations in the global North. *Figures* show that South-South trade increased from 10.8 to 25.0 per cent of world trade between 1995 and 2020, while North-North trade's share declined from 52.0 to 37.1 per cent over the same period. This means that as the global South economies collectively gain a larger and larger share in the world economy, they will start to push for more say in how the international system works. The steady increase in the global South's clout constitutes a paradigm shift for the world which is already in motion.

As China gradually becomes a trusted partner of many global South countries via facilitatory mechanisms such as the BRI, BRICS+, regional cooperation platforms, and bilateral trade and investment deals, it is likely to benefit from its companies dominating the growing local markets. For instance, Chinese *mobile phone* manufacturers already have the lion's share of business in Africa, far ahead of Apple and Samsung. Chinese companies have gained access to supplies of crucial raw materials for industrial production in countries such as Angola (oil), Democratic Republic of Congo (cobalt) and Zambia (copper). As already stated, fewer and fewer developing nations are inclined to continue siding *with Taiwan* or to criticise China's human rights record.

In short, while the global South is gaining economic importance, China is simultaneously gaining influence in the global South. As Chinese companies build infrastructure funded by *loans* from Chinese financial institutions, and the CCP gains acceptance for its norms of cooperation via its multilateral institutions such as regional forums and BRICS+, the Beijing government has an increasing capacity to mould interactions with global South countries. Such influence does not necessarily come in the form of coercive '*debt trap* diplomacy' as some *Western media* outlets have suggested, but more in the form of general economic and political leverage. Alongside this leverage, the PRC attempts to demonstrate that it is a trustworthy partner which respects the wishes and needs of countries

who choose to cooperate according to modern China's preferred norms of interaction.

Meanwhile, the West has been slow to react to China's BRI-backed influence-building campaign. The Biden administration's 'Build Back Better World' (B3W) and the EU's 'Global Gateway' *lack substance* two years after they were first announced. Since decolonisation, developing countries have become used to the West talking about aid and development without seeing many results. For instance, gone is the era when the whole of *Africa* could simply be considered a basket case in need of charity. While some countries do remain desperately poor, while of course remaining far below the level of prosperity in the global North, other nations have made great strides forward and Africa now has many of the world's fastest growing economies. Yet the stereotyped images of starving children and charity concerts remain fixed in the Western mind, in large part as a legacy of the 1984 *Band Aid* concert. In Western Europe, such assumptions stand alongside residual memories of empire and the unspoken understanding that the US and *Europe* ought to educate the rest of the world about supposedly civilised standards of democracy and human rights. There is still little discussion about what the global South can – and will – bring to the table as it grows stronger over the course of the twenty-first century.

What to do, EU?

As we have seen, although it is important not to overstate the level of progress, *China* is steadily building an alternative global order through its own multilateral and minilateral institutions. These include global South countries but exclude almost all of the global North (Russia of course is included in BRICS+ and the SCO). According to the *United Nations*, the global South includes 78 countries. Allowing the Chinese government free rein to build a network of relationships with the developing world thus permits it to establish a large bloc of nations which will side with it in UN votes, build economic ties, and potentially group together against the West.

China's new order can be understood as having three levels. First, the broad level of global cooperation labelled "BRI". Second, the regional level of cooperation which includes regional platforms such as FOCAC and CASCF. And finally, nested within these, China's bilateral relations and deals with individual countries. Through this three-tier structure, China is gradually spreading its influence and leverage in the global South.

With this increase in influence comes growing acceptance of Chinese norms and values such as the principle of political non-interference, emphasising collective over individual rights, and acceptance of authoritarianism rather than democracy. Quite obviously, such norms stand in direct, stark opposition to so-called "European values." Although the jury is out on how far Chinese norms have been welcomed or accepted by its partners, the challenge to the West – and *'normative power Europe'* in particular – is clear. China is steadily

socialising the global South, region by region, into its norms.

So, what to do about China's challenge? First of all, the EU needs to develop a clearer focus concerning how to engage with countries in the global South. It needs to turn discourse about the 'Global Gateway' into a reality, building a coherent response to the BRI. Apart from anything else, prioritising investment in the developing world is a win-win for Europe if it creates jobs and persuades at least some of those who intend to attempt migration to the EU to stay at home. In other words, investing in economic development in the global South is also good for Europe in the long run – if the EU plays the right cards.

Brussels also needs to show global South countries greater respect, making clear that they are not regarded as second-class world citizens. An important part of this is to understand that 'European values' are not automatically universally accepted, and that attempts to force them onto countries which were once colonised by European masters are not appreciated. Even if this may be hard to swallow, European elites do need to listen to their counterparts in the developing world rather than lecturing them on 'European values.' The global South is steadily gaining economic importance and it would be wise not to ignore China's role in this transition.

Ultimately, the obvious strategy to counter China's advances in the global South is to increase diplomatic activity in selected countries – especially those which appear to be wavering or sitting on the fence concerning cooperation with China. The EU needs to enhance bilateral ties with individual countries. At the same time, there is a need for new regional mechanisms as platforms for improving ties. Behind-the-scenes diplomacy can pave the way to increased influence, and dangling some carrots in the form of investment deals under the label of Global Gateway cannot hurt. The way to compete with China strategically is to make an equal or better offer than China, particularly in countries or regions which appear to be uncertain about the benefits of developing closer ties with Beijing. In the end, the potential risk of doing nothing far outweighs the costs of devoting more time and money to the global South.

https://doi.org/10.31175/eh4s.2014.04

Is "De-Risking" Possible? Responding to China Related Economic Insecurities

By
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KEY TAKEAWAYS

- There is now a widely held belief in many parts of Europe that economic relations with China need to be "de-risked". This is very unlikely to happen, though, without active policy changes to shift commercial behaviour and relations.
- We identify four main (not mutually exclusive) ways of reducing vulnerabilities; interventionist tools, discursive ones, liberal tools, and an emphasis on technological advancements.
- A number of solutions have relatively long gestation periods and thus the slower the response, the longer the continued risk.
- Many of the methods will have financial consequences for either governments, producers or consumers (and possibly all three).
- There are also potential non-financial costs; examples include coordination and collaboration across Europe, and implications for the type of economic systems that Europeans want to live in and promote.
- Urgent research is required to establish the full extent of the costs of de-risking in different areas, and to evaluate if national governments and the EU have the capability and will to do what is needed; or to work out what level or extent of de-risking they are happy and able to live with and promote.

Keywords
De-Risking
Delinking
Economic Security
Weaponizable Interdependence
Chinese trade and Investment



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Introduction

To say that there is now a consensus over the need to radically change European economic relations with China might be taking things too far. Indeed, in some parts of Europe, the relationship is *getting stronger*, and expanding into the security realm. That said, Ursula von der Leyen's March 2023 *speech* focussing on the importance of "economic de-risking" reflected a more widespread acknowledgement that something needs to be done to deal with the various vulnerabilities that China related interdependencies have generated.

Identifying a problem is one thing. Outlining and implementing coherent and workable solutions is something else entirely. Particularly when many (if not all) of the potential solutions will either be decided on by non-state commercial actors, or executed by them. Indeed, German Chancellor Olaf Scholz has *argued* that de-risking should be "in essence a private sector activity" rather than something done directly by governments.

What might look like a potential security problem from a government perspective can look like good commercial common sense from other vantage points. And whilst one transaction (for example, a merger or acquisition) or one China-centric production network might not be particularly problematic in itself, those who look at the sum of numerous individual minor issues are in a better position to see an aggregated significance. *Evidence* from South Korea and Japan – where the idea of a China threat has been well established for many years and interventionist government policies have a long and successful tradition – suggests that exhortations to support national goals alone do not work. Persuading commercial actors to change their behaviour and practices, then, is likely to entail making sure it makes commercial sense for them to do so. This is likely to result in increased costs; either to governments (for example, through the provision of subsidies and other

forms of aid) or to consumers (through higher production costs). And very likely, to both.

Many European governments still coping with the financial consequences of the *global financial crisis*, now compounded by the costs of responding to the *pandemic*, face important decisions on how best to spend limited resources. Put bluntly, do they have the financial resources that they need to effectively "de-risk" the economic relationship with China? Or perhaps more correctly, does the calculation of the extent of the risk mean that the price is worth paying given that any money spent on de-risking could have been spent on something else?

There are identity and ideology questions to be addressed too. Even in those states that were once the most active proponents of neoliberalism, it is now not uncommon to talk of *industrial policy*, and other concepts more associated with *economic nationalism* than unfettered free trade. Even so, effective de-risking would entail various forms of intervention that might sit uneasily with those who prefer open economies. Not least because there might well be a secondary impact on economic openness per se – i.e.: not just on relations with China – as states seek to protect national economic interests and actors. Indeed, this has already happened as US action to protect and boost domestic producers and interests in part driven by competition with China – for example, the *Inflation Reduction Act* – has put up barriers for commercial actors from other countries too. One of the consequences, then, of the emergence of a big and illiberal actor as a major player in the global economy might have been to make others think and act less liberally than they might otherwise want to do. And while there has long been concern in about Chinese protectionism, the evolution of US protectionism has *alarmed proponents* of free-trade in other parts of the liberal West.

So what might be done to reduce vulnerabilities and risks? Not all states have the same ability to act in the same way. In addition to the question of the finances and resources needed to fund, for example, industrial policies designed to "re-shore" production, small countries lack the comparative strengths of larger economies (such as large domestic markets, better possibilities for conducting active industrial policy and providing massive state subsidies to national champions or attracting new investments from abroad). So we start from the assumption that not all options will be available – or palatable – to all.

Von der Leyen pointed to *four* main strategies: "making our own economy and industry more competitive and resilient; "better using our existing toolbo As part of a project to assess solutions to Finnish vulnerabilities, a panel of 97 leading technical experts, researchers, businesspeople and government officials were asked to provide their views on three different types of risks; foreign (and particularly Chinese) ownership, disruptions of supplies of key goods through production networks, and technological dependencies. Clearly their responses were influenced by the specifics of the Finnish case. Nevertheless, when some of the country specific factors are discounted, and contextualised by what has been

argued and said elsewhere, their observations provide a good starting point for thinking about different ways in which de-risking might take place more generally. x of trade instruments"; developing "new defensive tools for some critical sectors" to fill "gaps in our toolbox" (such as outward investment screening); and "alignment with other partners" who share similar vulnerabilities and concerns. Our analysis comes to some similar conclusions, but points to other potential pathways too.

As part of a *project* to assess solutions to Finnish vulnerabilities, a panel of 97 leading technical experts, researchers, businesspeople and government officials were asked to provide their views on three different types of risks; foreign (and particularly Chinese) ownership, disruptions of supplies of key goods through production networks, and technological dependencies. Clearly their responses were influenced by the specifics of the Finnish case. Nevertheless, when some of the country specific factors are discounted, and contextualised by what has been argued and said elsewhere, their observations provide a good starting point for thinking about different ways in which de-risking might take place more generally.

Broadly speaking, we can identify four main ways to reduce dependencies and vulnerabilities; interventionist tools, discursive ones, liberal tools and an emphasis on technological advancements. These are not mutually exclusive. Indeed, the discursive tools outlined below in many ways represent a path-laying set of tools that lay the foundation for the others to build on (and there is a case for treating them as an element of each of the other three rather than a set in their own right). While some of the tools point in different directions, it is not impossible to construct a strategy that uses a combination of all four, with different solutions provided for different audiences and different types of challenges and risks. There are different timescales too, with some having longer gestation periods before they can be effective than others.

Interventionist tools

These are probably what most people think of first when they think of ways of changing international economic relations and de-risking. The need for strong inward investment controls has become more or less consensus thinking amongst *individual countries* (and not just European ones), and also at the *EU level*. However, to date, the emphasis has been on assessing M&A activity, and the more recently dominant Chinese form of FDI – *greenfield investments* – has tended to fly under the radar. After decades of searching for greater access to China, even the need to restrict outward investment to China in some strategic areas – most clearly, in advanced technologies – is also now on the agenda. And of course, this is something that has already been done by the *US*. Tariffs and other forms of legislation can also be used to make economic relationships with China either commercially unviable or illegal. And again, these tools have already been used by both Republican and Democrat

presidents of the USA (and elsewhere too). Stockpiling supplies of potentially vulnerable goods – medicines for example – is also a way of mitigating insecurities in times of crises.

Over the long term, restricting research relationships with China might also be part of an interventionist strategy. *Canadian researchers*, for example, cannot get federal funding if they work with suspect Chinese partners (or Russian and Iranian ones). UK strategic *export controls*, whilst not specifically and solely targeting China, places restrictions on the sort of applied research that can be done in China and in collaboration with Chinese researchers (including some cloud based activities).

Of course, such a strategy requires the prior decision of which relationships are risky and thus need action. According to the *Rhodium Group*, in 2019, while 83 per cent of Chinese exports to the EU met their definition of being "green" or unproblematic, 44 per cent of EU exports to China were not considered to be "completely benign". In addition, 46 per cent of Chinese investment into Europe and 32 per cent of EU investment in China did "not make it onto the green list". Even if individual countries and the EU use less strict criteria, the list of relationships that need some sort of intervention to de-risk is likely to be very long indeed. And as a result, very costly (one way or another) through the need to build replacement alternatives. Many production networks are extensive and elaborate, and unwinding them can thus be difficult and slow. This can actually increase vulnerabilities and insecurities during transition processes.

Interventionist strategies are relatively easy to implement if there is political will. But they can have significant financial implications. And legal ones too given the need to be WTO compliant, and to not breach EU competition policy on *state aid* and the operation of the single market. There is also the question of cross-European coordination. Quite apart from the issue of legal competencies and what can and should be done at the national (rather than the EU) level, if only some European countries go down the interventionist route while others ignore it, then this will have important consequences for how Europe as a whole interacts with China.

Discursive and narrative tools

While discussions and debates might at first sight seem to be something different to controlling and de-risking economic relations, they can be an important component in pushing for change. Here the emphasis is on raising awareness of the perceived nature of the challenge to either prompt a direct change in behaviour, or to create support for subsequent action that might otherwise lack legitimacy and support (or, of course, both). In academic studies, the latter is often referred to as a process of "*securitization*" where otherwise and/or previously acceptable and/or "normal" activities and relationships are explained as threatening national security to justify otherwise extraordinary and abnormal responses. And the way that some think tanks

and advocacy groups alongside like-minded politicians and media outlets have promoted certain views of China in some polities seems to fit with this idea of securitizing the relationship.

When it comes to persuading commercial actors, though, the emphasis is often on pointing to underestimated potential economic losses rather than "national security" threats. This might include highlighting the dangers of politically motivated disruptions to production, networks and trade relations, (the idea of "*weaponizable interdependence*"), the consequences of both legal and illicit transfer of technology and knowhow through partnerships and/or foreign acquisitions for sustainable future profitable operations, and explaining the ways in which data can be gathered and used. In addition, as the popular discourse on China shifts in many parts of Europe, this can result in *reputational damage* for those who are deemed to be too close to China.

A number of governments have also used more internal-facing awareness raising mechanisms too. Things done in China have an increasingly global reach even when there is no deliberate intention to have a direct impact on Europe and Europeans. So greater China literacy is considered essential in preparing for both deliberate and unintentional consequences of future Chinese action. Hence, the importance of providing training courses on China for officials and civil servants whose work does not have an immediate and obvious China related element (for the time being at least).

Promoting a specific narrative can be politically divisive if dominant discourses are perceived as privileging certain domestic interests over others, or become associated with a specific political ideology, approach, or party (or wing of a party). Moreover, discourses cannot be contained within a single national or regional setting. What is said about China will be heard in China, and may well generate a response. It is important, then, to be aware of what the response might be. And also to undertake the prior task of working out exactly what the desired end-point is of a future changed relationship with China.

Restricting who is part of the discussion is also part of the equation. Across Europe (and of course, elsewhere) there is concern that the Chinese authorities are trying to influence the way China is spoken about and thought of overseas. This is probably most clearly manifest in debates over the role and objective of Confucius Institutes in a number of countries. There is also suspicion about the motivation of Chinese students and scholars studying in Europe; particularly but not only those funded by Chinese *government scholarships*. And there is also a broader concern that Chinese *United Front Work* activities have cultivated relationships with friendly groups or individuals within Europe who can disseminate a preferred narrative on China's behalf. Regulating who can speak, though, is politically sensitive. The closure of clearly Chinese funded institutions like Confucius Institutes (as happened in *Sweden*) might have general support. But finding agreement on lines that cannot

be crossed, things that cannot be said, and people who cannot say them is fraught with difficulties.

Liberal tools

Discursive tools can establish a sort of collectively accepted "common sense" if they have buy-in from groups across the political spectrum. The idea of China as a partner for cooperation but simultaneously an economic competitor and systemic rival repeated in a number of EU level reports and *policy statements* might be a good example here. They also have the benefit of being relatively cheap to implement. Whether they are enough on their own, though, to influence a significant shift in actual economic interactions – particularly if the short-term commercial logic points in other directions – remains somewhat questionable.

But this is certainly the expectation or hope of those who favour more liberal approaches to reducing vulnerabilities. In addition to raising awareness of risks, there is also an emphasis on promoting value-based considerations for those who make commercial decisions; for example, when responding to investment or acquisition opportunities and offers. Diversifying sources of supplies rather than cutting off or penalising those that come from China is also a way of de-risking without punishing, by emphasising the need to have flexibility and adaptability to avoid the shocks that reliance on a single country can generate. After all, even without nefarious intent from China, piracy in the Red Sea, bad seamanship in the Suez Canal, and pandemic related work absences have all had an impact on the supply of goods from China to Europe. Promoting technological literacy can also reduce risks by ensuring that technologies are used in ways that doesn't allow data to become usable for political purposes.

From liberal perspectives, strengthening and deepening the EU single market is an important way of reducing risk; particularly, but not only, for smaller states which do not have the benefits of scale in their domestic economies. Capital market support and an improved single market can help provide the realistic scalability that many and particularly small start-ups need that currently often sell out at an early stage; and often to non-EU buyers.

Finally, the idea that engagement and interaction remain the best hope for a secure future still has resonance and supporters. To be sure, the liberal argument that engagement would socialise and change China – both domestically and as an international actor – is hard to maintain given the sort of state and global actor that China has become. Today, the emphasis is instead on how engagement and interaction are essential if Europe is to be in a position to reduce not just China specific risks, but to deal with shared global challenges too. As the *French Finance Minister* put in Davos in 2023, "China cannot be out, China must be in. This is the difference of view we have between the U.S. and Europe".

In addition to maintaining diplomatic dialogue at the highest levels, in stark contrast to the push to reduce or even eliminate academic collaboration with China, this position points to the importance of expanding and enhancing exchanges; not least to increase the levels of China literacy within Europe. For example, while recognising the security risks, not least due to the close relationship between some academic researchers and China's military industrial complex, the *German Academic Exchange Service* argues that it is a lack of interactions with China that is the problem, not too many of them. There needs to be clear measures to prevent the exploitation of joint research in detrimental ways in some areas, but overall the best way of being able to avoid other vulnerabilities and risks in the future is by trying to understand China better. And this is best achieved through contacts and collaborations rather than through isolation.

Technological tools

A longer-term approach focusses on the ability to rely on technological advances to solve insecurities by producing alternatives to China dominated supplies. China's dominance in the supply and processing of *rare earth* elements has been identified as a key challenge for the rest of the world; not least because the country has already shown that it is prepared to control and stop not just exports of the rare earths themselves, but also of *extraction and processing* technologies that would allow others to process new supplies outside China. Stockpiling reserves provides some sort of alleviation of risk. But developing new indigenous processing technologies would reduce the dependence on China's near monopoly in processing. Developing new technologies that do not rely so heavily on rare earths would also help. Similarly, in addition to building new domestic production capacity, developing new medicines would reduce reliance where China dominates (for example, *in antibiotics*). The risks of data harvesting could also be mitigated by new developments in *geofencing* and coding to restrict where the data can be seen and collected from.

Technological solutions are for the future. To be sure, some alternatives to China based dependencies and vulnerabilities might already exist. But if they do, there is a reason that they are not being widely used: cost, reliability, performance and so on. So these are generally not a quick fix and would need to be used alongside other tools. Developing new technologies also typically requires significant investment. If the driver is national security concerns rather than commercial advantage, then this is going to entail at least some public funding. New technologies also need to be nurtured and protected; which brings us back to the sort of concerns about technology transfer and new tech start-ups selling out to foreign ownership already discussed above. So government support – and perhaps direct government ownership – is likely to be a component of any viable technological de-risking tool in the future.

Next steps

This paper is not intended to act as a call to de-risk. That is a choice for others to make. Nor is it intended to be an exhaustive list of tools and responses. Rather it simply points to some of the things that might be done if governments and the EU are serious about making a significant and fundamental shift in their material economic relations with China. The overarching intention is to simply suggest that whatever we call it – delinking, de-risking or something else – then reducing vulnerabilities and insecurities is not going to be easy or problem-free. In addition, some of the solutions will have long gestation periods and need action now if they are going to have an impact even a decade on. And pretty much all of them will entail some sort of costs for public finances, producers, consumers, and voters.

There could also be an impact on the nature of the Europe we will live in in the future. It is not just that economic nationalism and protectionism might increase as a response to the rise of China (and of course, other factors as well), but it might also increase as a response to the response of others as well; most notably, the USA. When China's rise was seen more as an economic opportunity for Europe than a threat, then there was competition between some European states to seize those opportunities, and even become China's best friend in Europe. Now that China is increasingly seen as a challenge or a threat, if individual governments primarily focus on their own responses, then what are the implications for the EU?

The key takeaway is that it is not just enough to talk about delinking. If the decision has been made that it needs to occur, then things need to be done to make it happen.

Individual governments and the EU need to come up with concrete plans and be honest with themselves and their electorates about what this is going to mean. This requires clear strategic thinking of the costs and benefits of different approaches – and not just financial costs. And also to be clear about the end point; what type of relationship do Europeans want to have with China (and not just in terms of economic interactions)? It would also help if there was close consultation between governments and business communities, between European governments (including those who are not members of the EU), and between national governments and the EU too.

https://doi.org/10.31175/eh4s.2014.05

A Few More BRICS in The Wall: How to Respond to China and Russia's Emerging Bloc of Nations

By
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KEY TAKEAWAYS

- In August 2023, it was announced that the BRICS cooperation platform had accepted six new members: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates. So far, four of these nations have joined original members Brazil, Russia, India, China and South Africa (Argentina withdrew its application in December while Saudi Arabia is still considering the offer).
- The expansion of BRICS appears to have been instigated by China and Russia.
- With this move, it has become clear that BRICS+ is a direct challenge to the G-7, based on cooperation between global South countries and under Sino-Russian leadership, since it clearly seeks to counter the "liberal international order" (LIO) set up by the world's wealthiest and most powerful countries.
- BRICS+ appears to be, from Beijing's point of view, part of efforts to build a "community of shared destiny/future" based on South-South cooperation and the Belt and Road Initiative (BRI).
- However, cooperation between BRICS nations seems to be based more on united opposition to the hegemony of the global North rather than a clear, shared vision of the future. No clear strategy for an alternative order has emerged from BRICS thus far and it is unclear whether the core members truly see eye-to-eye on a range of issues. For instance, India is not in the BRI but is in the China-countering Quadrilateral Security Dialogue (the Quad).
- Whether BRICS+ can become a genuine counter-hegemonic bloc to the G-7 remains to be seen. There is still time and opportunity for the West to counter it by seeking to include the nations of the global South in the LIO's decision-making processes rather than lecturing them about what they should do.

Keywords

South-South Cooperation

Community of shared future

Global South

Liberal International Order (LIO)

BRICS

Belt and Road Initiative (BRI)



BRICS takes centre stage

In August 2023, at the annual meeting of the BRICS group, it was announced – to general surprise – that the platform would be getting *six new members*: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates (although *Argentina* withdrew its membership application at the end of 2023, and at the time of writing *Saudi Arabia* is reportedly still considering whether to accept the offer). By all accounts, the new members were admitted at the behest of *China and Russia*. Henceforth, the organisation would be known as *BRICS+*.

This move *bewildered* many observers. Why, they wondered, would Iran and Saudi Arabia, entrenched regional rivals for decades, fighters of proxy wars against each other, be included in the same body? Was this a calculated move to undermine the so-called 'liberal international order' (*LIO*)? Or just a step towards rendering BRICS impotent and incoherent? Was the organisation now, as it appeared, intended to stand directly against the G-7 group of rich nations? Was this expansion of BRICS a threat to the West, or simply strategically confused?

The answers to these questions are complex and multifaceted. On the one hand, it is clear that Beijing is trying to build a network of sympathetic nations based on the rhetoric of *South-South cooperation* and opposition to the hegemony of the global North. At the same time, the Chinese government does not want to rock the boat too vigorously for fear of shaking out too much of the liberal international order (LIO) which has produced China's economic miracle over the last four decades. BRICS is based in ideological opposition to the West's dominance but still lacks a clear vision beyond the vague goal of establishing a '*community of shared future*.' Hence, there is space for the G-7 nations

to counter the influence of BRICS by presenting a more coherent path forward than that emanating either from the tentative Sino-Russian-led coalition or from the US and the EU so far. The future LIO needs to be more inclusive of global South countries rather than making them feel they are being lectured and dominated by the richer half of the world.

The story of BRICS

The BRICS intergovernmental organisation – comprising Brazil, Russia, India, China and South Africa – was *founded in 2009*. It has met annually ever since. However, it is interesting that *the term 'BRIC'* originates in 2001 from a publication by the erstwhile chairman of Goldman Sachs Asset Management. In it, Jim O'Neill proposed the idea of a bloc of powerful global South nations including Brazil, Russia, India and China. The idea gained some traction in the global public sphere in the following years and was then acted upon by the countries themselves, with the addition of South Africa. Hence, this bloc formed by global South actors was conceived in the global North.

With this in mind, it initially appeared that even the BRICS nations themselves were unsure what to make of the grouping. Perhaps the arrangement would be short-lived. Yet in fact annual meetings continued. Even in the face of events which would seem to run counter to cooperation – such as clashes in the *Galwan Valley* between Chinese and Indian forces in 2020, not to mention complex issues arising from the COVID-19 pandemic – the group persisted. And it was clear that this was an arrangement that had begun to suit the members. Of course, it also excluded the world's most powerful nations: the G-7, consisting of the USA, the UK, Canada, Germany, France, Italy, and Japan (*plus the EU* as a "non-enumerated member").

In conception, it is clearer what BRICS stands against, rather than what it intends to do. Based in the rhetoric of South-South cooperation emanating from discussions in the UN, the organisation is intended (at least as far as China and Russia are concerned) to foster unity among leading emerging economies with the aim of countering the dominance of North America and Europe. Officially, BRICS is supposed to assist in resolving regional conflicts, reforming global financial and economic structures (such as the *World Bank* and the *International Monetary Fund*), and establishing the BRICS *Interbank Cooperation Mechanism*. On the other hand, since BRICS countries still use the US dollar for transactions and the World Bank and IMF are still dominated by the US, there have been limited results so far in attempting to transform global finance. Regarding regional conflicts, Beijing points to its role as a *peace-broker* between Iran and Saudi Arabia. The Chinese government also promotes Belt and Road (BRI) investments as a sign of success.

Introduced in 2013, the BRI is intended to connect primarily developing countries across Asia, the Middle East, Africa and Europe in a multi-regional network of states, using Chinese infrastructure construction as the building-block. Later came other linked ideas such

as the *Global Development Initiative*, the *Global Civilisation Initiative*, and the rhetorical slogan "community of shared destiny" (later changed to "*community of shared future* for mankind"). But it is not clear what role – if any – BRICS itself played in these developments. All these Chinese initiatives point to one thing: President Xi had in mind an idea of constructing a bloc of non-Western nations as an alternative to the existing order predicated upon the dominance of the global North countries. And this is the origin of the idea for adding members to the BRICS platform. For the Chinese government, it is an ideational merging of the agendas of BRI and BRICS.

However, this does not necessarily mean that the other members see it this way, or that all potential members will be excited to join. It is clear from Argentina's withdrawal (after *an election* producing a change of leadership) and Saudi Arabia's hesitation that the expansion of the platform will not necessarily be plain sailing. This is especially the case since *India and Brazil* have resisted expanding BRICS membership too rapidly and – unlike China – tend to favour the inclusion of *democracies over autocracies*. Brazil and India have also *rejected* the idea of BRICS as an anti-Western bloc and *refuse* to join the BRI. Clearly, BRICS has a long way to go if it is to promote a unified vision of global South development.

BRICS+: added value or watering down?

Probably the most surprising aspect of the August 2023 announcement for many observers was that Iran and Saudi Arabia were to be admitted to BRICS together (although, as already stated, Saudi Arabia had not yet accepted the invitation at the time of writing). *Regional rivals* since the *Islamic revolution* of 1979, Shia Iran and Sunni Saudi Arabia have been competing for influence in the Persian Gulf for decades. Both are major oil exporters and dominate the region geopolitically. Saudi Arabia has traditionally been an ally of the US (although it has been hedging its bets in recent years), while Iran has stood against the West since the Islamic revolution. Iran controls the Strait of Hormuz, through which pass about *21 per cent* of the world's liquid petroleum. Recently, they have been backing opposing factions in *proxy wars* in Syria and *Yemen*. Relations between them would appear to be impossibly bad, making the prospect of their representatives sitting around a table at a BRICS summit unlikely. Yet both were invited, presumably at China's behest.

This is a puzzle if one considers the possible downsides of trying to cooperate with bitter rivals within a multilateral organisation such as BRICS. The more members the platform gains and the more diverse their interests, the more difficult it is likely to be to achieve consensus. This is especially the case when countries which have had long-term security arrangements with the US – such as Saudi Arabia and Egypt – are admitted. Expansion appears to contain significant downsides for the organisation in terms of taking practical steps to counter Western hegemony – if that is what BRICS is for.

The explanation is relatively straightforward. From China and Russia's point of view, at this stage the mere fact of appearing to co-opt erstwhile Western allies – and doing it in a peaceful fashion – is more important than achieving consensus. For instance, as already noted, in March 2023, Chinese Foreign Minister Wang Yi announced that Beijing had brokered a *peace deal* between the two rivals – even if in private some who were in the know noted that China had stepped into the long-term negotiations quite late in the day. The announcement of the deal was an attempt to send three clear messages. First, that China was capable of achieving results that Western countries could not. Second, that China was presenting itself as an agent of *peaceful global development* rather than conflict (in contrast with common perceptions of the US in many countries, not least in the Middle East). And third, that this was part of a long-term attempt to create the appearance that China was capable of constructing an alternative international order based on building cooperation with and between global South countries. Of course, since the outline of this alternative order remains vague, it is the attempt to blunt the power of the global North by constructing an alternative bloc of states that it is the key point. Thus, attracting countries to BRICS – and increasing China's influence at the expense of the West – is, at this stage, more important than the missing details of exactly what the new, BRICS-led global order is supposed to look like – or what exactly it is supposed to do.

Thus, the move to bring in Saudi Arabia and Iran, with two other Middle East and North Africa (MENA) nations – Egypt and the United Arab Emirates (UAE) – also included, is meant to send a signal. China wants to be seen as a broker capable of bringing peace to regions where Western initiatives – often based on violent interventions – have failed. US-led actions such as the *invasion of Iraq* and attacks on Houthi rebels in *Yemen* have set an example of the West as an aggressor in the MENA region. Beijing means to demonstrate that it is a different type of actor: a peaceful one. The Xi administration, continuing China's long-term policy of *non-interference* and *respect for sovereignty*, wants to show the global South that it is not like that and can be a trusted partner which will not intervene militarily in local conflicts.

In a *Gramscian* sense, BRICS+ could be interpreted as a *counter-hegemonic historic bloc*, set up as an alternative to G-7 and the dominant hegemonic bloc set up by global North countries. A Gramscian interpretation suggests that ideational factors are at play at least as much as material ones, presenting this novel organisational structure as a contender for normative recognition, especially in the *global South*. It can be understood as a China- and Russia-led move to present the developing world, most of which was colonised by Europeans, as capable of standing up to the power of the wealthiest nations and creating a viable alternative order.

At the same time, a key aim of BRICS is to play on grievances in the global South about the global North's dominance of the architecture of international institutions and the unequal distribution of power rather than seeking to completely disrupt the existing order. Many global South countries resent the fact that they are under-represented in global power structures

such as the UN Security Council or the G7. This is why the 2023 BRICS *Johannesburg Summit Declaration* contains a laundry list of concerns about the current order, while at the same time reaffirming the importance of the traditional global governance institutions. What remains to be seen, at this stage, is how much the idea of BRICS+ will gain credibility in Africa, Latin America, Asia and other developing regions, and whether there will be a steady drip of new members into it or not.

Policy recommendations: responding to China's role in BRICS+

As far as the EU and other countries in the global North are concerned, the implications of the August 2023 membership expansion are clear. The potentially expanding China- and Russia-led challenge to the LIO needs to be faced. It would not be wise to ignore such a development at this stage, especially since there are points of weakness in BRICS which, quite frankly, can be exploited. Given the signs of contestation within BRICS itself, it is the Sino-Russian axis which is the core of the challenge to the Western-led global order and, from the point of view of the US and the EU. The way to counter the challenge is to react to China and Russia's leading roles in the organisation by looking to improve relations with other members and potential members of BRICS+.

In order to do this, it is essential to understand and address the grievances of global South countries. In the main, these revolve around their perception that they are being excluded from the main decision-making structures in the global international institutions which make up the LIO. Thus, there needs to be more emphasis on joint problem-solving and reform to institutional structures which allow more space for diplomatic cooperation with countries which are current or potential members of BRICS. If this is not done, countries are likely to pursue their interests through BRICS instead of the LIO, taking their lead from China and Russia – even if they would perhaps prefer to avoid this solution.

In particular, India is an obvious potential target of diplomatic attention. It is both a founding member of BRICS, and the world's *most populous nation*. The Modi administration in New Delhi has also consistently *refused to join* the BRI, Xi Jinping's flagship foreign policy initiative. India fears increasing Chinese influence in its backyard (the *Indian Ocean*) and the two countries have ongoing *territorial disputes* at their Himalayan borders. India is a participant in the *Quadrilateral Security Dialogue*, a security organisation including the US, Japan and Australia which aims to counter China. Given all these circumstances, it is far from likely that India will be a solid supporter of Chinese attempts to set agendas in BRICS+. All that is really needed at this stage is increased diplomatic engagement with Indian officials to evaluate where they stand and what is the potential for enhancing ties. In the future, it may be possible to offer India greater participation in the LIO, possibly even as a full member of the G-7.

It could also be worth exploring Brazil's position. Brazil has never portrayed itself as a

supporter of China and, like India, has *not yet joined* the BRI. On the other hand, it has become a key oil supplier to China, which is its main customer. China receives 63 percent of total Brazilian crude exports since a deal was struck between Petrobras, Brazil's state oil company, and Sinopec, the Chinese equivalent, *in 2006*. However, there are no other major economic or political ties between the two countries. Thus, while it is not likely that the Brazilian government will seek to antagonise China, there is room for manoeuvre.

Clearly, it must also be worth talking to Saudi Arabia and Argentina. The Saudis appear to be employing delaying tactics or a hedging strategy on possible membership of BRICS+. The Kingdom's foreign relations appear to be in flux under Mohammed bin Salman as Saudi Arabia seeks to change its international *image* and reframe itself as a modern state. The Saudi leader is therefore likely to be amenable to discussions about his country's participation in the LIO rather than BRICS and the BRI. Meanwhile, Argentina has already rejected BRICS, and it would be interesting to find out more about the present government's position on China. The opportunity for increased diplomatic activity to explore avenues for cooperation in both these cases is obvious.

Of course, China is building relations with large numbers of global South countries through the BRI and other initiatives, including *regional cooperation platforms* such as the China-Arab States Cooperation Forum (*CASCF*). This is seen in the steadily reducing number of nations – now just twelve – still maintaining official *ties with Taiwan*. It is possible that more developing nations may be offered BRICS membership in the future, perhaps as soon as this year's annual summit. Some are more committed to China than others. It would therefore be a good idea to identify countries which are wavering on cooperation and try to cultivate ties with them. Offering increased investment in carefully selected countries via the EU's budding *Global Gateway* scheme would not go amiss.

In short, there is still time to present a clear counter-offer to selected global South countries. This should be tailored to individual countries as far as possible, seeking to find a more participatory role for them in existing global governance institutions. The emphasis needs to be on solving problems together, finding routes into the future which actively include the countries of the global South rather than merely telling nations to follow the rules of the LIO. As a recent *BBC interview* with the president of Guyana demonstrated, many countries feel they are being lectured rather than listened to on issues such as oil and climate change. The time is here not just to listen, but to learn from the global South – and to seek mutual solutions rather than being seen as imposing ones which favour the rich half of the world.

The task is to formulate the counter-offer to BRICS and the Sino-Russian alliance in a way that is attractive to as many nations as possible, and especially those with clout in BRICS. It should not be difficult to separate those nations which will stand steadfastly with China

and Russia from those who are wavering. But it will take some time and work through diplomatic channels, as well as a clearly-formulated plan for cooperation with the EU and the rest of the global North. Above all, it is important to earn the respect of countries in the global South rather than talking down to them – and to encourage these nations to feel that they can participate in the LIO instead of being made to feel that they are its victims.

https://doi.org/10.31175/eh4s.2014.06

What's New About China's New Quality Productive Forces?

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KEY TAKEAWAYS

- The promotion of New Quality Productive Forces (NQPF) seems set to become the bedrock of the Fifteenth Five Year Plan which, if it follows previous time scales, will run from 2026 to 2030.
- As is often the case in China, Xi has announced a big picture grand vision which is short on details. More specific plans and policies will emerge to support the vision over time.
- At the most basic level, it can be viewed as a combination of previous initiatives designed to promote High Quality Development (rather than just high rates of growth) with ever increasing concerns about economic insecurities and vulnerabilities.
- However, the intention is to show that this is not just a change in priorities, but a paradigmatic shift in the essential nature of the Chinese economy.
- In the long run, the aim is for technological progress in innovation to become the source of growth (rather than increased capital or labour inputs).
- Even if the Chinese Communist Party (CCP) can manage the process of change successfully in the long run, there are likely to be significant dislocations and significant pain for some in the short run.
- As the aspiration evolves into policy, it is likely to impact on European companies both in terms of their ability to produce in/sell to China, and in terms of competition from Chinese high-tech producers in other markets.

Keywords

New quality productive forces

Dual Circulation

High Quality Development

Economic Security



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Introduction

The Xi Jinping era has not been short of new concepts and buzzwords. If we just focus on economics alone, in addition to Xi's grand visions for new international interactions and orders, we have seen at various times a focus on 'Supply-side structural reform 供给侧改革', 'High quality development 高质量发展', 'Made in China 2025' (MIC2025) and 'Dual Circulation 国内国际双循环'. Xi has also (in theory at least) shifted the entire focus of the CCP's economic objectives and endeavours by placing a greater emphasis on the quality, utility, and sustainability of growth and away from '*GDPism*',*[1]* or growth for growth's sake.

Given all that has already been said - and not least by Xi himself - does the recent emphasis on New Quality Productive Forces (NQPF) add anything new? As we will explain, in some respects, it is an updating or expansion or intensification of what we have already heard overlaid with (or integrated with) an increasing concern with economic insecurity. The need to de-risk China's economic future and in *Xi's words* 'better safeguard China's new pattern of development' points to the need to decrease China's reliance on imported goods and components, and particularly of high quality and hi-tech ones; an objective that is also at the heart of both MIC2025 and Dual circulation.

That said, for Marxists, the language of 'new productive forces' (NPF) is hugely significant. It points to not just a change of emphasis or policy within an existing economic structure, but a fundamental change in the nature of that economic structure itself. NQPF, then, captures the essence of previous concepts and (alongside the shift in the principal contradiction) establishes the idea of a *paradigm shift*. So it needs to be taken seriously as an expressio

of the Chinese leadership's preferred and desired direction of travel. If successful, it would also have massive implications for the structure of global production networks, and the distribution of knowledge and political power within those networks too.

Desiring something, though, does not (on its own) guarantee its delivery. Making such a paradigmatic change is not problem free, and resolving old problems and is likely to generate new ones along the way. Moreover, if implemented in a certain way, the NQPF agenda might even exacerbate some of the problems that it in part designed to resolve. Making a successful paradigmatic change, then, is likely to require a skilful management of the ways that the CCP justifies its rule, and the capability and willingness to deal with new challenges ahead.

Paradigmatic Change: Marxism and NPF

It can often take time for a preferred and official English language translation of a new Chinese concept to emerge.[2] When it rose to prominence as the leitmotif of the annual *Two Sessions meetings* (of the National People's Congress and the Chinese People's Political Consultative Conference) in 2024, what in Chinese is called 新质生产力(xin zhi shengchan li) was translated in English language outlets both as NPF and NQPF.Both translations were also then subsequently used by foreign English language reporting and analysis too. The two versions remain in use in English today, but the latter seems to have become the more common official translation.[3] This means that the crucial difference in the two that is obvious in the original Chinese – the inclusion of the character 质 (zhi) for quality – is not always evident in some English language discussions.

Nevertheless, despite this difference, the original Marxist understanding of NPF is clearly significant and helps us understand the full extent of what NQPF is meant to convey. NPF was used by Marx and Engels to refer to a fundamental epochal paradigm shift in the basis of economic activity; for example, the transition from feudalism to capitalism. The key here then is the identification of the nature of the economic transition taking place. This is not just about tinkering at the margins or a shift in emphasis **within** an existing paradigm, but rather a change from one mode of production to an entirely new one.

Here, perhaps the thinking of later and post-Marxists is more salient for the contemporary Chinese case than the original Marxist thinking. For example, *Fred Block and Larry Hirschhorn* refer to the key shift that took place in production in the USA in the 1920s and the move towards a post-industrial era. Growth was no longer simply and only the result of an increase in labour or capital (or both) as it had been in the past, but of a qualitative and fundamental shift in the basis of production; 'a quantum change in the extent to which conscious intervention shapes and reshapes production'. This change was the result of the:

> *importance of such 'background' factors as information, new modes of management, technological advances, and the expansion of services, such as education, welfare, and medical care.*

When Chinese economists talk about NQPF as 'advanced productivity freed from traditional economic growth models', this is what they mean. As the influential Chinese economist Yao Yang explains, in the past, to different degrees and at different times, Chinese growth had been driven by both the increase in labour engaged in non-agricultural activity, and/or the expansion of capital. In the future, with the emphasis on NQPF, this will no longer be the case. Such paradigmatic change does not happen overnight, and there is a period when the new and old co-exist; a period that Marx thought was inherently political and socially destabilizing. So as Yao Yang explains, old sources of growth will not immediately disappear. Eventually, though, if the promotion of NQPF is successful, China will have an economy 'where per capita income growth relies entirely on technological progress.' A focus on the amount of growth has been replaced by a focus on the quality of that growth and the promotion of another of Xi Jinping's favoured concepts; 'high quality development' (HQD).

After the annual National People's Congress meeting in March 2024, this HQD was defined as 'innovative, coordinated, green, open and shared development' no longer driven by 'labor, capital and land' but instead on innovation and 'information technology, big data and artificial intelligence' where 'obsolete production capacity and technology will gradually be phased out' and replaced by 'a new pattern of innovation-driven, green development'.

The idea of an epochal change is reinforced by explicitly linking HQD and NQPF to the previous change in the Principal Contradiction. As explored in some detail in an earlier EuroHub4Sino paper on ideological change in China, this refers to identifying the single biggest challenge to the continuation of party rule at any given time; a challenge that is existential in nature if it is not correctly dealt with. This principal contradiction had previously been defined as 'the ever-growing material needs of the people and backward social production' resulting in a focus on doing whatever was needed to increase production; a focus on growth above all else or GDPism. In 2017, this was changed to 'the gap between unbalanced and inadequate development and people's ever-growing need for a better life' indicating a transition in focus from the quantity to the quality of growth. This was based in part on an understanding that the old growth model was not environmentally, economically or societally sustainable. But it wasn't just about the future. It was also in part inspired by an assessment that it had already created or exacerbated instabilities and inequities that could undermine economic, environmental, societal and political stability that now urgently needed to be dealt with.

Xi was far not the first person to decide that the old model had reached its shelf-life. Almost from the onset of Hu Jintao's leadership in 2002, he emphasised the need to replace the old GDP-oriented growth model with a 'scientific concept of development' and a call to 'put people

first' (rather than putting raising GDP first as had previously been the case). Had it not been for the need to act quickly to boost the economy as exports collapsed during the global financial crisis, perhaps more would have been done sooner. That said, when Xi replaced Hu in 2012, *the argument* that strong vested interests had stymied Hu's ambitions, and Xi would now have to face them down to make any progress, had a number of adherents; a view that is now officially endorsed *by the party* itself. And what he has done since then to consolidate power – the party's power over the economy and society and his power over the party – gives that argument some credence.

Situating NQPF in Xi's Wisdom

As with many things in Xi's China, the contribution of other post-Mao (and certainly post-Deng) leaders tend to be downplayed, and Xi's thinking and innovations are emphasised. NQPF is no exception.Despite building on the thinking (and also some practice) of previous leaders, it is a concept that is very much identified as *originating with Xi*. It was first mentioned by Xi during his *inspection tour of Heilongjiang* (one of China's earliest centres of heavy industrial development) in September 2023 with a call to:

> *Integrate technological innovation resources to lead the development of strategic emerging industries and future industries, accelerating the formation of NQPF.*

It became clear that this concept had been given particular significance when it was the subject of the 11th collective study session of the Politburo on January 31, 2024. Xi further *elaborated on NQPF* and established it as the new guiding theory for achieving HQD:

> *NQPF prioritize innovation,* **breaking away from traditional economic growth patterns and production development paths**. *They are characterized by high technology, efficiency, and quality, embodying the advanced productive forces consistent with the new development philosophy. NQPF are brought forth by revolutionary technological breakthroughs, innovative allocation of production factors, and profound transformation and upgrading of industries [emphasis added].*

Innovation and Continuity

Despite the emphasis placed on NQPF to transcend the existing economic development and make a transition to a 'new' model and era, its main objective is not particularly innovative. In many respects, it is an updating of the aspirations and goals that the *MIC2025* initiative was meant to achieve when it was launched in 2015. This was a document and announcement that was widely seen from outside China as the starting gun for a new race to change the nature of the global economic order by making '*China dominant* in global high-tech manufacturing'. In the short term, though, and from Chinese perspectives, it was more about rectifying

weaknesses and catching up than it was about dominating. The original document blueprint pointed to considerable weaknesses in an economy where the 'manufacturing industry is large but not strong' and 'there is still a big gap compared with advanced countries'. Innovation capability was described as 'weak' with a high dependence on imported components in 'core technologies and high-end equipment', and overall product quality was 'not high'. Global brands were still lacking, resource and energy utilization were low and industrial pollution high, the level of informatization was low, the degree of industrial internationalization not high, and 'the ability of enterprises to operate globally is insufficient'. Hence the (rather urgent) need to overcome these deficiencies and start producing more higher quality and hi-tech goods at home utilising Chinese knowledge, skills and innovation.

If the promotion of NQPF is in part an updating of the MIC agenda, it is also in part an upgrading and updating of the 'dual circulation' strategy. This too is identified as Xi Jinping's brainchild. *First proposed* during the seventh meeting of the Central Financial and Economic Affairs Commission in April 2020, it was given the status of China's *fundamental economic development strategy* during the 14th Five-Year Plan period and beyond. It was defined as:

> *Accelerating the establishment of a new development paradigm with domestic circulation as the main focus, and with domestic and international circulations mutually reinforcing each other.*

One emphasis, then, was on promoting domestic consumption, another *crucial objective* of the 'dual circulation' is to ensure a higher level of self-sufficiency through innovation. This would naturally aid China's ascent up the industrial value chain, enabling the manufacturing of high value-added products. In this regard, as *Alicia García-Herrero* notes, MIC2025 is a key part of the 'dual circulation' strategy by seeking to replace imported 'high-end goods' with domestically produced ones. And as she also notes, if successful 'China will no longer need to import high-end inputs' which will have 'obvious negative consequences for major exporters of technology, such as Germany, Japan, South Korea, and the US'.

Building upon this foundation, NQPF further expand and elaborate upon the connotation of innovation by emphasizing the necessity to strengthen the *original and revolutionary* technological innovation. The prioritization of advanced technological innovation is also based on *national economic security* considerations:

> *Utilizing technological innovation to propel productivity transition is a focal point of great power competition. ... Driving productivity through innovation is an essential pathway to achieve self-reliance, shape national competitive advantages, and safeguard national economic security.*

And when national economic security is being discussed in China, broader understandings of national (and regime) security are never far away.

Securitizing China's (Economic) Future

Security looms large in all of the various initiatives and slogans designed to upgrade the economic base. The Asian Financial Crisis of 1997 spurred *a new interest* in economic security in China, as the potentially negative consequences of being integrated into the global political economy became clear for pretty much for the first time since the start of the reform era. Encouraging foreign investment to produce exports for foreign markets was all well and good when the regional and/or global economy was thriving. However, growth and employment in China (and therefore regime legitimacy) were threatened when events outside China's control resulted in either a reduction in investment or demand (or both).

Moreover, it is not just purely economic fluctuations that create insecurity. There has long been a concern in China that hostile states might try and prevent China's rise by intervening in the global economy to cut off or limit supplies of key resources and/or manufacturing inputs, or to restrict access to lucrative overseas markets.

Indeed, trying to depoliticise international economic interactions was *one of the reasons* that China's leaders sought to join the WTO back in the 1990s. When it did join in 2001, there was an expectation (and not just in China) that it would be awarded market economy status after 15 years of membership. This would have resulted in a big shift in the sort of evidence required by others when bringing cases of unfair Chinese practices to the WTO and made it somewhat easier for Chinese defendants to defend themselves. The lack of such recognition in 2016 by the United States and the European Union generated annoyance in China that the goal-posts seemed to be being moved by the major powers, and that political considerations and geostrategic competition might continue to influence China's ability to act in the global economy in the future.

That is exactly what seems to have happened. *Zimmerman* argues that the introduction of the Foreign Investment Risk Review Modernization Act in 2018 to update the jurisdiction and scope of investment screening was a direct result of 'increased fear regarding China's growing strategic and economic clout and the potential loss of American technology supremacy'. President Trump's America First strategy did not target China alone, but it's fair to say that Chinese imports and the US trade deficit with China held a particular importance. Biden's introduction of first restrictions on certain high-tech exports to China (most notably semiconductors) in 2022 and then investments in China in 'sensitive' areas the following year pointed to a bipartisan consensus on China. That the export controls included not just things made in the US, but also anything made anywhere in the world using Chinese tools, '*vastly expanding*' the US government's 'reach in its attempt to slow Beijing's technological and military advances.

And it is not just the US that is seen as the problem. In the EU, we can add the *postponement*

(at least) of the introduction of the EU-China Investment Agreement and the EU's plans to increase 'scrutiny of foreign investments and [introduce] more coordinated controls on exports and outflows of technologies to rivals such as China'. At the national level, the introduction of national investment screening laws in countries like *Sweden* and the *UK* both reflect and also reinforce a more general increase in negative views of China and the need to *de-risk* relations with China. All of these have individually and collectively been taken in China as pointing to a future where *political* rather than economic logics will likely prevent Chinese actors from getting what they want in and from the global economy. And in the process, prevent China from developing in the way that its leaders want it to develop.

Ambitions with contradictions

In some ways it is a bit surprising that Xi has chosen the language of developing new productive forces (with or without quality) to describe what's next for China. Here we need to turn to the political consequences of epochal change and not their content and form. For Marx and Engels, such a paradigmatic transition was the key determinant of social dislocations and political transformations; and thus ultimately of revolution and the collapse of the existing order. As *Marx* argued in 'The Poverty of Philosophy' in 1847:

> *In acquiring new productive forces men change their mode of production; and in changing their mode of production, in changing the way of earning their living, they change all their social relations.*

In essence, NPF disrupt the existing patterns of social interaction and hierarchy and are incompatible with the status-quo ante system of privilege, hierarchy and order.*[4]* And while the original Marxist concern is with those NPF that replaced feudalism under the bourgeoisie), the transition to the sort of NPFs that are associated with HQD have also long since been identified by *those in the Marxist tradition* as generating a new version of 'the classic Marxian formulation of a conflict between new productive forces and old social relations of production'. As technology comes to the fore, this results in *unemployment* and underemployment and deskilling and a general '*decay in old social patterns*'.

The official position is that NQPF will not result in turmoil but on the contrary will benefit all and lead to common prosperity. This is no surprise at all. The CCP has had to cope with a major ideological and practical dilemma ever since it took power in 1949. To put it over-simply, Marx thought that the revolution that would lead to communism would occur as a consequence of industrialisation; an industrialisation that had yet to occur when the CCP seized the reins of power. This meant that the CCP was faced with trying to build a 'modern' industrialized economy whilst not allowing this to lead to the alienation, class conflict and ultimately revolution that Marx had predicted. Indeed, they wanted the process of economic change to bolster and reinforce support for the political system, rather than generate opposition to it. And this is still the desire today. The goal is to somehow

control the social and political consequences of economic change to minimize negative consequences and ensure regime survival.

Even if it does manage to do this in the long run – and that has to be a very big IF – then there are inevitably going to be short term dislocations as 'obsolete' industries are let go. As *Chi Lo* argues, 'this process is inherently deflationary because the rate of destruction is faster than the rate of creation'. It will be a process that will bring pain to many of those in the old obsolete sectors and a key question is whether the leadership has the will and confidence in itself and its own position to live with this pain during the transitional process (at the very least). Notably, there is *no even geographic spread* of different types of economic activity across the country. Some areas are much more dependent on old and obsolescent industries than others, and so any pain is likely to be unevenly distributed too.

An Achievable Aspiration?

And yet it is far from clear how that pain can be (quickly) ameliorated, let alone cured. Nor is it clear how NQPF can deal with the structural deficiencies of China's economic development that 'dual circulation' was originally designed to overcome. As the crisis in China's real estate sector (which contributes *approximately 20% of GDP*) has been unfolding, finding immediate and effective solutions to stabilizing and revitalizing it *remain elusive*.

Unless the CCP leadership is happy to cope with the consequences of a much lower growth rate (at the very least during an interim transition period), ensuring a stable and decent GDP growth requires the creative exploration of alternative compensatory measures within the *three pillars* underpinning China's economic development; domestic consumption, investment, and net exports. Given that one of the fundamental *objectives* of 'dual circulation' is to elevate domestic consumption as the primary driver of economic growth, resorting to exports to fill a 'growth gap' (as China has done in the past) is not an optimal choice. On the other hand, the sluggishness of China's domestic consumption is a longstanding issue. China embarked on efforts to *rebalance* its economic growth model by attempting to boost domestic consumption as early as two decades ago, but with limited success. In 2004, *consumption* accounted for 55.2% of GDP, compared to a decline to 53% in 2022. As *The Economist* points out, 'even among emerging economies, China stands out: it consumed 7% less per person than Brazil in 2022, though it produced about 40% more.'

Despite concerns about existing levels of debt in China – and particularly of *local government debt* – this places a heavy emphasis on *investment* to keep the economy afloat. Indeed, substantial investments have already been made in both *infrastructure* and *technological innovations* aiming to offset the stagnation in the real estate market and subdued domestic consumption.

Investment driven by the NQPF agenda primarily constitutes supply-side adjustments. More than that, this is not a just an economic or technological driven evolution; it is an example of the sort of *governance via a politically mobilized campaign* that has become quite familiar under Xi (with echoes of other forms of mobilization to attain other ends in previous eras too). A big vision is announced; or more accurately, after originally being introduced in some forum or another, a big vision is subsequently promoted to the Chinese people with considerable fanfare. It is then discussed and repeated by other CCP leaders, think tanks and academics, and disseminated through the media and across Chinese cyberspace. The population is expected to embrace and endorse it, and those who can are expected to do all that they can to support and promote it.

It is reasonable to expect that there will be a positive response to this campaign; particularly (but not only) if resources are provided to support the ambition and if it also becomes a core aim of the next Five Year Plan (due to commence in 2026). This suggests that new (and quality) capacity will be built across the country in response. Indeed, it is possible that there will be overcapacity as local governments seek to respond to the campaign and boost their own local NQPF.

Xi himself has acknowledged the potential consequences of local governments responding too positively to the campaign. One danger is 'neglecting or abandoning traditional industries' which *Han Wenxiu* (one of China's key economic policy planners) notes remain 'the main sources of employment, income, and livelihood security'.

Another danger is that they compete with each other to develop the same NQPF. Hence, the need for each locality to develop their own bespoke and locally specific NQPF that are based on what Han calls **'actual conditions, avoiding blind conformity and bubbles'** that are built on 'local resource endowments, industrial foundations, scientific research conditions, and ecological environment'.

China's leaders, then, are very much aware of potential pitfalls. Even so, questioning how these new capacities can be absorbed whilst also meeting the new principal contradiction's objectives seems a valid question to ask. To put it simply, where will the demand come from, and how will it meet the 'people's ever-growing need for a better life'?

Although NQPF emphasizes the transformation of technological innovation into *real economic development*, it remains *debatable* if and how emerging technologies can be effectively used to promote development in real economy. While technological development ultimately contributes to the development of humankind, its impact on actual individual human being remains uncertain. As argued by *Andrew Cainey and Christiane Prange*:

> *Deploying technology can help, but breakthrough innovations will do little to increase living standards for most of China's*

population. If successful, Xi's prioritization of advanced technologies may reduce China's dependence on overseas suppliers, but it will have limited benefits for growth across the whole economy.

If thetechnological innovation emphasized in NQPF cannot significantly elevate living standards and consequently stimulate consumption and the absorption of increased supply, the extra capacity of supply inevitably must seek channels somewhere else beyond China for utilization or deployment. Given the desire to reduce the significance of net exports as a driver of Chinese economic growth, this would present something of a paradox for Chinese policy makers.

Just as China's economic growth model must transition from quantity to quality, so too must the demand for human capital. In addition to the *significant constraints* faced by technological development itself, a crucial refraining factor is the shortage of human capital to support technological innovation. According to *Scott Rozelle and Natalie Hell*, China faces substantial difficulties in meeting the requirements for high-tech innovation talent aligned with NQPF. 'Currently about 70 percent of the Chinese labor force is 'unskilled' – with no more than a junior high school education.' In the same vein, as demonstrated in a *report by CSIS and Brookings*, according to *Guidelines* for the Development of Talent in the Manufacturing Industry, 'China will face a talent demand gap of nearly 30 million workers by 2025 in 10 key areas of China's manufacturing industry, or a 48 percent shortage of skilled workers to meet demand.'However, addressing this human capital gap proves challenging due to various structural constraints in China. As observed in the report, these constraints include the hukou system[5] that impedes social mobility, urban-rural inequality, the quality of education, and so on. As a result, the path from NPF to N 'Quality' PF evolution is riddled with challenges.

Conclusions

Of course, things can change. None of this necessarily precludes the possibility of China achieving structural changes in its economic growth model through technological innovation – though extremely difficult and challenging – as theorized in Joseph Schumpeter's *theory of innovation*, thereby generating new demands that are currently beyond our comprehension.

Moreover and more important, all of these potential challenges and adverse consequences are very evident to Chinese analysts and policy makers too. Indeed, much of what we have said above is based on what has been said within China. We are still very much in the early days of the development of NQPF as an actual strategy rather than just a mobilizing and aspirational slogan. Further refinement and explanation will take place during the focus on economic reform at the central committee plenum in the Summer of 2024, leading towards the new Five Year Plan which is due to be unveiled in 2025. So we can expect more practical and specific projects and policies to be developed to put more practical flesh on

the bones of what developing NQPF actually entails as that Plan itself is developed. For the Chinese leadership, a key question is how national (economic security) logics can be reconciled with the aim of improving people's lives, particularly during a time of transition. Unless, of course, they can persuade the people that ensuring this security is part and parcel of what they need for a better life.

In the rush to think how Europe and other parts of the West might *de-risk* economic relations with China, perhaps the Chinese desire to de-risk China's economic future has at times been a bit overlooked. To be sure, this is not the only aim of the NQPF agenda, but it is certainly part of it. In the long run, it might also create new challenges for those who currently dominate high-tech production, as they find new Chinese competitors not just in China, but also in other markets too (including at home). However the NQPF agenda evolves, it is going to have significance – and not just economic significance – way beyond China's own borders.

[1] *Defined* as 'the government's intense focus on a single measure of development, the pursuit of strong numbers on that measure, and the overlooking of the negative consequences of that limited vision'.

[2] As *He shows*, the same is true when it comes to translating foreign political concepts and ideas into Chinese.

[3] Though in *Cowhig's* extremely useful translations of Chinese debates, he favours 'New Quality Productivity'.

[4] These arguments are fleshed out by Marx in Critique of Political Economy (*1859*), and by Engels in On Ludwig Feuerbach and the End of Classical German Philosophy (*1866*), Anti-Dühring (*1877*), and Socialism: Utopian and Scientific (*1880*).

[5] Where Chinese citizens have to register as a resident of a specific jurisdiction – normally where they were born – which then places restrictions on where they can live and work. There have been numerous *promises to reform* the hukou system over the years, and some provinces are currently piloting new *more flexible policies*.

https://doi.org/10.31175/eh4s.2014.07

China's Quest for Military Technology through Foreign and Civil Sources: Strategic Trends under Xi Jinping and Tactical Adjustments amid Geopolitical Challenges

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POLICY RECOMMENDATIONS

- Establish a comprehensive oversight framework for dual-use technology transfer to facilitate consensus-building and collective actions within the union.
- Strengthen negotiations and coordination with the US to effectively align policies and bridge regulatory gaps.
- Avoid assuming a leading position in the international technology control regime to hedge against geopolitical risks from a potential second Trump Administration and an increasingly uncooperative China.

Keywords

China

Military Technology

Quest Strategies

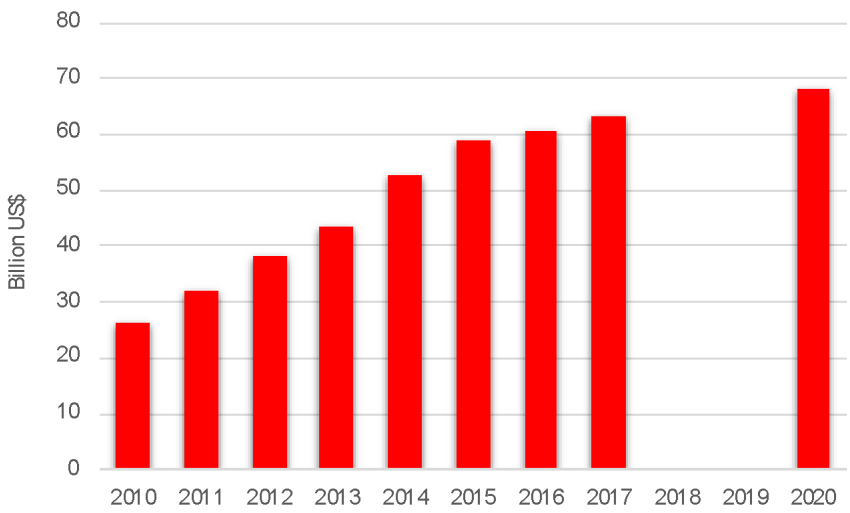
GeoPolitics



Forms and Channels of China's External Acquisition

Over the past decades, the military capabilities of the People's Republic of China (PRC) have witnessed remarkable developments. The Chinese People's Liberation Army (PLA) has transformed from a large yet outdated force into a modern great power, with *significant advancements* in air base attack capabilities, air superiority, anti-surface warfare, counterspace operations, cyberwar capabilities, nuclear strength, etc. These achievements are driven by a concentrated campaign for military modernization with a reinforced emphasis on technological upgrading. As the bard chart below illustrates, from 2010 to 2020, the nation's annual military equipment expenditure increased from 26.2 billion US$ to 68.2 billion US$, with the proportion of total military spending increasing to as high as 41.1%.

Chart 1: China's Spending on Military Equipment



Sources: *CSIS China Power Project, UN Office for Disarmament Affairs*

In addition to indigenous innovation within the nation's defense industry, the acquisition of external technology, spanning from military to *dual-use* (i.e., both military and civilian), has played a pivotal role in driving this progress. It's essential to clarify that the term "external" here refers to acquisitions beyond the narrowly defined domestic defense industry, which encompasses mainly arsenals and defense contractors. In this context, China employs two primary forms of external technology acquisition.

Foreign acquisition

This has long been instrumental since the founding of the PRC, with the strategy being applied perhaps more systematically than elsewhere. A joint military-civilian bureaucracy oversees this process, led by the Central Military Commission's *Equipment Development Department* (EDD, 装备发展部) and its civilian counterpart, the *State Administration for Science, Technology, and Industry for National Defence* (SASTIND, 国防科技工业局). Ten state-owned *defence conglomerates*, including Poly Tech., China New Era Tech., and others, are designated for military trading.

Foreign military technology is primarily *obtained* through imports and transfers, with Russia being the top supplier. *Israel* also transferred technology extensively until the early 2000s. However, its engagement with China has significantly decreased afterwards due to strong opposition from the US. Western sources now contribute mainly through dual-use sectors like *commercial aviation*. Additionally, collecting and analyzing open-source information allows Chinese researchers to stay current with global tech advancements. *Overseas talent* exchange and recruitment also play an important role, alongside questionable methods such as *industrial espionage and cyber spying* on both allies and rivals.

Military-Civil Fusion (MCF)

The MCF development was introduced in 2005 and gained momentum after Xi Jinping took power. It is a nationwide initiative aiming to integrate economic growth with security plans to bolster military modernization across various sectors. The *Central Commission for MCF Development* (中央军民融合发展委员会), headed by Xi, serves as the highest policy-making and evaluation authority. Coordinating and implementing agencies under EDD and SASTIND jointly supervise MCF initiatives. The civilian end mainly consists of state-controlled and private commercial enterprises, universities, and other research institutions.

MCF operates by eliminating barriers between military and civilian applications, emphasizing dual-use technology development through investments in homegrown research and development (R&D) and talent acquisition abroad. It also involves expanding civilian participation in defense industry R&D by simplifying review procedures, broadening participation scopes, and subsidizing relevant R&D activities.

Strategic Trends Since Xi Jinping's Power Consolidation

Since ascending to power in 2012, Xi Jinping has committed to expediting the defense and military modernization process with *bold reforms* in the command structure and *robust investment* in military capabilities. With his consolidation of power across the party-state and the army apparatus, his strategic visions are progressively manifested into actionable policies and initiatives, delineating two strategic trends in China's pursuit of defense-related technology.

Technological Autonomy

The predominant goal is increasingly shifting toward technological autonomy. Xi and his advisors contend that essential Chinese technologies in critical sectors remain under foreign influence. Consequently, his defense reforms emphasize nurturing *indigenous, state-of-the-art technologies* imperative for national security, thus maximizing the utility of local technologies and diminishing reliance on external sources. Indicative of this shift is China's reduction in advanced military imports, particularly from Russia, in favor of domestic development.

Contrary to perceptions of diminished foreign technology reliance, China remains actively engaged in acquiring strategically significant technologies that are beyond its current domestic capabilities. Concurrently, it intensifies efforts in *secondary innovation and reverse engineering* of imported knowledge and joint technology projects, especially with *Russia*, expediting the assimilation of external advancements into localized defense capabilities.

Integrating Foreign Quest with MCF

Moreover, a secondary trend is the concerted effort to integrate foreign acquisitions with MCF initiatives. The dual oversight by military and governmental agencies validates this observation. This involves recruiting overseas talent for *dual-use sectors* such as artificial intelligence, quantum communications, and advanced materials. It also includes a *dual-phased approach* where civilian bodies procure dual-use technology under international standards and subsequently channel it into military applications within the domestic MCF framework. This enables China to leverage civilian technologies' military potential and circumvent Western restrictions on military technology access. Notable products include aviation, microchips, advanced computers, and drones, as per a *US official briefing*.

Recent Geopolitical Challenges

The US Tech Restrictions

The US has responded to China's swift military advancement by labeling it a "pacing challenge" in the 2022 *National Defense Strategy*. A series of *measures* have thus been implemented to restrict Beijing's access to military-related advanced technologies, the focus of

which is on the dual-use domain as arms transactions with China have long been prohibited since 1989. Originating during the Trump era, continued and in some instances intensified under the Biden Administration, these measures encompass sanctions against specific Chinese entities, legislation to limit technology-related trade and investment, enhanced scrutiny on cooperation and exchanges, strengthened anti-espionage actions, and heightened coordination with allies and partners to collectively address the challenges posed by China.

The impact of these restrictions remains to be fully assessed, but Washington's "tech choke" strategy has notably limited China's access to critical technology, talent, and, to a lesser extent, capital. For instance, US chip sanctions aim to curb China's progress in emerging technological fields by blocking access to advanced *semiconductor technologies* essential for modern computing and military applications. Consequently, countries, especially those closely allied with Washington, have grown more reluctant to share advanced technologies with China, fearing US-imposed sanctions. This hesitancy affects not only technology transfer but also the *recruitment and retention* of high-tech industry professionals, as access to leading-edge technology is crucial. Additionally, the overall *cautious investment climate*, especially in areas directly targeted by US sanctions, signals broader economic implications.

Russo-Ukrainian War

Russia's invasion of Ukraine in 2022 has further complicated China's geopolitical environment, exacerbating the US-China rivalry. Although not a direct participant, *Beijing faces pressure* from all sides—Russia, Ukraine, and the West—to declare its stance and support their respective goals. Russia seeks various forms of support, especially military-capable hardware and technologies, whereas the US and its European allies expressly demand that Beijing abstain from aiding Russia in ways that contradict their sanctions, with warnings of potential secondary sanctions on Chinese entities.

The ongoing war and deepening West-Russia discord have ripple effect on China's defense defense technology strategy. Combined with secondary sanctions and growing mistrust from the West, there's an acceleration in the de-coupling or de-risking efforts in technology and essential supply chains, as another *EuroHub4Sino policy paper* discuses. Additionally, the war has *interrupted China's arms acquisitions* from Russia and Ukraine, historically significant sources of advanced weaponry for the PLA. The use of *technologies on the battlefield*, such as Ukrainian forces' employment of Starlink satellite links for communication and the destruction of expensive Russian military assets with cost-effective drones adapted from commercial products, has offered Beijing invaluable insights into the future of warfare shaped by emerging technologies.

Tactical Adjustments and Counter-Measures

Beijing asserts that its pursuit of advanced defense technology is a *legitimate sovereign right* and has vowed not to succumb to external pressures. In response to the intensifying "tech choke" efforts, particularly since the onset of the Russo-Ukrainian War, it has adopted a series of tactical adjustments and counter-measures.

Accelerating Technological Autonomy

Beijing has promoted five *prominent scientists* to the second highest decision-making body, underscoring its commitment to technological self-reliance. From 2018 to 2023, *fiscal spending* on science and technology saw an annual increase of 6.4%, reaching 105.67 billion RMB (146 billion USD), while *defense spending* grew by about 7% annually to *1.58 trillion RMB* (0.22 trillion USD). Concurrently, there's been a notable decline in reliance on Russia, although it remains the primary source of China's foreign military procurements. The *reduction in arms imports* by 44% from 2019-2023, compared to the previous five years, indicates positive results toward indigenous development, particularly in sectors like software and microchips. That being said, the efficacy of this strategy remains to be seen, due to Beijing's stringent governance model, entrenched military corruption, sporadic purges of generals, and emerging economic challenges.

Maintaining Strategic Discretion

Previously high-profile initiatives like "*Made in China 2025*" and the "*Thousand Talents Plan*" have been scaled back in visibility. This strategic shift to a more covert approach likely serves to minimize international scrutiny while preserving the momentum of China's technological advancement undetected. However, it complicates external assessments of Beijing's intentions and tactics.

Creating Division and Seeking Cooperation

Beijing exploits the reluctance of European, Japanese, and South Korean entities to decouple or de-risk from the Chinese economy, aiming to *sow division* among US allies and discourage participation in US-led tech restrictions. Meanwhile it seeks to *secure cooperation* to access alternative technology and investment sources, especially from European countries. Yet, this tactic faces limited success, especially among high-tech producers who are increasingly *aligning with Washington's* containment strategies.

Enhancing Anti-sanction Readiness

Despite unprecedented restrictions, Beijing has cautiously avoided retaliatory measures by far due to its limited leverage in cutting-edge technologies. Instead, it focuses on *building legal and administrative frameworks* to counteract future sanctions more effectively. This

includes regulating critical *raw material exports*, signaling China's readiness to employ economic measures as a counterbalance to external pressures.

Policy Recommendations to the EU

In conclusion, China's active procurement of military and dual-use technologies through foreign sources and its MCF strategy represents a concerted effort toward defense and military modernization via technological advancement. This initiative, spearheaded under Xi Jinping's leadership, faces significant challenges from US-imposed "tech choke" and the geopolitical complexities introduced by the Russo-Ukrainian War. To counter these impediments, Beijing is pushing for technological autonomy, tactically exercising strategic discretion, leveraging divisions for cooperative gains, and improving measures to counteract sanctions.

Given this context, it is imperative for the EU to:

Establish a comprehensive oversight framework for dual-use technology transfer to Chinese entities. This should synchronize policies across member states to prevent technological exploitation. Acknowledging China's "divide and cooperate" tactics, the EU must vigilantly monitor trade interactions with China and endeavor to facilitate consensus-building and collective actions within the union.

Strengthen negotiations and coordination with the US on the scope and implementation of technology restrictions. The goal is to enhance the EU-US dialog to align policies and bridge regulatory gaps, which is vital to maintain effective control over sensitive technology and deter China from exploiting transatlantic differences.

Carefully calibrate measures to avoid assuming a leading position in the international technology control regime. Adapting to shifting geopolitical landscapes is crucial. The EU should prudently evaluate its position, especially considering the possibility of a second Trump administration reverting to unilateralism and policy unpredictability. The EU must also consider the consequences of diminishing influence over China—a critical partner in addressing issues from the Ukraine conflict to global climate governance.

https://doi.org/10.31175/eh4s.2014.08

China 'under siege': How the US's hardening China policy is seen in Beijing

By
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SUMMARY

- The emergence of a more contentious China-US rivalry is a result of both Washington's China containment strategy and China's own economic downturn. The relationship between these two great powers, both vying for global influence, is shaped by complex two-way dynamics. China's continued pursuit of its own economic and scientific self-reliance is likely to only further accentuate competition with the US.

- While much has been written about hardening US perceptions of China, there is limited available analysis on Beijing's own shift in strategic thinking under intensifying China-US competition. This paper aims to highlight the significant changes in Chinese strategic thinking and their implications for Beijing's US policy.

- The paper concentrates on four particularly thorny issues - the struggle over the global order, economic security, regional flashpoints including Taiwan and the South China Sea, and the war in Ukraine - that reflect the breadth of contestation between the two countries and their increasingly fraught relationship.

- Despite the centralization of foreign policy decision-making under Xi Jinping, Chinese leaders still seek a range of expertise from the country's wider strategic community - including academics, policy experts and former officials - to inform decision-making. As a result, these voices still have perceptible impacts on final policy outcomes.

- Beijing's US policy is always a product of China's own evaluations of events at home and abroad. So, while Washington's policy to contain China is an important factor in the latter's approach to the US, the more critical components of China's US policy are domestic politics, the country's long-term economic prosperity and, ultimately, national survival.

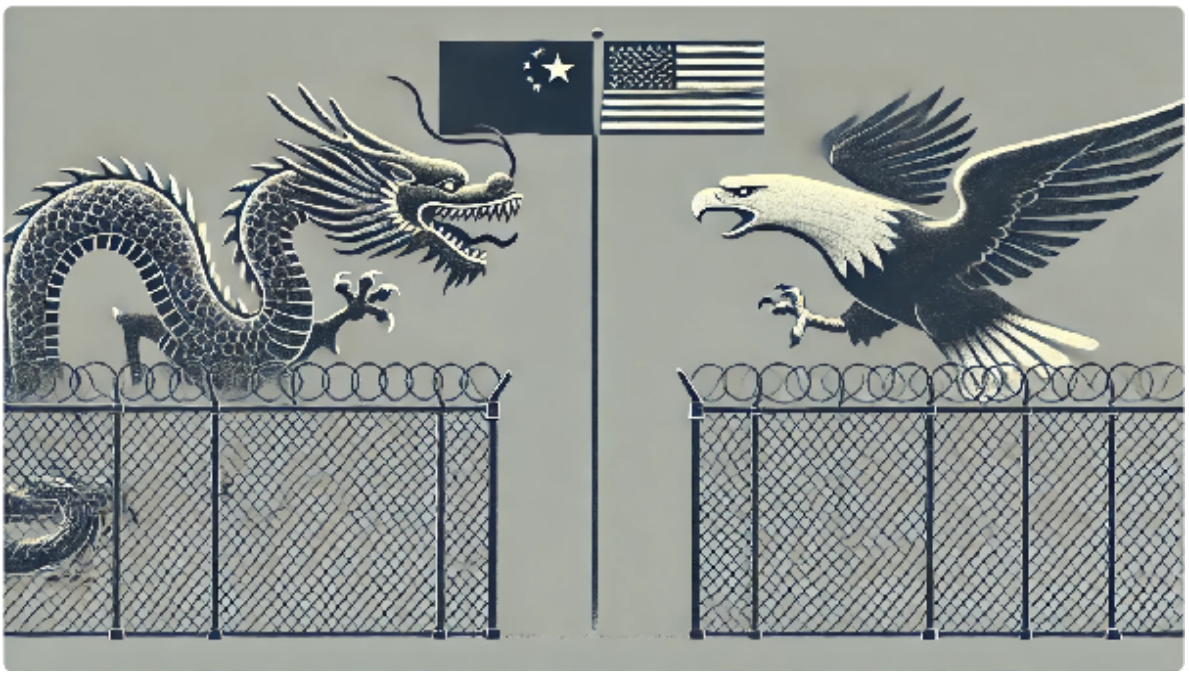
Keywords

China

US Foreign Policy

China's Foreign Relations

China's Domestic Politics



Introduction

The hardening of US policy towards China in recent years has largely been framed by America and its allies as a response to economic and political changes in Beijing implemented by Xi Jinping, the Chinese president and general secretary of the ruling Communist Party of China (CPC). But the relationship between these two great powers vying for global influence is much more complicated and is shaped by complex two-way dynamics. While much has been written in international relations circles about changing US perceptions of China, there has been much less analysis of the shift in Beijing's own strategic thinking under intensifying US–China competition. Some influential Chinese academics and policy experts have long expected, and some even desired, an era-defining showdown with the US. But, even with the centralization of power and the further erosion of space for public debate under President Xi, until recently, there was still a relatively broad discussion within China's strategic community – policymakers, influential academics and those associated with the People's Liberation Army – about the space for co-existence and cooperation with the US.

Some in Beijing's policy circles hoped that the election of US President Joe Biden in 2020 might herald a softening of the confrontational China policy of his predecessor, Donald Trump. However, those hopes have been dashed as President Biden has pursued a similarly tough China policy, executed in a more sophisticated, coordinated and substantive manner. As a result, the predominant view in Beijing has shifted from a sense of cautious optimism that China can bide its time in a long-term, low-intensity rivalry with the US to a bleaker assessment that, as Xi himself has stated, the country faces 'protracted competition' with the US.[1] The Biden administration says that it is not seeking to 'contain' China or launch a new Cold War. However, Beijing sees clear evidence of a containment strategy in Washington's

intensifying efforts to maintain its own technological supremacy, curb China's access to global markets and build a coalition of allies to tackle the 'China challenge'.

Decision-making in Beijing does not take place in a vacuum. This sense of China being 'under siege' will shape Beijing's future policies, as it prepares for long-term enmity with the world's largest economy. In a similar way to the call by Christopher Wray, the director of the US Federal Bureau of Investigation, for a 'whole-of-society' response to what he termed the 'China threat', China's policymaking towards the US has now become a 'whole-of-country' approach beyond the realm of foreign affairs, which involves stakeholders and resources across the country.[2] Policy initiatives such as 'dual circulation'[3] as well as those aimed at scientific self-reliance and boosting the values of Chinese exports are all parts of the response to the perception that Washington is pursuing containment.

Although Chinese policy debates about the US span many subject areas, this paper concentrates on four particularly thorny issues that reflect the breadth of contestation between the two countries and the increasing inflexibility of Chinese views of the US: the struggle over the global order, economic security, regional flashpoints including Taiwan and the South China Sea, and the war in Ukraine. Despite the centralization of power under Xi, the leadership of the CPC still turns to a small array of influential academics and policy experts for advice. By critically examining their writing and analysis, it is possible to better understand the shifting direction and contours of Chinese foreign policy and how it is changing in response to hardening China policies across Washington's network of allies and partners.

Evaluating the nuances of China's US policy remains a fraught task. The Chinese political system is at its most opaque when it comes to foreign affairs priorities. As the space for debate within China has shrunk, it is inevitable that outsiders assume that the political elites and strategists speak with one voice regarding the US. But the analysis here of the public remarks of Chinese leaders, opinion pieces in the media, and academic and think-tank publications shows that there is still a range of views, even if this range is narrowing.

This paper attempts to answer three vital questions across the four issue areas discussed here: 1) to what extent has the Chinese political elite changed its view of the US?; 2) what are the key factors in driving those changes?; and, 3) who are the established and emerging players shaping China's policymaking towards the US? In addition, the paper will offer an early assessment of how Beijing might perceive a possible return of Donald Trump as the 47th president of the United States (see Box 1).

The research here draws on a combination of selected recent influential publications of top Chinese strategists, official remarks, state-media editorials and private conversations with leading Chinese and Western strategists. While there are many Chinese voices commenting on the country's relationship with the US, this paper focuses on those who

exert policy influence, either through direct access to senior leaders or through indirect channels, such as by shaping public opinion through media appearances and articles.

Centralizing foreign policy under Xi Jinping

The ruling communist party is omnipresent in decision-making across China's political apparatus. The all-powerful politburo provides the strategic overview and long-term policy goals of Beijing's external affairs, including its relationship with the US. Under President Xi, Beijing's foreign policymaking has evolved from a more pluralistic approach - with various ministries and agencies partially shaping the final decision - into a form of centralized decision-making by President Xi and his lieutenants within the politburo.

As a result, the renamed Central Foreign Affairs Commission, currently headed by veteran diplomat Wang Yi, is now the chief coordinating body for matters related to China's foreign affairs decisions and deliberation.[4] As Xi pointed out in his own speech at the end of 2023, 'We must unswervingly uphold the CPC central leadership's ultimate authority over foreign affairs'.[5] This was on the occasion of the party's Central Conference on Work Relating to Foreign Affairs. Such a gathering was the third held under Xi Jinping's leadership, with earlier iterations held in 2014 and 2018. All three convenings are a clear sign that key Chinese foreign affairs decisions, including the country's US policy, are no longer determined by the State Council, which reports to the national congress. Instead, it is now the most senior leaders in the communist party central committee that make these decisions.[6] As such, ministries with foreign affairs portfolios that report to the central committee have begun to hold significant sway in shaping Beijing's ties with the US.

> "President Xi's view on China–US relations has shifted from a sense of triumphalism with a belief in the global power shift towards China in 2019 to a more sober evaluation over the last three years."

President Xi's approach to foreign affairs and to China–US ties is one of the critical components for gauging Beijing's present policy towards the US. His view on China–US relations has also shifted from a sense of triumphalism with a belief in the global power shift towards China in 2019 to a more sober evaluation over the last three years. Such a fundamental transformation in Chinese outlook is also a direct response to the pursuit of what Beijing sees as a China containment strategy by two successive US presidents.

He Yiting – who is a close adviser to President Xi on party ideology and the deputy dean of the Central Party School of the CPC, where senior Chinese officials are trained – first alerted Chinese leaders to the drastic changes in external attitudes to China. Although he noted that a more limited 'period of strategic

opportunity'[7] still existed for the country, in a commentary published in the People's Daily.[8] His view marked a deepening sense of anxiety among senior party leaders, most notably President Xi himself, on Beijing's volatile relationship with Washington.

Between 2021 and 2022, Xi's own assessment of China's external environment became even starker, particularly after Russia's invasion of Ukraine. Xi and Chen Yixin, who is the secretary general of the Central Political and Legal Affairs Committee of the CPC central committee, openly referred to 'three severe shocks' – the COVID-19 pandemic, domestic recession and intense economic competition with the US – and suggested America's containment strategy is likely to lead to a protracted war with China.[9] In October 2022, during the 20th party congress, Xi completely abandoned the 'new type of great power relations' concept that had previously been used in political strategies, first under Hu Jintao, as an approach to avoid conflict.[10]

The omission of this established concept shows that Beijing has concluded that its fraught relationship with the collective West is here to stay, with little prospect of improvement soon. To mitigate the impact of this deteriorating relationship, China needs to prepare for the worst of decoupling its economy from the West and, at the same time, become more self-reliant in terms of markets and technologies.

Perhaps Xi hinted his clearest thinking on China's relations with the US on 6 March 2023. During Beijing's annual 'Two Sessions',[11] Xi offered his most honest view on China's co-existence with the US and the wider collective West: 'Western countries led by the United States have implemented all-round containment, encirclement and suppression of China. This has brought unprecedented severe challenges to our country's development'.[12] His own evaluation of China's external environment has shifted from relatively positive to more pessimistic amid a protracted war in Ukraine and the ongoing challenges for China's economy because of the COVID-19 pandemic. It was also the first time President Xi openly named the US as the leading force in containing China's rise.

The enduring importance of China's strategic community

Even with more centralized foreign policymaking in China, Xi and other top leaders still need to turn to experts within the country's strategic community for advice. While these advisers are more wary of the consequences of dissent than in recent years there is still a varied range of views within this group. This paper uses a common definition of China's strategic community, which is made up of academics, policy experts, former officials and ex-military personnel who directly advise the Chinese central government or the ruling communist party. Unlike the familiar China hands in the US strategic community, their Chinese equivalents often keep a low profile in international media. Within China's strategic community, there are three main groups. The first group consists of scholars from some

of China's most prestigious universities and research institutes affiliated with the central government – to name a few, Wang Jisi and Jia Qingguo at Peking University, Da Wei at Tsinghua University and Wu Xinbo from Fudan University. They have all advised Chinese political elites on elements of foreign affairs through various channels or by sitting on the external advisory committee of the Ministry of Foreign Affairs.

The second group consists of retired senior diplomats that served in G20 countries and international organizations who are actively participating in the decision-making process by providing advice to senior Chinese leaders. Examples include former ambassador Cui Tiankai, who was Beijing's representative in the US for eight years, and former ambassador Wu Hongbo, who served as undersecretary general of the United Nations.

The third group consists of those who have formerly served in China's military. Many of these former officers believe that despite intensifying competition with the US, China holds the upper hand as both sides seek 'a fragile balance' in the relationship.[13] Retired major general, Professor Jin Yinan – who is not a US specialist but is closely associated with the Central Military Commission and taught at the National Defense University in Beijing – is one of the main advocates of this position.

Key issues for the China–US relationship

The struggle for the global order

There is broad consensus within the Chinese strategic community that the core drivers of Beijing's deteriorating relationship with Washington cannot be reversed. However, influential scholars and policy practitioners differ widely on whether the US is in terminal decline and whether the global order is shifting in China's favour. There are three main schools of thought in regard to the changing relative positions of China and the US in the global order.

The first can be categorized as 'international pessimists', this includes those who tend to travel regularly to the West and frequently discuss these issues with their Western peers. They seek to persuade the Chinese leadership that it should take a more measured approach to the US, based on an assessment of enduring US power. This group includes some of the country's most prominent international relations scholars. They tend to argue that US decline is likely to be very gradual in nature, possibly nonlinear, and is less predictable as Washington acclimatizes to a more multipolar world.

A good example is Yan Xuetong, professor in international relations at Tsinghua University, one of China's leading research institutions, and secretary general for the World Peace Forum, a security meeting backed by the Chinese government. As one of the most influential Chinese strategic thinkers, Yan has consistently argued that 'the US decline is only in relative terms and such a decline might not always develop as China expects'.[14]

Another prominent strategic thinker, Professor Zhu Feng at Nanjing University, a leading specialist on US foreign policy, who directly advises the Chinese government on South China Sea matters and security aspects of China–US relations, has presented a stark narrative that challenges the perceived view of US decline. Most notably, his view on China–US relations has shifted from being relatively favourable to a more pessimistic assessment of 'qualitative change and protracted chill' between Beijing and Washington.[15] His change of outlook on Sino-US relations mirrors how the political elites in Beijing have come to view their Washington counterparts in the last few years.

> "As one of the most influential Chinese strategic thinkers, Yan has consistently argued that 'the US decline is only in relative terms and such a decline might not always develop as China expects'."

The second school of thought emerges from experts in China's government-affiliated think-tanks. They can be categorized as 'cautious optimists'. They tend to explicitly assert that the US is in steady decline, resulting not only from China's rise but also because of the growing political polarization within the US. They accept that competition will remain a permanent feature of Sino-US relations, but they equally advocate for the two sides to break the traditional security dilemma to find a path of peaceful co-existence.

For example, Dr Fu Mengzi, deputy director at the China Institutes of Contemporary International Relations (CICIR), a prominent Beijing-based foreign affairs think-tank affiliated with the security apparatus of the Chinese government, falls into this category. In a long piece published in the Journal of National Security Studies, he made a strong case arguing that while the two sides might not be able to resolve their fundamental security dilemma any time soon, Beijing and Washington could find common ground pursuing elements of global human security – such as anti-drug campaigns, anti-piracy campaigns, and initiatives to tackle climate change and food security.[16]

Likewise, his colleague Dr Chen Wenxin, who is director of American studies at CICIR, argued that the relative decline of the US and the rise of China have driven the two countries towards a period of 'strategic stalemate'. This 'stalemate' can serve as an important prerequisite of peaceful coexistence. But it can also break down because of ongoing conflicts over economic and military power.[17]

The third school of thought can be categorized as the 'ultra optimists'. Most of them are not US foreign policy specialists unlike in the previous two groups, but they have a triumphalist view of China's global role. They firmly believe that Beijing can and will outcompete the US because of China's increasing economic power, unique political system, military might and technological prowess.

One such 'optimist' is Professor Zhang Weiwei from Fudan University in Shanghai, who is a social media influencer with millions of followers. He has been a leading figure in arguing that the US is in permanent decline and that the global power shift is travelling towards China. In 2021, he gave a lecture on China's global communication strategy and the positive presentation of China's own narrative to politburo members.[18] In his regular social media appearances, he often bluntly dismisses the 'end of history' argument – the idea that liberal democracy has defeated other forms of government, such as fascism and communism after the Cold War – asserting that 'both hard and soft power of the United States are declining significantly, and the world is destined towards a "post-America supremacy era"'.[19]

Other pundits such as retired Major General Dai Xu, who served in the People's Liberation Army and taught military strategy at the National Defense University in Beijing, has also echoed the view of US decline and argued, 'Beijing should not be scared by the renewed strategic pressure from the US in regional flash points, one must let the US know that China should not be bullied'.[20]

Judging from these three diverse viewpoints, it is rather difficult to conclude which school of thought is prevailing and shaping the country's policy and influencing senior leadership. Beijing's current US policy is influenced by all three perspectives. Chinese leaders are navigating a volatile external environment compounded by a domestic economic downturn, which sometimes drives Beijing to seek to lower the temperature with Washington and its neighbouring countries. At other times, Chinese leaders seek to turn up the rhetoric about the US, in order to pin the blame for China's woes on Washington.

Economic security and technological rivalry

Although China has been promoting economic and technological self-reliance for at least a decade, the country has intensified this push in response to the expanding technological and industrial restrictions implemented by the Trump and Biden administrations. Unlike the past diplomatic lexicon created by Beijing to spin a positive light on Sino-US relations, senior officials in China quietly dropped the notion that 'the economic and trade ties serve as a stabilizer for [China's] ties with the US'.[21] The Chinese strategic community has rallied around this push to counter what is seen as an attempt by Washington to choke off China's access to the technologies of the future and stall its development.

Both scholars and retired senior diplomats from Beijing have extensively criticized Washington's ever more stringent export controls on semiconductor, critical raw material and quantum computing sectors.[22] Most notably, the former Chinese ambassador Cui Tiankai attacked the 'small yard, high fence' strategy[23] asserted by Jake Sullivan, the US national security advisor, as 'looking at the sky from the bottom of a well', a Chinese idiom to reprimand those who are blinded by their own world view.[24]

Scholars have also debated whether China can overcome restrictions and catch up with the US on high-end technology. One example is Li Wei, a professor of international relations at the politically influential Renmin University, where he leads the Center for American Studies and publishes extensively on China–US relations, particularly economic security issues. He recognizes the severe challenges posed by the intense US focus on slowing down China's tech advancements.[25] But rather than doubling down on self-reliance, he has argued that Beijing must find the right balance between government-led innovation and market innovation. He compared the situation to the arms race between the US and Soviet Union, and he warned that innovation cannot happen exclusively within an economically independent country or led by the state, it requires international talent to flow and market-induced investments in science and technology.[26]

While some nationalistic commentators have called for China to take retaliatory measures against the US, there has been extensive debate within the strategic community about the need for a smarter response. One approach that has been regularly discussed, and is being implemented by Beijing, is to build a wider trade and critical materials supply chain network with other regions to counter US efforts to isolate China in technological and industrial terms.

The second proposed approach is to maintain a balance in investments between state-owned companies and the private sector in frontier technologies such as AI, quantum computing and semiconductors. This runs counter to the state-led innovation system that has been deeply embedded in China's pursuit of scientific self-reliance under Xi.

Regional flashpoints: Taiwan Strait and the South China Sea

For both China and the US, disputes over Taiwan and the South China Sea are the thorniest and most risk-laden issues in the bilateral relationship. The Chinese strategic community blames recent increased tension in the Taiwan Strait and the South China Sea on the governments of the US, Taiwan and the Philippines for upsetting the status quo and furthering their bilateral cooperation.

Taiwan Strait

Despite speculation from some US political and military leaders and international media outlets, public sources in China do not suggest that Beijing is preparing a military escalation across the Taiwan Strait with any specific date.[27] However, members of the Chinese strategic community consider the current situation with the incumbent pro-independence Democratic Progressive Party (DPP) government increasingly unsustainable and precarious, requiring stronger deterrence actions to send warnings to both Taipei and Washington.

The US is also taking a similar deterrence-centred approach to the cross-strait relationship.

It is therefore clear that aspects of confrontation over Taiwan are well established, and may well worsen unless the two sides can agree on a crisis-prevention framework to reduce misunderstandings.

Overall, statements from Chinese leaders and government policy documents on Taiwan have been consistent in advocating China's position, even before President Xi Jinping came to power. There has been remarkable consistency over the last 20 years between different iterations of Beijing's two most important political planning documents, namely the National Congress Political Report of the CPC and the Chinese State Council Government Work Report. Both documents include one or two paragraphs on the topic of Taiwan for each edition. The standard wording is something like:

> *We will adhere to the major principles and policies on work related to Taiwan, uphold the one-China principle, and promote the peaceful growth of relations across the Taiwan Strait. We will resolutely oppose and deter any separatist activities seeking 'Taiwan Independence'.*

Although critical elements of Beijing's Taiwan policy have not shifted fundamentally under President Xi Jinping's stewardship, two new aspects have emerged in the last few years. The first noticeable element is the explicit link being made between reunification with Taiwan and Xi's 'China Dream' and planned national rejuvenation by 2049.[28] Yet, Xi's two predecessors also made similar remarks. For example, President Jiang Zemin stated in 2002 that 'China will be reunified, and the Chinese nation will be rejuvenated'.[29]

The second noticeable feature is the growing sense of urgency to deter pro-independence supporters and the sharp criticism of 'separatists' inside Taiwan, as Xi and his lieutenants have made several official comments on various occasions – particularly after Nancy Pelosi, at the time speaker of the US House of Representatives, visited Taipei. Both changes reflect Xi's own belief that there has been a serious deterioration of the Sino-US relationship. Related to this shift, Chinese leaders and official media use coded vocabulary, such as 'external forces', to criticize US interference in matters related to Taiwan under both the Trump and Biden administrations.

Beyond official rhetoric and statements, state media editorials serve as a useful window into Beijing's position on the cross-strait relationship. These editorials are often blunt and tend to be more confrontational than public statements and official speeches. For example, Zhong Sheng, a pseudonym that literally means the 'voice of China', is named as the author of People's Daily editorials that focus on China–US relations and China's position on Taiwan. Under this name, the People's Daily runs editorial pieces periodically when there have been major issues or disputes between Beijing and Washington.

> "Beyond official rhetoric and statements, state media editorials serve as a useful window into Beijing's position on the cross-strait relationship."

In the last three years, Zhong Sheng has commented on the China–US–Taiwan triangle dozens of times. In particular, Zhong Sheng published a series of commentaries to reprimand Nancy Pelosi's trip to Taiwan and directly criticize the US political establishment's abandonment of what was agreed with Beijing regarding Taiwan in 1979.[30] All of these editorials were vociferously critical of the governing DPP party in Taiwan and the US government.

Overall, Chinese academics that focus on Taiwan have a fairly pessimistic assessment of the current situation. Apart from stating official lines, some scholars have also argued that so-called 'peaceful reunification' will only happen under a degree of coercion either in economic or military terms.

For example, Professor Zuo Xiying, at Renmin University's School of International Relations, noted that, 'the key feature of the trilateral relationship between Mainland China, the United States and Taiwan is that uncertainty is rising, and the probability of conflict is increasing.'[31] In agreement with this position, Dr Li Yan, another specialist focused on China, US and Taiwan dynamics, made a similar case in 2021.[32]

One commentator who has millions of followers on Chinese social media platforms went even further. Hu Xijin, the former Global Times editor-in-chief, stated that reunification, 'must be based on the condition that the DPP authority feels cornered and will perish if they do not accept reunification'.[33]

While Chinese official statements about Taiwan scarcely mention how the changing power balance across the Taiwan Strait influences Chinese actions, the conviction of Chinese media commentators is that Beijing's increasing military capability and regional influence means that time is on China's side. In contrast, Chinese scholars express a clear sense of pessimism and believe peaceful unification will only happen when coupled with some form of coercion. Careful observation of such scholarly views, which might eventually translate into a policy blueprint for Beijing, offers particular value and insight for those monitoring the situation in the Taiwan Strait.

South China Sea

China's position on the South China Sea is one of assertiveness, primarily driven by its historical claims and strategic interests in breaking out of 'the first island chain'.[34] China claims sovereignty over almost the entire South China Sea, demarcated by what is now known as the 'ten-dash line', which extends hundreds of miles south and east from the

country's southernmost province.[35] The country's activities in the South China Sea include a number of grey zone tactics, such as the construction of artificial islands, military installations and the declaration of an air defence identification zone (ADIZ) in the area. These actions have raised tensions with neighbouring countries, most notably with the Philippines, which has competing claims over parts of the South China Sea.[36]

This ongoing dispute dates back to the second term of the Obama administration and has now become a permanent security irritant between China, several Southeast Asian countries and the US. Through its active military network in the Indo-Pacific and treaty alliance with the Philippines, the US is intricately linked to this tense situation.

When Ferdinand Marcos, Jr. was elected as president of the Philippines in 2022, Beijing presumed that he would continue to tilt towards China in line with his predecessor, Rodrigo Duterte.[37] However, it soon became evident that Marcos was conducting a foreign policy U-turn and looking to boost the country's alliance with Washington. From Manila, the perception of a maritime threat is ever present. China's seizure of Mischief Reef in 1994–95 and Scarborough Shoal in 2012 is deeply embedded as an injustice in the collective memory of the Philippines. Marcos is determined to prevent a similar situation in the Second Thomas Shoal.

However, what really worries Beijing is recent US moves to strengthen its alliance with the Philippines in regard to Taiwan, while deepening coordination with other US allies such as Japan and Australia. The further involvement of US allies has only worsened Chinese fears of an opposing bloc formation. Wu Shicun, one of the most influential specialists on the South China Sea in the Chinese strategic community, lamented that, 'Washington has conducted the most effective alliance building by playing the South China Sea and Taiwan cards simultaneously, it is a major disruption to China's relations with ASEAN'.[38]

A fear of encirclement by the US has emboldened China to be more assertive. In doing so, Beijing has further toughened its diplomatic rhetoric by directly suggesting that, 'China will not tolerate the Philippines's futile challenge, and therefore, will respond in kind'.[39] Meanwhile, China has also increased the intensity of grey zone activities ranging from coastguard patrols to increased artificial island construction in recent years. None of these activities has directly targeted the US Navy. Instead, the focal point remains to deter activities launched by US regional allies.

Judging from the rhetoric and public statements from Beijing, China's priorities are to articulate its position on South China Sea sovereignty and intimidate and threaten Southeast Asian countries, mostly the Philippines, which seek to challenge Beijing claims in the region. Similar to Taiwan, there is no clear timeline or favoured method for when and how Beijing will fully take over the South China Sea. Such ambiguity should not be read as China's

willingness to make a concession to the US or the Philippines. Beijing does not want to corner itself through its rhetoric and would like to have other options to assert its claims over the South China Sea, if the time and conditions are right.

A Chinese scholar associated with the People's Liberation Army, Professor Li Chen, who is emerging as one of Beijing's most influential experts on China–US military ties, recently led several of Beijing's Track 1.5 dialogues between the two militaries. In 2020, Li noted that, 'due to the lack of clear parameters for each other's military activities in the South China Sea, both sides should upgrade their competition management mechanism as China and the United States have not yet found each other's bottom line on South China Sea matters.'[40]

The war in Ukraine

Russia's invasion of Ukraine in February 2022 has presented three intertwined challenges to Beijing's diplomatic priorities. First, China's support for Russia contradicts the former's traditional policy of non-interference in other countries' internal affairs. Second, China values its closer relationship with Russia resulting from the war, particularly as both countries share concerns about perceived Western encroachment and resentment towards the US hegemony. Third, and most challenging, is how Beijing can balance its economic and diplomatic support for Russia with its desire to maintain stable relations with the US and Europe, which are China's two main trading partners.

> "The key aim of Beijing's approach is to prevent a sustained, simultaneous deterioration of its ties with the US and Europe. Yet, its damage limitation efforts have not been very convincing in Washington and European capitals."

Since February 2022, Beijing made several attempts to justify its position on Russia's invasion of Ukraine and communicated this with US and European leaders. The key aim of Beijing's approach is to prevent a sustained, simultaneous deterioration of its ties with the US and Europe. Yet, its damage limitation efforts have not been very convincing in Washington and European capitals. Chinese leaders and diplomats have attempted to deflect US criticism of China and the accusation of Beijing providing military support to Moscow. For example, Qin Gang, the former Chinese ambassador to the US, wrote a piece for the Washington Post on 14 March 2024 explaining that China's position was an example of Beijing's efforts to differentiate itself from Moscow.[41] However, all of Beijing's explanations have stoked a sense of deep mistrust between China and the US. In the eyes of Chinese officials, it was the US and US-led NATO that provoked Russia, using Ukraine as a proxy to weaken Russia.[42]

The Chinese strategic community has also intensely debated the three challenges related to the war in Ukraine. The subject has raised many questions that have proven difficult

to answer, including: to what extent can China support Russia and maintain stable ties with both the US and Europe, while not facing secondary sanctions from the collective West? When and how will the war end? Should China play a more active mediation role between Russia and Ukraine given the current stalemate on the battlefield?[43]

But opinions are divided on the fundamental questions of whether China should align with Russia and what the likely repercussions would be for China's ties with the US and Europe. Arguments by the academics Feng Yujun and Sun Zhuangzhi are a good example of the contrasting views. The former is a professor at Peking University, who recently published a long commentary in the Economist, which argued that China should not get any closer to Russia, as this will increase strategic pressure on China's neighbours and unite the West more than ever.[44] Meanwhile, Sun Zhuangzhi, who is the director of the Russia and Eurasia Institute at the state-affiliated Chinese Academy of Social Science (CASS), advocated closer ties between Beijing and Moscow as he believes that Russia is merely addressing its own justifiable grievances against a US-led NATO over the last decade.[45]

As Beijing focuses on damage limitation, the US is keen to limit the extent to which China can support Russia, particularly with respect to substantive military assistance. Washington has continued to send warnings to Beijing with a threat of imposing secondary sanctions against Chinese companies and financial institutions that have close relationships with Russia. Repeated strongly worded warnings from a string of US senior officials over the last two years has increased the level of strain and mistrust in this fragile China–US relationship.[46]

Diplomatically, war in Ukraine has firmly united the collective West while straining ties with China. As competition between Beijing and Washington continues, China wishes to avoid a rift with Europe. In order to maintain its diplomatic and trade channels with European capitals, Beijing's main strategy is to reassure Europe that it seeks to restrain the Kremlin from entertaining the idea of deploying nuclear weapons. Meanwhile, Beijing is on a charm offensive with the Global South where many governments do not view this war in black and white moral terms as is more common in the West. So long as the war continues, Beijing will have to navigate through a contradictory set of interests while attempting to prevent the country's bilateral relations with the US from worsening further.

Box 1. China's view of Trump 2.0: transactional but with no bottom line

With the US presidential candidates likely to compete with one another to sound tough on China, Beijing's strategic community does not expect any significant improvement in the Sino-US relationship before the US elections in November 2024.

As the election nears, Chinese strategic experts are contemplating what the possible return of Donald Trump to the White House might mean for their country.

Trump 2.0 is seen with looming dread in Europe, given the former US president's apparent antipathy towards transatlantic allies during his previous term in office. Trump's frequent talk of withdrawing support for Ukraine would be particularly difficult for Europe. Yet for China, the political re-emergence of the former property developer could pave the way for improved relations with Brussels and European nations. China is not necessarily viewed as an existential threat to Europe; rather the country is seen more as a combination of strategic competitor (to a greater degree) and partner (to a limited extent).

Besides the prospect of a possible yet very difficult reconciliation between China and Europe, a second Trump term would bring more unpredictability that could worsen already thorny bilateral issues between China and the US – such as trade, tech export controls and Taiwan. For example, Robert Lighthizer, the US trade representative under the first Trump administration, has already passionately advocated a total decoupling from Beijing irrespective of the consequences.[47] Furthermore, Republican hawks have already proposed formally labelling China as a 'national threat' to the US.

Meanwhile in Beijing, most scholars and senior diplomats have refrained from publicly commenting on the likely return of Donald Trump to avoid being seen to engage in election interference, which might stoke further fears of Beijing in the US Congress.[48] That said, Professor Yan Xuetong's words demonstrate that there is a sense of deep anxiety among the Chinese strategic community, 'a victory for Trump may cause even greater volatility in Sino-US relations from the beginning of 2025'.[49]

With the possible return of Donald Trump, Chinese leaders would likely reinforce the narrative that the US is the single and most disruptive source of global instability, while portraying China as a responsible and confident world power able to stand up to the US hegemony. As Wang Yi, the Chinese foreign minister, stated recently, China's broader global 'proactive diplomacy' is an indication of the country's future role in a world increasingly dominated by China's rivalry with the US. As such, Beijing will continue to try to reshape the global governance agenda both at the bilateral level and at the multilateral level to counter US influence.[50]

For Beijing, the return of Donald Trump might well be a rare opportunity to recalibrate its bilateral relationship with the US, as he is often willing to make deals outside

traditional political parameters. However, his leadership style will cause further anxiety for Chinese leaders as Trump tends to focus on his own interests regardless of the consequences, as was illustrated by the Trump administration ignoring the well-established approach of generations of US and Chinese leaders to Taiwan.

Conclusion

The above analysis has sought to shed light on changes in the views of China's leaders and policymakers towards the US. Overall, the approach of Chinese leaders to the US is hardening as a direct result of Washington's continuous pursuit of a China containment strategy, as well as China's own domestic economic downturn. A reactive cycle is further exacerbating mostly competitive elements of China–US ties, such as in economic security, military capability and global influence.

There are three emerging trends in China's US policy evident from this research paper. Firstly, China's foreign policy decision-making has become more centralized under President Xi Jinping, like all aspects of China's policymaking today. Beijing's US policy has inevitably followed this pattern.

The ruling communist party and President Xi Jinping himself have had decisive roles in Beijing's policy towards the US. President Xi's twin policy priorities of comprehensive national security and self-sufficiency have not only diminished cooperation with the US but also accentuated competition with Washington. Despite the centralization of decision-making, Chinese leaders still seek a range of expertise from the Chinese strategic community to inform decisions. As a result, these experts still have perceptible impacts on the final policy outcomes.

Meanwhile, party-led institutions have become more involved in setting the tone and terms of China–US relations. The group of agencies directly managed by the CPC central committee, such as the International Liaison Department of the CPC and Central Foreign Affairs Commission, are not only implementing foreign policy decisions, as would be the convention, but more importantly they are shaping the direction in which decisions are being made at the highest levels in Beijing.

Linked to the first trend and President Xi's policy priority of achieving self-reliance, the second trend is that, as has happened on the US side, Chinese leaders have deprioritized the typical buffers and stabilizers of the China–US relationship such as trade and investment. The tangible benefits of the China–US relationship in the past, namely trade and investment, have rapidly diminished due to increased commercial competitiveness and Beijing's

decisive pivot from low-end, export-led growth to a high-end manufacturing growth model. China's rapid progress in manufacturing electric vehicles and end-consumer focused semiconductors have now become a source of economic contention rather than a buffer to stabilize bilateral relations with the US.

China feels strongly about the importance of its major technological progress and innovation capability. The country is explicit about its need for technological self-reliance and its desire to become a global champion in certain tech sectors. Efforts to achieve have been severely disrupted by the waves of US sanctions imposed on Chinese tech companies and individuals, with the aim of denting Beijing's innovation ambition.

The third trend is emerging from certain regional flashpoints. Beijing is anxious in regard to US attempts to connect matters in the South China Sea with issues related to Taiwan. At the same time, China's close alignment with Russia in the war in Ukraine has further strained Beijing's relations with Washington.

Taiwan remains the most sensitive subject in bilateral relations. Despite no formal changes of wording in Beijing's political blueprints, on balance Chinese political elites and influential scholars consider the current situation to be precarious with the pro-independence DPP government in Taiwan, which is likely to result in more active Chinese deterrents to confront the Taiwanese government as well as the incoming US president, irrespective of who that is. To avert the worst-case scenario, it is necessary for there to be clear, face-to-face conversations between President Xi and his US counterpart on a regular basis.

With a similar deterrence-centred mind-set dominating in Washington, it is accurate to say that elements for a potential China–US confrontation over the Taiwan Strait are in place. Yet both sides should show more maturity about managing the most sensitive elements in their bilateral relationship to avoid conflict that they would all regret.

Similarly on the South China Sea, Beijing continues to articulate its position on sovereignty in the region and the country remains reluctant to direct its grey zone activities towards the US military. To date, neither China nor the US has established any crisis prevention mechanism, so a local confrontation between Chinese and Filipino fishermen might well precipitate a direct great power conflict between the US and China.

Looking ahead, it would be naive to assume Beijing and Washington can work towards a reconciliation. Clearly, Beijing is unwilling to make any concessions to what it perceives as the US's containment strategy. Yet, their bilateral relationship should not be viewed with excessive pessimism. China's US policy has always been and will continue to be a product of China's own evaluations of what is happening at home and abroad. Despite major changes in China's political landscape under President Xi Jinping, the country's elites will continue

to decide Beijing's US policy based on a balanced examination and deliberation that takes into account China's own national needs. The varied voices of the Chinese strategic community will contribute to this important process.

China's ultimate goal is to ensure that the further erosion of China–US relations does not hinder domestic economic growth, which is key to giving the ruling regime legitimacy. The overall strategy for Beijing to deal with the US is to minimize damage from Washington by maximizing China's economic and political influence in the rest of the world, most notably with large parts of the Global South. Such a move might well buy time for China to speed up its own economic resilience and technology development.

Global foreign policy practitioners outside of Beijing and Washington must pay continuous attention to the China–US dynamic. Only through thoughtful and balanced assessments can countries in the West and Global South formulate effective policies to navigate a world dominated by a strained China–US relationship.

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https://doi.org/10.31175/eh4s.2014.09

China's Sharp Power in the Western Balkans: Digital Technology as Asymmethrical Threat

By
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POLICY RECOMMENDATIONS

Chinese sharp power-based disinformation and malign cyberactivity in the WBs aimed at spreading an anti-Western narrative is partly succeeding in slowing down EU regional integration and Euro-Atlantic enlargement, while increasing Beijing's commercial, strategic, and diplomatic assets, and introducing an alternative political-economic model to the West that pivots on the "Beijing consensus". In the coming years Beijing's ability to use technologies in order to undermine public trust in democratic institutions and the "clash of narratives" between China and the EU will find fertile ground in the WB6, where idiosyncratic political-economic visions will confront for regional hegemony.

Indeed, China's influence in the WBs, along with that of other non-EU actors such as Russia and Turkey, may *hinder* democratisation and Euro-Atlantic integration. In contrast to the EU and NATO, which place democratic conditions at the centre of their engagements with the Balkans, new outside players are less concerned with democracy, human rights, and the rule of law, focusing instead on trade opportunities, security assistance, and energy contracts. In addition, external autocratic actors have provided alternative sources of political and economic support to authoritarian and corrupt Balkan elites.

To adequately challenge these threats, the EU must:

- Overcome its credibility crisis in the WBs, caused by years of enlargement fatigue within the EU.
- Reverse the slow pace of reforms in the WB6 and reactivate the Berlin Process.
- Advocate for a steady and rapid EU membership for the WB6.
- Fortify the EU's geopolitical role in the region and outperform regional influences originating from the outside.

Keywords
Western Balkans
Sharp Power
Regional Integration
Disinformation
Propaganda



Introduction

Over the past decade, non-Western external actors, including China, Russia, and Turkey, have gained increasing influence in the Western Balkans (WBs). Regarding China, its influence has been consolidating in the region, including through the framework of the 16+1 initiative and as part of the Belt and Road Initiative (BRI). As a result of geostrategic competition, the WB region has seen a persistent increase in Chinese influence that has allowed it to intensify its messaging on topics such as technological rivalry, pandemic management, vaccine diplomacy, governance systems, and geopolitical dilemmas. To gain political-cultural attractiveness, Beijing has promoted a soft power strategy akin to sharp power that, focusing on digital technology, relies heavily on propaganda and disinformation. In this sense, Beijing has actively exploited technology and technological devices to support disinformation campaigns. Empirical evidence supporting the impact of these practices in the WBs can be detected by public opinion polls, which show an overall positive view of China in WB states, unlike in EU countries. Chinese disinformation campaigns utilize a variety of tools, such as media outlets, social networks and propaganda-driven international news to improve China's image abroad. Additionally, Beijing has threatened the WB's institutional and political democratic resilience via hybrid mechanisms connected to cybersecurity vulnerability. Chinese propaganda strategy in the WBs is aimed at spreading an anti-Western narrative to slow down EU regional integration and Euro-Atlantic enlargement, while increasing Beijing's commercial, strategic, and diplomatic assets, and introducing an alternative political-economic model to the West pivoting on the "Beijing consensus".

China's rise in the Western Balkans and the technological quandary

Over the past years, particularly since 2008 – the year of the financial crisis in the EU – non-Western actors, including China, Russia, and Turkey, have *gained increasing influence* in the Western Balkans (WBs). Regarding China, its influence has been expanding significantly in the region as part of Beijing's geoeconomic and diplomatic vision of the Belt and Road Initiative (BRI) and the broader strategic context of China-EU relations. Several factors contributed to the increased Chinese engagement, *including* the stale of the Berlin Process regarding EU enlargement, existing development gaps, political affinity with undemocratic regimes in the region, and persistent governance, rule of law and corruption challenges. Indeed, since the beginning of the 2010s China has steadily expanded its regional influence mainly through investments and infrastructure projects, thereby increasing its economic and political assets. Furthermore, China promoted its role through media channels, cultural centres, NGOs, think tanks, governmental exchanges, student programmes, language schools, and cultural diplomacy. Also, a key tool in promoting Chinese engagement with the WBs has been the so-called *Cooperation between China and Central and Eastern European Countries* (China-CEE, China-CEEC, also 14+1; formerly 17+1 from 2019 to 2021 and 16+1 from 2012 to 2022) launched in 2012 to foster business and investment relations in the frame of the BRI.

Indeed, technology has been one of the key sectors in which Chinese influence has increased. In this sense, the *European Commission* has outspokenly described China as "an economic competitor in pursuit of technological leadership, and a systemic rival promoting alternative models of governance". The issue of technology is closely linked to China's so-called *Three Warfare's Doctrine*, which defines interstate conflict through three principles: legal warfare (the use of international law to advance strategic objectives), media warfare (the use of technology to shape public and international opinion) and psychological warfare (the use of manipulation of information to influence adversary decision-making and behaviour). In December 2003, the Chinese Communist Party's Central Committee (CCP) and Central Military Commission *approved* the doctrine to guide PLA political and information operations. Typically, China has been using technology both as a tool of sharp power for disinformation and propaganda purposes and as asymmetric mechanisms linked to cybersecurity vulnerabilities. Through hybrid warfare measures like the dissemination of disinformation and the launch of cyberattacks, China can coerce democratic societies, exploit their social, economic, and political divisions, and co-opt other states and their foreign policies by encouraging frozen conflicts, weaponizing political corruption, and restricting economic development in contested areas. Cyberattacks by China can negatively affect government agencies, global corporations, and small businesses, either directly or through cascading risks. Typically, cyberattacks manifest as unauthorized actions against computer infrastructure that compromise the confidentiality, integrity, or availability of its content. They *can bring about* financial losses, identity theft, distributed denial-of-service (DDoS),

phishing, spoofing, malwares, code injection attacks, supply chain attacks, social engineering attacks, insider threats, domain name system (DNS) tunnelling, IoT-based attacks, and AI-powered attacks. To be sure, due to their structural weaknesses – including underdeveloped levels of rule of law, civil society, and democratic governance, as well as chronicle instability and corruption –, the WBs provide fertile ground for undemocratic actors like Russia and China to manipulate and exploit governments and societies through *hybrid war measures*, including cyberattacks, cyber intrusions, disinformation and fake news. Specifically, propagandistic strategies supported by malign cyberactivity aims at spreading an anti-Western narrative are easily assimilable in post-Yugoslav countries, particularly Serbia.

Thus, in the WBs technological quandaries and digital dilemmas are intertwined with geopolitical competition. Chinese sharp power and cyberactivity practices, could contribute to disrupting and undermining Euro-Atlantic integration, while increasing Beijing's commercial, strategic, and diplomatic assets, and introducing an alternative political-economic model to the West pivoting on the "Beijing consensus" - especially in relation to the current Berlin Process stalemate regarding EU enlargement in the region.

China's use of sharp power and technology as asymmetric threats in the Western Balkans

China's official discourse has been using the term "*soft power*" since 2007. Chinese soft power is closely linked to cultural diplomacy and is aimed at creating a feeling of *allure towards China*, particularly in developing countries. However, Chinese soft power often evolved into *sharp power*. From a notional perspective, "sharp power" represents a corrupted form of soft power - i.e., the ability to *co-opt through appeal and attraction rather than coercion*. *Sharp power* is typical of authoritarian regimes, emphasising the use of propaganda, censorship, disinformation or manipulation to erode the integrity of independent institutions and seeking to limit free expression, spread confusion, and alter the political environment within democracies. *Sharp power practices* include:

1) Disguising maligned initiatives as educational programmes, commercial ventures, or media endeavours;

2) Using proxy and intermediary networks to influence public discourse;

3) Interfering with elections; fomenting discord;

4) Using digital media platforms and digital tools to spread falsehoods.

Thus, a *sharp power strategy* involves coercive political actions that imitate soft power elements in orderto influence a country's image, undermine its socio-political system, or force its government to take specific actions. Indeed, the Chinese Communist Party (CCP) has long recognised the value of *external promotion* under the label of

"dawaixuan" (大外宣), especially to shape a worldwide Sinophile narrative, marginalise dissenting voices, and securing a constituency of emotional, practical, and ideological support.

A key component of sharp power is represented by disinformation. The dissemination of disinformation poses a security threat as it exploits and disrupts the regular functioning of government and economic systems. *Disinformation* consists of lies sustained by false narratives often based on aggrievement and victimhood, which are used to manipulate people into believing what hostile and malignant disseminators knowto be false. Similarly to cyberattacks on private and government networks, disinformation campaigns and the dissemination of fake news through social media outlets - including remarkably TikTok - or state-controlled media outlets serve as instruments of geopolitical power used by hostile and maligned actors to undermine institutions. To spread disinformation throughout Europe, the CCP has directly or indirectly set up hundreds - or perhaps thousands - of influencing networks, including Chinese-language newspapers, websites, apps, WeChat channels, foreign language newspaper inserts and advertisements, sponsored columns, education and business linkups, think tanks, films, TV news, talk shows, and documentaries. For instance, almost *100 Chinese-language media outlets* have been detected as pro-CCP throughout Europe.

Sharp power represents one aspect of the broader concept of hybrid warfare. In hybrid warfare, disinformation, cyberattacks, influence operations, and narratives of victimhood are used to create pretexts for conflict, promote discord, and maintain frozen conflict. A hybrid warfare strategy gives maligned powers the ability to exploit divisions, weaken resilience, and promote their interests and narratives. In hybrid warfare scenarios, cybersecurity represents a key target. *Cybersecurity indicators* tend to assess the levels of vulnerability of countries that are subject to malicious cyberactivity - including cyberattacks and cyber-intrusions. In the case of China, cybersecurity is often linked to the expansion of its 5G network.

In this frame, the WBs are especially vulnerable to actors seeking to damage infrastructure and create polarisation, given the specific local political, economic, and social conditions characterised by the lack of independent media and weak institutions and norms that allow the spread of disinformation. In the WBs hybrid warfare refers to a set of low-cost actions or tactics used to undermine public trust in institutions, weaken norms, and usually obstruct Euro-Atlantic integration. Also, in the WBs cybersecurity vulnerabilities are associated with hybrid war actions perpetrated by hostile forces, particularly cyberattacks and cyber-intrusions, along with disinformation campaigns. In the cybersecurity domain, one of the most significant challenges is the lack of local qualified experts in computer science, data science, and digitization, especially in the fields of national security and economic development. In the case of Russia or China, these countries use *proxies* to undermine the influence of the EU, NATO, and the US in the region, as well as promote social disorder and civilisational clash. In this frame, government leaders, judges, politicians, and citizens are

routinely targeted with fake news and falsehoods to undermine their pro-Western inclinations. For instanoe, Beijing is actively promoting disinformation through social, academic, and educational avenues, as well as through local political outlets, to enhance its influence through economic, energy, and infrastructure projects - including the 16+1 initiative.

China's activities in the WB6

China's increasing influence in the WB region has had consequences for all six non-EU WB countries – or Western Balkan Six (WB6) –, which comprise Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. The footprint of China was visible in several areas, including technology, commercial, investment, and infrastructure. Nonetheless, recent analyses suggest that China's *disinformation* is still more a hype than a reality at present, with Russia remaining the main tangible source of disinformation in the WBs. Recent research based on media analyses and public opinion indicates that *China's appeal may be growing*, but its influence may not be as great as often claimed – including in places such as Serbia. Additionally, a recent study about China's disinformation suggests that Western narratives tend to overemphasize the role of technology and sophisticated software, while overlooking the fact that much of China's digital authoritarianism still relies on extensive human intelligence: such reliance on human input might explain why *China's disinformation* is more nuanced and sophisticated in places such as Taiwan or Southeast Asia than in Europe. Still, data from public opinion polls provides insight into the effectiveness and spread of Chinese disinformation in the WBs – highlighting public opinion shifts in faovur of Beijing in the past decade. For instance, as summarized in Table 1, a survey in post-Yugoslav Balkan countries (thus, omitting Albania) detected that in 2020 the public perceptions on China in the WBs were *mainly favourable*.

Western Balkan country	Favourable view of China (in %)	Unfavourable view of China (in %)
Bosnia-Herzegovina	52	37
North Macedonia	56	35
Montenegro	68	22
Serbia	85	11

Table 1: Western Balkan countries' view on China in 2020. Source: *https://www.iri.org/wp-content/uploads/2020/06/final_wb_poll_for_publishing_6.9.2020.pdf.*

Compared to the average EU country perception on China, which, as shown in Table 2, is definitely unfavourable, in the WBs this trend is therefore reverted.

EU country	Favourable view of China (in %)	Unfavourable view of China (in %)
France	23	70
Germany	20	76
Italy	35	61
Netherlands	22	74
Poland	18	71
Spain	33	55

Table 2: EU countries' view on China in 2024. Source: *https://www.startista.com/statistics/921671/european-perception-of-china-by-country/.*

The comparison of public opinion's perception in EU and WB countries respectively adds empirical evidenoe on the effectiveness of Chinese soft/sharp power, demonstrating how Beijing was able to build a positive image of itself in the WB region, which, unlike the EU, is more liable to foreign influence intrusions.

Albania

In the technological domain, in 2019 Albanian public radio and television signed a cooperation agreement with the Chinese counterpart, endorsing the broadcast of Chinese documentaries, including films about President Xi Jinping, as well as other cultural and economic programs. Also, Beijing sends cartoons to major media channels in the country to promote communication and distribute content targeted at younger audiences. It is primarily through "Ejani Radio" - essentially a branch of China Radio International (CRI) which also enjoys a YouTube channel and a Facebook page - that information about China is distributed. Overall, the *presence of China-related content* across the media spectrum in the country is evident, with a constant rise between 2014 and 2019 in contents related to the BRI.

Bosnia-Herzegovina

As for Bosnia-Herzegovina, China wishes to enhance its role in the country even through Huawei 5G technologies and several events linked to the BRI. In the case of the media, "Xinhua" news agency created institutional links via cooperation agreements with the "Federal News Agency" (FENA), "Radio and Television of Bosnia-Herzegovina" (BHRT), and "Patria" News Agency, as well as with "Republika Srpska News Agency". In addition, Sarajevo and Beijing signed a cooperation memorandum in 2019 that envisages exchange visits, content sharing, joint news coverage, as well as joint activities in publishing, broadcasting, and film production. Finally, the website "China Today" and the magazine "Voice of China" contribute to spreading China's influence in the country.

Montenegro

In relation to Montenegro, in the field of the media there has been a steady flow of pro-Chinese content being broadcast via Serbian news. Also, some Montenegrin pro-Chinese (and pro-Russian) websites comprise www.in4s.net and borba.me. For example, borba.me frequently refers to China in an apologetic manner in its news reports, manifesting a *biased pro-Chinese inclination* and espousing *Beijing's rhetoric* vis-à-vis the West, NATO, and the US.

North Macedonia

As for North Macedonia – a country *particularly vulnerable* to non-western intrusions –, in terms of the media, cooperation agreements between North Macedonia and China date back to 2004 and involve content sharing, exchange visits and material support. China-friendly contents – often devoid of any critical analysis and characterised by unclear sources, half-truths, unverified data, speculative assumptions, and disinformation – are *broadcasted by* TV channels like "Kanal 5" and "Sitel TV", news agencies such as "MakFax" and the internet portals "Republika" and "Kurir".

Serbia (and Kosovo)

Finally, in relation to Serbia – and incidentally Kosovo, since China does not recognize its independence –, China views the country as its chief strategic partner in the WBs. In turn, Serbia considers China its *second most important ally* after Russia. In Serbia, Chinese investments include the *Safe City Project* in which Chinese high-tech companies, including Huawei, have installed 1,000 CCTV cameras in 800 secret locations throughout Belgrade. Since this technology is equipped with facial recognition software and the capacity to identify license plates, it is considered threatening because the Chinese companies involved are required under the Chinese National Security Act to relay all data in their possession to *Beijing's intelligence service*. Also, these facial recognition cameras were unlawfully used by the Serbian police to film and later identify protesters who demonstrated against the low environmental standards of a lithium mine in the country. Generally, the *Serbian market* has been one of Huawei's most important regional markets – also through important agreements signed between Huawei and Serbian Telecom for the digitalisation of Serbia. Also, since 2006 Confucius Institutes have been operating in Serbia, spreading the Chinese language and culture among Serbian pupils and students and enhancing a full-fledged strategy that pivots on *cultural diplomacy*. Moreover, Chinese funding is also directed at Serbian think tanks, which are geopolitically oriented and perceived as pro-Chinese and as potential academic multipliers. In the sphere of media cooperation, Beijing and Belgrade signed a series of agreements. Consistently, in recent years there has been an increase in the number of stories related to China in the Serbian media, which generally depict China in a very positive way. Some pro-Chinese outlets include "China Radio International",

"China Today" ("Kina Danas"), "Informer", and "Welcome to Fun Radio". Finally, the Chinese technology giant Huawei is a major player on the Serbian media advertising market, further solidifying Chinese dominance within the wider public sphere.

https://doi.org/10.31175/eh4s.2014.10

The role of the People's Armed Forces Maritime Militia: Implications for Maritime Security and European interests

By Niklas Swanström

Keywords

Fishing militia

PAFMM

Grey zone operations

South China Sea

Peoples Liberation Army Navy (PLAN)

Law of the Sea

Swarm tactics

Maritime claims

Command and control

Budgetary challenges

Taiwan

KEY TAKEAWAYS

- The Chinese fishing fleet is not solely a commercial operation; it also serves to assert Chinese maritime claims and convey political messages, and it operates under military instructions.
- The PAFMM (People's Armed Forces Maritime Militia) is directed to function as a military auxiliary force and collect military intelligence if necessary.
- The training and order structure of the PAFMM are flawed, posing potential danger as they have political instructions but inadequate military training and guidance.
- The legal status of the PAFMM is unclear as they are officially designated as commercial entities but, in practice, carry out military-like operations even in peacetime.
- They should be held to the same standards as the Chinese People's Liberation Army Navy (PLAN) and China Coast Guard (CCG) and not be allowed to operate under different regulations.
- China has introduced a new platform for naval warfare, and Europe needs to prepare for how to address this development.



Introduction

With one of the largest fishing industries in the world, China boast around 564,000 vessels accounting for roughly 15 percent of the global fish supply. Despite a significant reduction from its peak in 2013, when China had *approximately 1.07 million fishing vessels*, the industry remains formidable mainly due to the deployment of larger, more modern ships capable of operations over vast distances. In addition to commercial fishing, China has constructed the world's largest deep-sea fishing fleet, with an *estimated 3,000 ships* operating globally, often near or within other nations' exclusive economic zones. However, within this expansive industry lies a specialized and strategic component. China's fishing operations are not merely commercial endeavors, as the fleet also serves to assert Chinese maritime claims and convey political messages and operating under military instructions. A significant component of this strategy is the People's armed Forces maritime Militia (PAFMM), which functions as a military auxiliary force tasked with collecting military intelligence when deemed necessary. Albeit the PAFMM operates under the guise of commercial entities, in practice it also conducts military-like operations and is mainly concentrated in key areas such as the South and East China Seas, even during peacetime. This dual role of the PAFMM distinguishes it from the main standard Chinese fishing vessels which primarily focuses on commercial fishing. Despite the multifaceted capabilities on paper, the training and order structure of the PAFMM is problematic, as military training and guidance remains inadequate despite continuous political instructions and sentiment. More importantly, the ambiguity in their legal status poses potential dangers and raises concerns about their current and future operations, especially as the PAFMM should be held to the same standards as the Chinese People's Liberation Army Navy (PLAN) and China Coast Guard (CCG), and not operate under different regulations. Moreover, when looking

at the bigger picture, China's refusal to recognize Maritime borders established by the United Nations Convention on the Law of the Sea (UNCLOS) complicates the situation further as it undermines international maritime laws and norms. As such, an un-regulated auxiliary force has negative implications of Chinas fishing operations and their militarization has increased impact on not only global maritime security, but also economic stability.

This paper will explore the multifaceted role of China's fishing fleet, particularly the PAFMM, and its implications for international security. This paper examines its role and implications for international order security, but also sets elements for Europeans and other regional actors to face this new form of naval warfare.

Arming the Chinese Fishing Fleet?

Besides the risk associated with overfishing and illegal fishing, the incorporation of part of the Chinese fishing fleet in the armed forces, the so-called Peoples Armed Forces Maritime Militia (PAFMM) by the US Department of Defense (中国海上民兵 (China Maritime Militia) in Chinese)*[1]*, is a growing concern. PAFMM has taken a much *more active and instrumental role* in enforcing China's maritime claims and has been reinforcing, supporting, and conducting operations for the Chinese Coast Guard (CCG) and the PLA Navy (PLAN) naval activities. PAFMM is a government-supported force of considerable but unknown strength under the control of the People's Liberation Army (PLA). PAFMM is not a new phenomenon. It has been in operation since the 1950s when it was utilized in the maritime environment to defend China against the Nationalist forces due to the lack of naval strengthin Communist-controlled China. It has also received attention in the US and among China's neighbors. Still, due to the growth of Chinese interests and maritime capabilities, it has increased in importance, and additionally, the impact on European and European interests has been less considered.

China has more recently been using PAFMM operations in the South China Sea and against Japan, and its value is indisputable, examples that will be discussed later in the brief. Still, the effects on China's security and political ambitions are less covered. Due to China's relative weakness compared to the U.S. Navy, its *grey-zone activities*, such as the *Chinese incursions* in Whitsun reef in 2021 when 200 militia vessels anchored for weeks in Filipino territory to disrupt the stability, and the Chinese unwillingness to use military vessels in its operations, PAFMM has proven very well suited for China. The Chinese government may face reduced accountability due to the ambiguous legal status of the PAFM vessels and their operations. However, this ambiguity may increase the potential for conflict escalation as it blurs the lines between military and civilian actions, which potentially could lead to increased misunderstandings and unintended confrontations with other nations. PAFMM has a special role to play because of its official position as non-governmental and non-military, or at least non-lethal force, while operating on instructions

from PLAN and the Chinese government to enforce political and military outcomes.

PAFMM currently participates in surveillance, reconnaissance, search and rescue operations, border patrolling, and fishing vessel protection. They should also be able to function as auxiliary forces in naval operations in war, in addition to their day jobs as fishing vessels. To ensure its efficiency as a military component, the PAFMM have received training with the CCG or PLAN. The training has been modest and *often cited by* both Chinese military and militiamen alike as insufficient and of lesser quality. This is an area of concern as improperly trained individuals are more likely to make mistakes and cross red lines compared to a highly trained naval officer who understands the situation and equipment much better. It could very well be that this drawback is deliberate in giving Beijing some leeway, and when PAFMM crosses any redline, China can fall back on the fact that this is not very well-trained and mostly unarmed militiamen.

Operating as a civilian fleet and conducting military operations makes it difficult to manage by *international law* as it is nominally a non-military vessel and increases the risk for escalations of maritime insecurity. In the Chinese Defence White Papers, the PAFMM is described as part of a "*joint military-civilian land and sea border management system*" and are one of three branches of China's maritime operations. It was estimated in 2023 that there were 84 significant vessels and an undefined number of lesser vessels, but a study in 1978 estimated that PAFMM consisted of 750,000 personnel and 140,000 vessels of differing sizes. The challenge to calculate the size is mainly due to the deliberate confusion of what a fishing, militia, coast guard, or PLAN vessel, and the legal constraints under which they operate. There is no doubt that PAFMM operates with military capacity and should be recognized as a military vessel. Still, the ambiguity surrounding its operations makes it vulnerable to being targeted by other nations' military forces, regardless of whether the PAFMM vessels are engaged in civilian or military operations.

PAFMM is inherently unarmed militia, but some ships are equipped with *large water canons* and certain vessels have reinforced *steel hulls* which are suitable for ramming and shouldering. It has also been rumored that some vessels have been equipped with light weaponry, but this has not been confirmed. However, it could be assumed that some of the fishing fleets could easily be converted into carrying missiles and light weaponry if conflict were to arise. That said, it should be recognized that PAFMM is not primarily a fighting unit and functions best without direct military engagement. Despite this limitation, it does not mean that they will be without security and military function.



(Chinese fishing fleet out at sea. Photo by Dr. Ernest Gunasekara-Rockwell)

The main reason for concern, as the PAFMM is increasingly assertive in its increased operational responsibilities, are dangerous maneuvers and the ramming or shouldering of other vessels. This has been particularly notable in operations against the much weaker Philippine fishing fleet and coast guard and the *Chinese operations against Vietnam in 1974*, where the PAFMM showed its value by transporting troops. 1974 was the time when PAFMM had the most direct military application, and today, it is less integrated into indirect military operations. Still, it signals what functions PAFMM could have during a military conflict. They were also involved in the PRC seizing Mischief Reef and Scarborough Shoal from the Philippines in 1995 and 2012, respectively. Beijing also attempted to blockade Manila's resupply to the Second Thomas Shoal in 2014, and since 2017, has harassed Filipino fishermen at Sandy Cay and nearby Thitu (Pagasa) Island. In 2016, during the so-called Senkaku incident, China clearly showed that PAFMM could operate as a part of China's naval forces against a stronger foe, this time Japan, and that they are valuable assets when it comes to challenges and exerts administrative control over any territory in Northeast Asia.

Additionally, by using swarm tactics[2], such as the Iranian Revolutionary Guard Corps Navy have done, PAFMM is a cheap alternative that could distract enemy navies and pose an asymmetric threat to warships. By deploying large numbers of maritime vessels, the PAFMM can create a complex operational environment that is difficult, if not impossible, to defend against. Mimicking tactics used by the Iranian Revolutionary Guard Corps Navy, the PAFMM represents a cost-effective asymmetric threat capable of distracting

enemy navies and posing a significant challenge to warships. This was particularly notable on *August 5, 2023*, when the Chinese fishing fleet swarmed and blocked two civilian Philippine vessels with hundreds of PAFMM vessels. This was to deny the Philippine vessels access to their destination and reinforce the navy with food and water. The Chinese government made it evident that *PAFMM vessels could reach their military and political goals without triggering a military response*, as long as the international community continues to accept them as civilians. It should be noted that in this specific case, the lack of funding and low levels of training were not visible; on the contrary, it was a very successful operation that indicates that at least some units can operate rather complex maneuvers and conduct semi-military operations that sustain Chinese maritime claims.

Furthermore, to the very visible grey zone operations PAFMM has long been used to gather information for the navy and monitor foreign vessels and their operations. Being a case of innocent information gathering or more direct spy operations will vary in the different cases, but the usage of the maritime militia is increasing. This is especially relevant in areas where China, for different reasons, would prefer or is not allowed to send PLAN vessels. This due to the massive amount of Chinese maritime vessels constantly operating in international or disputed waters under a non-military flag.

Why is this important?

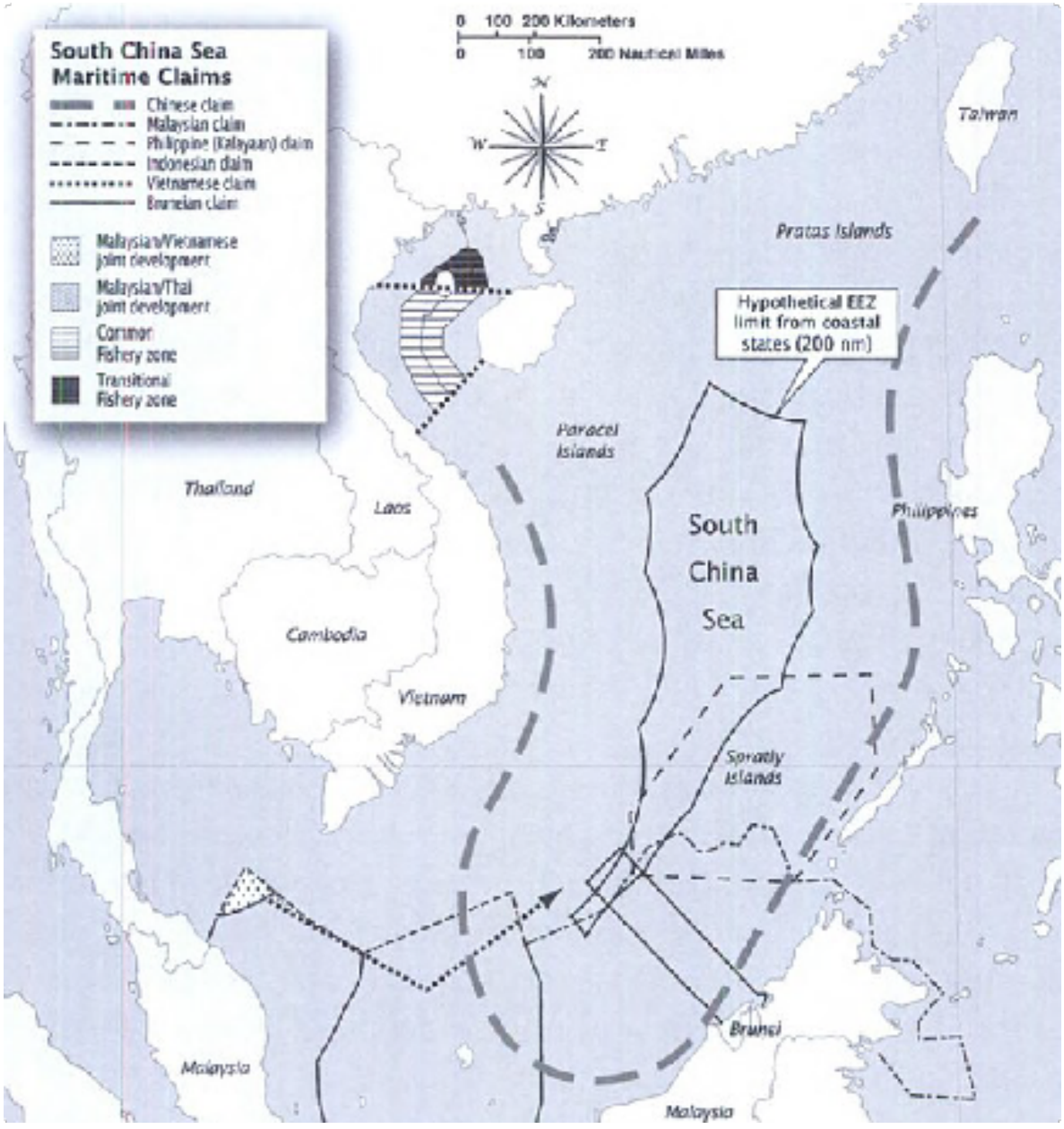
The significance of China's fishing fleet extends far beyond commercial fishing and poses for substantial concerns for international maritime security. This issue is of paramount importance to Europe and the global community because the sheer fleet's size and operational strategies challenge international regulations and norms, notably those established by the United Nations Convention on the Law of the Sea (UNCLOS).

The PAFMM has been particularly useful for China in rewriting the maritime rules, establishing de facto control over disputed maritime areas, securing maritime resources, especially in light of China's legally debatable historical claims, and ensuring usage and occupation of the disputed maritime areas. This is a long way from the *original idea* of having the maritime militia strengthen the weak PRC navy and prevent incursions from nationalist forces in Taiwan by utilizing primitive swarming tactics. Today, its functions are more diverse, and its abilities more potent, as seen in Philippine and Japanese territorial waters. Despite its increased capabilities, the training is still rudimentary for many, and the precarious situation where increased potency is combined with a lack of professionalism, could easily trigger tension and conflict with other states.

PAFMM plays not only an important supporting role for the Chinese navy in the *Yellow, East, and South China Seas, but its reach extends beyond this*, even if its primary function is in the above-mentioned regions. The potential for conflict and the challenges to international

maritime law presented by the PAFMM's operations are clear, making it a critical issue that needs to be addressed in a proactive fashion both by regions directly affected by PAFMM but also for Europe.

PAFMM has begun to operate in Pacific waters and towards Africa, not necessarily to expand territorial influence, but more importantly to gather military intelligence, monitor foreign navies, and exert pressure on states that are not working in tandem with Chinese interests. With the greater naval influence, opening up ports and fishery far outside of the disputed maritime borders of the South China Sea and the Yellow Sea, similar grey operations strategies will be used elsewhere.



(South China Sea Maritime Claims, Courtesy of National Defence University Press, retrieved from Wikimedia Commons)

These grey zone operations have traditionally been enforced without much military action, but this has changed somewhat, and the risk for military action is growing, not least due to the increased chances of mistakes. Since 2005, China has preferred to employ the PLA Navy (PLAN) in background roles, relying instead on maritime law enforcement agencies and the maritime militia as its frontline responses to contingencies and testing adversaries' resolve and intentions. This is especially useful in contested areas, such as the South China Sea, where the ships are nominally civilian vessels conducting military or semi-military operations, a situation that complicates the legal situation.

PAFMM is not a unitary actor, and arguably neither is China, but the maritime militia is severely restricted by its lack of coordination, clear leadership structures, and financial support, both regionally and nationally, which has been clearly outlined by Luo and Panter in their research. The budgetary challenges have been particularly concerning and Lou and Panter estimate that in 2010 about 2-3 percent of Chinas national defense budget was allocated to militia units, something that has according to local sources in China decreased significantly since. There is a lack of formal communication channels, unclear lines of command, and diverse funding ranging from the central government to local government and PLAN to the fishery authorities. This has resulted in a "pay to use" scenario when it comes to PAFMM, which has further blurred the role. This is a drawback for the Chinese government, but it is also a concern for the international community. However, a stronger PAFMM would also increase risks and challenges for the international community with a stronger Chinese influence in international waters.

Implications for Europe

Even if the PAFMM is primarily operating in waters in closely proximity to Chinese territorial water and disputed areas in the South China Sea, it has created greater tension regionally and could potentially threaten stability in the region. The illegal operations by China have put it in direct conflict with civilian maritime operations as well as the government in South China Sea and the Yellow Sea. In addition to this, PAFMMs reach has been enhanced, and is reaching the shores of Africa, in addition to French territories in Asia-Pacific, and Latin America. The challenge is not only that China operate in disputed or international waters, but that it operates under false flag, i.e. under civilian flag conducting semi-military operations. The usage of non-military assets is not a surprise as all Chinese companies and citizens are obliged by law to assist when Chinese interests are threatened.

Multilateral cooperation, both in the military and the civilian sphere is deemed to be more complicated due to the ambiguous nature of China's naval operations. While the PAFMM lacks a unitary command structure and may appear uncoordinated, it is capable of employing swarm tactics and grey zone operations when directed, which will make it much more difficult for European navies, commercial fishing and trade vessels to operate in contested

regions. While there have been no recorded incidents revolving European vessels to date, it is increasingly likely that PAFMM will target European vessels if they are deemed to counter Chinese interests in, for example, the South China Sea. This is not least true if China would instigate further blockades of Taiwan in the future and deny European vessels access to legitimate trade connections.

Europe will have to ensure that it has a common strategy to counter Chinese militia at sea and ensure that there is a policy to counter grey zone operations conducted by PAFMM in and outside of Chinas immediate areas of interest. Cooperation with like-minded states in Asia, and beyond is increasingly necessary, and potentially more joint exercises in handling such developments could be initiated.

[1] Militia is defined, in simple terms, by China as "an armed mass organization composed of civilians retaking their regular jobs".

[2] Swarming is a battlefield tactics aiming to overwhelm the defenses of the target, in this particular case use large amounts of maritime vessels to make it difficult or even impossible to defend themselves.

https://doi.org/10.31175/eh4s.2014.11

The Sponge City Approach in China: Empty Metaphor or Promising Climate Change Adaptation Strategy?

By Fabienne Wallenwein

KEY TAKEAWAYS

- Since 2013, sponge city construction is promoted as a national climate adaptation strategy in China. Implementation started with the designation of 30 national-level pilot cities in 2015 and 2016. It was then expanded to cities and urban areas across the country and at the provincial level.
- The sponge city is not a single storm water management instrument. Rather, it is intended to draw from a portfolio of measures and strategies that are often characterised as environment-oriented, multi-functional and low-tech. This shall reduce costs as compared to former approaches merely relying on grey infrastructure.
- The sponge city combines individual adaptation measures and technologies developed and promoted internationally under designations such as low-impact development (United States), sustainable urban drainage systems (United Kingdom), blue-green infrastructure (other European countries) and water sensitive urban design (Australia).
- While sponge city measures such as the construction of wetland parks greatly increase liveability in densely populated urban areas, such interventions may raise real estate prices in surrounding residential districts and spur gentrification.
- The main challenges in implementation are administrative and political, e.g. lack of consultation and cooperation across departmental and (sometimes) municipal boundaries.
- In cities with completed sponge city facilities where flooding occurred nonetheless, problems were often traced back to deficiencies in construction and spot-level rather than comprehensive development.

Keywords

Sponge City

Climate Change

Adaptation

Water Cycle

Water Management

EU-China Cooperation



Introduction

In July 2021, extreme precipitation caused catastrophic flooding in Zhengzhou, the capital of China's Henan Province, which aspires to become a so-called "sponge city" (haimian cheng-shi 海绵城市). According to *official figures*, 380 people lost their lives within the city area, and the overall economic loss of the disaster reached RMB 40,9 billion (approx. EUR 5,2 billion). Although extreme weather events are not uncommon in China, especially during the summer months, the Zhengzhou floods received high domestic and international attention. In addition to the question of how local authorities dealt with the disaster, discussions arose about the effectiveness of China's sponge cities. This urban development approach is ecosystem-based and aims at responding to extreme weather – a threat that has been projected to occur more frequently worldwide in the future.

The transformation of cities towards climate-resilience is a global challenge that requires EU-China cooperation. While sponge city construction in China (nationwide initiative) and urban climate adaptation in many EU countries (more decentralised measures) differ in their overall approach, both strive to foster nature-based and low-tech solutions. Wider exchange of knowledge and implementation experiences will allow for a stronger consideration of distinctive local conditions (hydrological, climatic, socioeconomic) rather than "one-size-fits-all" modelling. Moreover, exchange has been and is expected to be beneficial with regard to setting up financing and evaluation schemes for climate adaptation measures. Besides the mitigation of disaster risks, sponge cities strive to conserve urban biodiversity and improve city dwellers' well-being and health. These factors are becoming more important to gain public support for climate adaptation in both China and Europe.

What does "sponge city" mean in a Chinese context?

Sponge cities are mostly known for addressing two seemingly contradictory urban threats amplified by global climatic changes: flooding and water shortages. The basic urban planning concept behind this ostensive metaphor, which is said to have originated in China, is to render the city "absorbent as a sponge". By use of flooding areas, wetlands, and nature-based technologies such as bioretention swales (vegetated and landscaped depressions with gently sloping sides designed to filter pollutants and temporarily capture rainwater), storm water shall be stored where it falls instead of being drained directly via networks of pipes and sewers. In turn, during hotter weather, water evaporating from these areas is expected to reduce heat effects. Moreover, well thought-out interventions are multifunctional, making full use of their potential to improve liveability in the city, e.g. by increasing green spaces that enhance air and aesthetic qualities. Their mostly nature-based and low-tech strategies often require a lower budget than conventional grey infrastructure solutions.

Ecological measures to manage storm water, purify precipitation runoff and reduce heat and flooding risks of cemented and asphalted surfaces in urban centres have been developed worldwide since around the 1980s. These include best management practices (BMPs) and low-impact development (LID) in the United States, sustainable urban drainage systems (SuDS) in the United Kingdom, water sensitive urban design (WSUD) in Australia and blue- green infrastructure in many countries of continental Europe. The Chinese sponge city draws on individual technologies and measures from these schemes, but is conceptualised as holistic approach. Chinese landscape architect Yu Kongjian, Dean of the College of Architecture and Landscape Architecture at Peking University, is credited as founder of the sponge city concept and, most importantly, for having achieved buy-in from the central government. In the long term, he and his architectural firm "Turenscape" envision the establishment of a *nationwide ecological security system* based on spatial analysis of hydrological processes at the macro scale (regional and national).

How effective are sponge cities for climate change adaptation?

In contrast to Europe where green transformations of urban centres are usually done at the initiative of pioneering municipalities, sponge city construction is promoted on a nationwide scale in China since the mid-2010s. A key event that catapulted stormwater management onto the national agenda was a disaster in 2012, the Beijing floods, in which 79 people lost their lives. Only three years later, the State Council issued its *Guidelines for the Promotion of Sponge City Construction* that define a very ambitious goal: 70% of precipitation shall be collected, stored and utilised where it falls, a target which is to be achieved for more than 80% of built-up areas in Chinese cities by 2030. Practical implementation started with the designation of 16 pilot cities and areas in 2015 and another 14 cities in a *second batch* one year later. Systematic nationwide rollout began in 2021 and by now encompasses 60 so-called

"model cities" that were selected in three rounds. The budget these model cities receive varies according to administrative level and geographical location. In the second batch, prefecture-level cities and above received RMB 900 million (approx. EUR 115 million) of subsidies in the eastern region, RMB 1 billion (approx. EUR 128 million) in the central region and RMB 1.1 billion (approx. EUR 140 million) in the less developed western region of the country. County-level cities were provided RMB 700 million (approx. EUR 90 million) in the eastern, RMB 800 million (approx. EUR 102 million) in the central and RMB 900 million (approx. EUR 115 million) in the western regions. The subsidies are allocated over a three-year period in accordance with the progress of implementation.

In China, the effectiveness of sponge cities was first questioned in 2016, shortly after the usual annual flooding period. By then, ten pilot cities from the first, and nine from the second batch had again been affected by flooding or waterlogging. Authorities defended the approach by pointing to the short period of time since the programme's implementation and to its still ongoing construction. In this context, the aspect of disaster severity came into focus, leading cities to adapt their drainage designs to larger return period events (*from 1-in-1 and 1-in-5-year events to 1-in-30-year events*).

Record-breaking disasters such as the Zhengzhou floods in 2021 further fuelled criticism against the sponge city approach, given that the municipality had invested *more than US$ 80 million* (approx. EUR 73 million) over the previous five years in green areas and infrastructure supposed to mitigate flooding in Henan's provincial capital of 12 million inhabitants. Yu Kongjian defended the concept in an *interview* by the American Society of Landscape Architects, saying that Zhengzhou could not yet be considered a sponge city at the time of the disaster as the proportion of grey infrastructure in the city was still far too high. He further pointed out the problem that municipalities in China would sometimes simply use the term "sponge city" for other types of interventions to obtain central government funding.

Another point of criticism has been the centralised character and universal application of guidelines, standards, and evaluation criteria for sponge cities defined by national and regional governments which do not always take full account of *local problems caused by distinctive climatic, hydrological and socioeconomic conditions*. The regulation of sponge city transformation is within the responsibility of three state authorities, the Ministry of Housing and Urban-Rural Development (MOHURD), the Ministry of Water Resources and the Ministry of Finance. Sponge city measures as defined by the State Council encompass six categories:

- "infiltration" (e.g. construction of green roofs and permeable pavements),
- "retention" (e.g. through sunken green spaces),
- "storage" (e.g. preservation and restoration of water bodies and wetlands),

- "purification" (e.g. construction of water treatment plants),
- "utilisation" (e.g. through water regeneration), and
- "drainage" (e.g. upgrade of sewer systems)

Although an adaptation to local conditions is explicitly stated as a basic principle in the *Technical Guidelines issued by MOHURD* in 2014, this principle reaches its limits in practical implementation.

Do common global challenges provide opportunities for cooperation?

In recent years, Europe also experienced *increasing weather extremes*. In 2023, precipitation reached a value of 7% above the annual average. Across almost the whole region, above-average temperatures generated an increase of days with "strong" up to "extreme heat stress". Around 1.6 million people suffered from flooding and related consequences, including 44 deaths. Moreover, weather and climate-related events caused 81% of the total financial losses of EUR 13.4 billion.

In Europe, pioneering cities, such as Vienna, Copenhagen, Amsterdam, Berlin, Hamburg and Leipzig play an important role for developing and implementing climate adaptation measures. Copenhagen, for example, builds on a *dual approach* where water is retained in basins underground and green spaces above ground. Sealed surfaces are rendered permeable and green roofs are constructed on new buildings in order to store precipitation. In Groningen in the Netherlands, the nature-based *transformation of Damsterplein Square* has been a first initiative to increase the city's overall climate-adaptation capacity. The project further aims to involve residents, allowing them to plant and maintain green spaces. Such strategies to increase public participation and stakeholder involvement still constitute a deficiency in the sponge city planning process and may therefore be a suitable starting point for cooperation.

By continuously testing and improving its sponge city strategies, China strives to become a global pioneer and *export domestic climate adaptation solutions*, for example to developing partner countries in the Belt and Road Initiative. This may prospectively position China in a competitive relationship with the United States and EU member states that engage in green transformation. At the same time, the different political approaches and practical experiences in Chinese and European cities offer far-reaching opportunities for joint initiatives in the transformation towards climate-resilient cities. Great potential lies in exchanges with regard to methods, tools, financing mechanisms and evaluation models, as well as co-creation strategies.

A hurdle faced in Chinese and European cities alike is political and public support. Successful implementation of climate adaptation measures requires close cooperation, negotiation and approval of different municipal departments. Denmark has a long tradition of close

collaboration between public and private partners as well as across authorities and organisations, which has proven effective in other sectors such as *cycling*, for example, and may provide inspiration for both European and Chinese cities. At the same time, implementation of sponge city measures in Chinese cities has shown the significance of enhancing liveability and health to *gain public approval*, e.g. by means of green spaces construction and air quality improvement. As a large part of such transformations usually relies on public resources, the support of local citizens is crucial.

Financing climate adaptation strategies is another common issue. In Chinese cities, a major problem is to raise enough funds to implement sponge city measures. *Chan et al*. estimated the cost for a three-year sponge city pilot project at RMB 1.2 to 1.8 billion (approx. EUR 153 to 230 million). Especially in cities of the interior where municipal budgets are low, public goods such as water management infrastructure lack prioritisation, despite their smaller cost compared with development schemes. The Chinese approach therefore puts great emphasis on public private partnerships (PPP). However, such partnerships are again realised much easier in developed coastal cities such as Shenzhen which partly relied on *private investment* from its tech and manufacturing corporations. Smaller urban municipalities in Europe with limited resources are facing similar problems and obstacles in attracting investment. Here, it has been suggested to cluster activities for climate adaptation into larger portfolios. Other alternative financing mechanisms include municipal-issued green bonds, a measure still rarely applied, and grants to property owners willing to install green infrastructure. A *promising subsidy scheme* to mitigate flooding and extreme weather events through decentralised measures of residents and private businesses was introduced in the city of Bratislava, Slovakia, in 2016.

Networks such as *Local Governments for Sustainability* (ICLEI), *C40 Cities* and *United Cities and Local Governments* (UCLG) have long been important platforms for international exchange on such climate change adaptation strategies. Furthermore, there have been efforts to integrate nature-based solutions in Chinese and European city development as part of joint programmes such as *UrbanByNature* or the *Sino-German Urbanisation Partnership Project*. Building on these experiences, it is desirable that a regular exchange on urban climate adaptation strategies in Europe and China is maintained to sound out potential for future interest-orientated cooperation, in particular, at the subnational level.

https://doi.org/10.31175/eh4s.2014.12

Comparative Analysis of AI Development Strategies: A Study of China's Ambitions and the EU's Regulatory Framework

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KEY TAKEAWAYS

- China's approach to AI regulation is characterized by a vertical, technology-specific framework heavily influenced by national security concerns and economic development goals.
- The Chinese government has implemented a series of strategic plans and regulations, including the New Generation Artificial Intelligence Development Plan (AIDP) and specific measures targeting algorithms, deep synthesis, and generative AI.
- In contrast, the EU's horizontal, risk-based AI Act focuses on human rights, ethical considerations, and transparency, categorizing AI systems into four risk levels with corresponding regulatory requirements.
- While both regions aim for responsible AI development and data security, China prioritizes strict government oversight and national interests, whereas the EU emphasizes individual rights and limiting government power.
- The global context, particularly the trend towards deglobalization and potential restrictions on technology transfer, poses unique challenges for both regions.
- China specifically faces the risk of limited access to global R&D ecosystems and is actively developing domestic alternatives to key AI technologies.

Keywords
AI
Algorithms
AI Policy
AI Regulation
Generative AI
Data Security



Comparative Analysis of AI Regulation: A Study of China's Ambitions and the EU's Regulatory Framework

Artificial Intelligence (AI) has emerged as a pivotal technology with profound implications for economic development, social stability, and global competitiveness. As AI continues to advance and integrate into various sectors, governments worldwide are confronted with the challenge of regulating its development and application. We are currently in the early stages of AI development and regulation, which is why it is particularly important for policymakers to closely monitor the changes occurring in this technology's evolution. Decisions made now can significantly impact the positive outcomes that can be achieved with AI. Both the technological advancements (e.g., the development of foundational models, the role of new smaller LLM models including self-compressing neural networks and new transformers, the dominance of CUDA, or the use of synthetic data) and the regulatory changes being implemented worldwide (such as legal frameworks adopted by other countries) require close observation.

This essay focuses on two major actors in the global AI landscape: China and the European Union (EU). These entities have adopted distinctly different approaches to AI governance, reflecting their unique political, economic, and social contexts. By scrutinizing their regulatory frameworks, we can derive valuable insights into the diverse strategies employed to harness the potential of AI while mitigating its associated risks. The most interesting lesson that seems to emerge from China's approach to AI regulation is that in the next phase of AI regulation in the European Union, during the development of the foundations for the 'EU AI Act 2.0'; it may be more effective to focus on segmental regulation rather than creating an entirely new comprehensive regulation. This means that instead of updating the entire

strategy, it would be better to concentrate on regulating specific, new capabilities offered by the latest generations of algorithms.

China's Approach to AI Development and Regulation

China political elite is fully aware of the significance of AI technology for future development. To this end, China has accelerated the process of conceptualizing legal frameworks to regulate the development of this technology since *at least 2014*. A key factor in speeding up this process was Xi Jinping's call for innovation and technological progress during the 17th Congress of the Chinese Academy of Sciences. This attention from central state authorities resulted in the inclusion of AI in several national economic strategies, notably the *13th Five-Year Plan in March 2015* , *Made in China 2025 in May 2016*, *the Robotics Industry Development Plan in April 2016*, and the *Three-Year Guidance for Internet Plus Artificial Intelligence Plan in May 2016*. Since then, AI has become one of the cornerstones of China's future technological development vision. These strategies aimed to foster AI research and development, culminating in the publication of *the New Generation Artificial Intelligence Development Plan (AIDP) in July 2017*.

The AIDP provided detailed strategic directions for AI development, serving as a catalyst for AI activities across various state levels and envisioning AI as a central component of China's global technological leadership and national rejuvenation. The AIDP sets strategic milestones to be achieved by 2020, 2025, and 2030. By 2020, AI developed in China was intended to align with and set global standards, with breakthroughs in big data utilization models positively impacting the GDP. By 2025, significant advancements in autonomous learning of technical systems and widespread industrial use of AI solutions were targeted, along with the establishment of legal regulations and ethical norms governing AI usage. By 2030, China aims to achieve breakthroughs in various AI fields, enhancing its global role and positioning itself as a world leader in AI technology. It is important to note that, as a strategic document, the AIDP serves more as a wish list and set of declarations rather than a fully-fledged regulatory document governing the principles of AI technology development, but it "acted as a tremendous catalyst for AI activity by all aspects of *the Chinese bureaucracy and business community*".

China's regulatory actions are specific and aimed at regulating particular manifestations and elements of AI operation. From 2020 to 2023, China's regulatory measures have focused on controlling the development of 'intelligentized' solutions to ensure optimal economic development and social stability. Consequently, these measures target specific AI components such as algorithms, synthetically generated content, and generative AI. China's proactive and iterative approach to AI governance includes significant milestones such *the 2022 Administrative Provisions on Algorithm Recommendation for Internet Information Services*, *the 2023 Provisions on Management of Deep Synthesis in Internet Information Service*, and

the Interim Measures for the Management of Generative Artificial Intelligence Services. This iterative structure allows for quick adaptation to new AI developments, ensuring that regulations remain relevant and effective. But it should be emphasized that the strong motivation behind these regulations is information control over society rather than the protection of individual rights.

The 2022 Administrative Provisions introduced a mandatory algorithm registry system [1], requiring entities using AI with potential public opinion influence to provide information about their algorithms. This regulation aims to address monopolistic behavior by platforms and ensure transparency and user rights in AI-based personalized recommendation services. Providers must uphold user rights, protect minors from harm, and allow users to manage personal data used for recommendations. Companies are banned from offering different prices based on personal characteristics and must notify users when recommendations are algorithm-based, providing an opt-out option. The regulation mandates increased transparency and audits of recommendation algorithms, creating an algorithm registry that includes a security assessment.

In 2023, significant legislation targeted deepfake and generative technology. The Deep Synthesis Provisions aim to strengthen supervision over deepfake technologies and services, significantly altering how AI-generated content is produced for China's population. These provisions apply to deep synthesis service providers and users, encompassing companies that offer or support deep synthesis services and those that utilize these services. The provisions define deep synthesis as technology using generative and/or synthetic algorithms to produce text, graphics, audio, video, or virtual scenes, creating rules for every stage of deepfake use from creation to dissemination.

The Interim Measures for the Management of Generative Artificial Intelligence Services, effective August 15, 2023, officially promote the safe development and application of generative AI, emphasizing adherence to China's core values and the prevention of bias and harmful outputs. However, in practice, this may indicate an intention to control freedom of speech and the exchange of opinions. China is attempting to balance innovation with legal governance, but it appears that the primary focus is on principles such as national security, with secondary concerns including non-discrimination, protection of intellectual property rights, business ethics, and safeguarding physical and mental health.

In summary, China's approach to AI development and regulation is comprehensive and strategic, aimed at maintaining a leading edge in AI technology while ensuring political stability and economic growth.

The European Union's AI Regulatory Framework

The European Union's digital strategy has undergone significant development since 2018. Between 2018 and 2023, the EU published seven documents related to AI governance, primarily focused on agenda-setting rather than regulation. These documents established the foundational values later incorporated into the EU AI Act, published in December 2023.

In February 2020, the European Commission presented its vision for Europe's digital future, which included a *White Paper on Artificial Intelligence (AI)* as a component of its data strategy. By July 2023, the Commission had published a *Strategy on Web 4.0 and virtual worlds*. The year concluded with a political agreement on the *AI Act in December*, marking the EU's inaugural comprehensive framework for AI regulation.

The AI Act, provisionally agreed upon in December 2023 and subsequently passed by the *European Parliament in March 2024*, seeks to establish a balance between ensuring AI safety, protecting fundamental rights, and fostering innovation. The legislation adopts a risk-based approach, systematically categorizing AI systems according to their associated risks and imposing more stringent regulations on higher-risk applications. The Council of Europe has adopted the first-ever international legally binding treaty aimed at ensuring respect for human rights, the rule of law, and democratic standards in the use of AI systems. This treaty, which is open to non-European countries, covers the entire lifecycle of AI systems and promotes responsible innovation. The AI Act complements other EU legislation, such as the Digital Services Act (DSA), which requires large online platforms to conduct risk assessments and mitigate systemic risks, including those posed by AI. The DSA also addresses concerns about disinformation, particularly in the context of elections.

The EU's human-centric approach stands in stark contrast to China's focus on national interests and information control. EU regulations prioritize the protection of human rights, ethical AI utilization, and transparency. This approach is based on the EU's foundational values of respect for human dignity, freedom, democracy, equality, the rule of law, and human rights. In contrast to China's vertical approach to regulating specific AI technologies, the EU has implemented a horizontal framework. This methodology categorizes AI systems into four risk levels. Unacceptable risk: These AI systems are prohibited. Examples include systems that manipulate behavior, implement social scoring for government use, or use real-time remote biometric identification in public spaces by government authorities. Violations can result in fines of up to up to 7 % of its total worldwide annual turnover for the preceding financial year, whichever is higher or 35 million Euro. High risk: This category includes systems used in critical infrastructure, education, employment, law enforcement, and other sensitive areas. These systems are subject to stringent requirements, including third-party conformity assessments, transparency obligations, and human oversight. The AI Act emphasizes transparency, particularly for high-risk AI systems. Providers must create

technical documentation, ensure automatic event logging, and implement human oversight measures. The Act also addresses the potential for discrimination and aims to promote fairness in AI systems. Limited risk: This includes AI systems that interact with people, recognize emotions, or generate content mimicking reality. These systems must notify users that they are interacting with AI. Minimal risk: All other AI systems fall into this category and are only asked to comply with voluntary codes of conduct.

Overall, the EU's AI Act represents a comprehensive attempt to regulate AI technologies while balancing innovation, safety, and fundamental rights protection. Its impact is expected to be significant, potentially influencing AI regulation globally, similar to how the General Data Protection Regulation (GDPR) has shaped data protection legislation worldwide.

Comparative Analysis

China's AI regulatory framework is characterized by a tailored, technology-specific approach, heavily influenced by national security (civil-military fusion), party's interest. Regulations like the Generative AI Measures and Deep Synthesis Provisions mandate detailed oversight and compliance requirements for specific AI tools. Conversely, the EU's AI Act adopts a broad, comprehensive framework, categorizing AI systems into four risk levels. The AI Act, aims to balance AI safety, fundamental rights protection, and innovation.

China maintains extensive government oversight, requiring AI providers to register with authorities and conduct continuous security assessments and audits. This centralization reflects China's emphasis on national security and public order. China's approach is relatively restrictive, requiring generative AI services to be licensed by the government. In contrast, the EU imposes strict regulations on high-risk AI applications while allowing greater flexibility among member states. The EU focuses on limiting government power by ensuring respect for human rights and ethical standards. The EU's approach is complemented by the Digital Services Act (DSA), which requires large online platforms to conduct risk assessments and mitigate systemic risks posed by AI.

China lacks a single set of government-endorsed ethical principles comparable to the *EU's High-Level Expert Group (HLEG) guidelines*. Ethical norms are embedded within specific regulations, emphasizing stability, public interest, and national security. The EU's AI Act and other regulatory documents are grounded in human-centric principles, prioritizing human dignity, democracy, and the rule of law. The EU mandates high levels of transparency and explainability for AI systems, particularly those classified as high-risk. This includes requirements for technical documentation, automatic event logging, and human oversight measures.

Chinese regulations require AI providers to implement content review mechanisms to filter and mitigate illegal or harmful content, ensuring tighter control over AI applications and their societal impact. The EU's AI Act does not impose specific content moderation duties on AI providers, focusing instead on ensuring that AI systems comply with safety and ethical standards. However, the DSA addresses concerns about disinformation, particularly in the context of elections.

China faces unique challenges in AI development due to increasingde-risking strategies of other high-tech-countries. Access to hardware and open-source software solutions may become increasingly limited for Chinese entities. Losing access to global R&D ecosystems could significantly impact China's AI innovation, given its reliance on US frameworks for deep learning, such as TensorFlow, PyTorch, and Meta's LlaMA. In anticipation of potential US export controls, the Chinese government has increased support for domestic open-source software communities like Gitee and frameworks such as Baidu's PaddlePaddle and Huawei's MindSpore. This support is a key ingredient in China's AI development strategy, as exemplified by Peng Cheng Lab's open-source LLM, PengCheng Mind, *which is based on MindSpore*. Overall, while both China and the EU are taking significant steps to regulate AI, their approaches differ substantially in terms of governance structure, ethical foundations, and the balance between state control and individual rights. These differences reflect broader geopolitical and ideological distinctions between the two regions.

Conclusion

The contrasting approaches to AI regulation adopted by China and the EU reflect broader differences in governance philosophies and societal values. China's model prioritizes state control and national interests, while the EU's framework emphasizes *individual rights and ethical considerations*. Both approaches have their strengths and challenges, and their effectiveness will likely be tested as AI technology continues to advance rapidly.

As AI becomes increasingly integral to global economic and social systems, the regulatory frameworks established by major players like China and the EU will have far-reaching implications. These regulations will not only shape the development and deployment of AI within their respective jurisdictions but may also influence global standards and practices.

The divergent approaches highlight the complex nature of AI governance and the need for ongoing international dialogue and cooperation. As the technology evolves, regulatory frameworks will need to adapt, balancing innovation with safety, ethics, and societal impact. The global AI landscape will likely be shaped by the interplay between these different regulatory models, as countries and regions seek to navigate the opportunities and challenges presented by this transformative technology.

[1] The algorithm registration system in China is a government mechanism that requires companies and individuals to register their algorithms. In most cases, registration systems only require basic information, such as the individual's name, the name of the company or organization, and some specific details about the algorithm, including, in some cases, the data on which it is trained. These systems aim to create a government registry and are not licensing systems, although the distinction between the two is becoming increasingly blurred in the context of algorithm registration. In the EU high-risk AI systems used by public authorities or groups acting for them must be added to a public EU database. This rule doesn't apply to systems used for law enforcement and migration.

https://doi.org/10.31175/eh4s.2014.13

Public Predictions about China's Carbon Emissions Peak: Dynamics and Impacts

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KEY TAKEAWAYS

- Optimistic claims that China's carbon emissions may have peaked in 2023 have triggered a public debate recently. Media outlets worldwide have echoed the prognosis since November 2023, although most experts anticipate a later peak for China's emissions.
- Critics argue that predictions based on recent drops in emissions are unrealistic, because they overlook potential fluctuations from economic cycles or extreme events in the near future.
- While setting specific annual emissions targets is common practice globally, it does not take economic cycles and unforeseen events into account. Thus, a proposed observation period of ten years for the emissions peak would provide a more accurate comparison of trends before and after the targeted peak year, accounting for fluctuations.
- The main argument behind optimistic predictions is the rapid increase in renewables capacity. However, not only could there be fluctuations such as rebounds, but the expansion of renewables capacity does not necessarily lead to the ideal reduction of fossil energy. This is due to factors such as not all capacity being connected to the grid, inefficient management, and complex situations involving interest groups that resist or complicate the reduction of fossil energy in China.
- Optimistic predictions about China's environmental development from Western analysts seem intended to encourage Western environmental policymakers to intensify their efforts. However, these forecasts also carry risks for policymaking, as they lead to misunderstandings between the EU and China about the true state of environmental progress and create unrealistic perspectives of China. This might hinder the development of solutions and measures that align with the actual environmental challenges.

Keywords

Carbon Emissions Peak

Renewable Energies

Paris Agreement

Decarbonization



Introduction

Due to concerns about climate and the environment, the global community is increasingly monitoring decarbonization efforts, particularly in high carbon-emitting countries like China. Evaluations of China's environmental progress in the West vary significantly, with some analysts making *optimistic predictions* about China's achievements, even when specific milestones have not yet been met.

This discrepancy is evident in the current debate about whether China has reached its national carbon emissions peak. In recent years, *China committed* to peaking its carbon emissions before 2030 and achieving carbon neutrality by 2060. Historically, China sets its targets conservatively and often surpasses them ahead of schedule, fueling speculation among Western observers that China might achieve its carbon peaking goal earlier than planned. A 2023 *expert poll* conducted by the Centre of Research on Energy and Clean Air (CREA) revealed that a minority of experts believe the peak has already occurred or will occur before the end of 2025, while the majority thinks the carbon peak will happen sometime after. Despite this, speculation that China might have peaked emissions in 2023 has dominated public discourse in recent months.

In fact, speculations about an earlier CO2 emissions peak for China have been around for some time and have varied significantly. In 2018, a *research paper* argued that a CO2 peak before 2030 was not possible. A *journal article* from 2022 suggested that China could peak as early as 2023 under a baseline scenario, but not until 2028 under an industrial structure adjustment scenario. According to the *Climate Action Tracker*, China's emissions peak could occur in 2025. However, the economic crisis exacerbated by COVID-19 caused a *rise in China's*

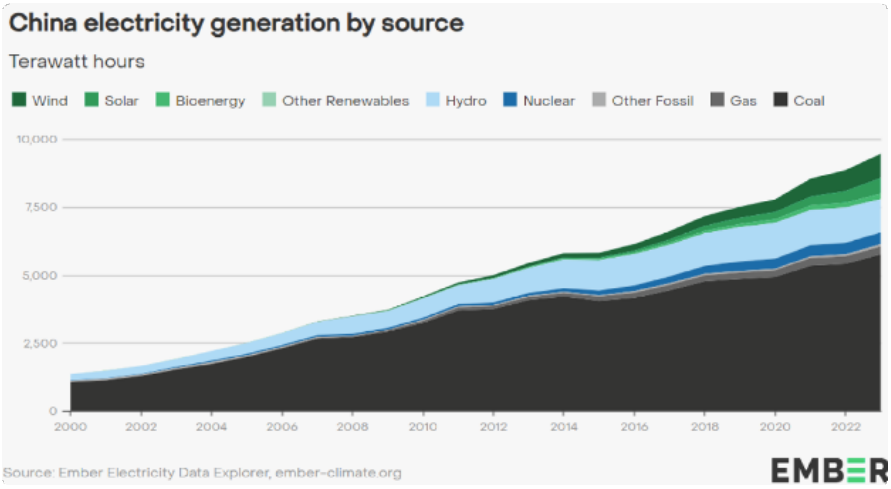
carbon emissions, making it unclear for a long time when a decreasing trend would resume.

Both Chinese and international experts have consistently pointed out ongoing issues, such as the insufficient integration and transmission of renewable energy, ineffective grid management, and delays in delays in decommissioning coal power plants due to complex political and economic factors. These challenges are significant barriers to quickly replacing coal with alternative energy sources. Despite these concerns, their perspectives are increasingly being drowned out by overly optimistic assumptions that seem to dominate the public discourse. Discussions based on unverified information could, however, have a negative impact on the EU's climate negotiations. This is particularly concerning if, due to an overly optimistic assumption about emissions trends in China, the necessary measures for future climate policy are not implemented, potentially jeopardizing the achievement of the Paris Agreement.

Prognoses in late 2023

Towards the end of 2023, the debate about China's possible early achievement of its emissions peak resurfaced. In early November, a European energy think tank published an analysis of China's carbon emissions developments predicting a fall in China's carbon dioxide (CO2) emissions in 2024 and raising the possibility of China's CO2 emissions facing structural decline due to the unprecedented growth in the installation of new low-carbon energy sources.

The argument behind predicting the structural decline in China's carbon emissions centered on the surge in solar, wind, and hydropower expected in 2024. Although emissions climbed in 2023, a historic expansion of low-carbon energy installations occurred as local governments sought alternative investment opportunities following a major debt crisis caused by years of massive infrastructure investment. The biggest growth was in solar power, with installations in 2023 reaching around 217 gigawatts (GW), which is almost equal to the total installed capacity of solar power in the EU and twice the total installed capacity of solar power in the US.



It was argued that if low-carbon energy installations are maintained at the projected 2023 level, the growth in low-carbon power generation would enable China to peak and then decline coal use in the power sector, making 2023 the peak year. At this point, so the argument, the growth of low-carbon electricity would outweigh the overall growth in electricity demand, leading to a decline in the amount of electricity generated using fossil fuels and the associated emissions.

Yet, the prediction also depended on further assumptions such as electricity demand remaining low and hydropower output increasing after experiencing record lows. Thus, the analysis projected that if electricity demand follows its historical trend of rising 5% per year and hydropower utilization returns to historical averages, fossil fuel-based power generation should experience a significant drop during the spring and summer of 2024, with no growth expected thereafter. Power sector emissions which constitute a major component in overall emissions are also anticipated to decline.

However, an *expert survey*, including mainly Chinese and some international experts, revealed that the prediction of China reaching its carbon emissions peak between 2023 and 2024 is supported by only a small minority of experts. Although the overall sentiment regarding emission peaks and decarbonization has become more optimistic in 2023 compared to 2022, 79% of experts still believe that China's carbon emissions peak will not occur before 2026. Only 2% think the peak has already happened, and 19% believe it will occur before the end of 2025.

Nevertheless, when various Western and Chinese online media reported about the carbon emission peak none of the media mentioned the fact that the prediction is not supported by the majority of experts interviewed in the survey. Some *Chinese media* also argued that the findings prove China to be a renewable energy powerhouse poised to lead both Asia and the world in green energy, metals and minerals mining, and clean technology. They credited years of investment and favorable government policies for China's success, suggesting that the country is now reaping the rewards of becoming a global market leader and transforming the energy industry to meet future demands in a more environmentally friendly way. Additionally, they asserted that China's carbon emissions are likely to peak in 2023 and then trend downwards from the following year.

Other media outlets included additional forecasts from various think tanks in their coverage of the analysis. One such prediction came from a UK energy think tank, which projected that China's emissions would peak a few years before 2030, possibly *as early as 2026*. The cited analyst also questioned why China was not publicly sharing the prospect of an earlier emissions peak. He believed that the Chinese government did not realize how important public statements are for winning the overall global debate on climate change, suggesting that it would be a major step forward for the world if they did. Represented by Xie Zhenhua, China

had publicly asserted at recent climate summits that there was no need to adjust its national targets to reflect progress, as the goal remains 'before 2030'; and that the exact year is still being calculated.

Chinese expert suggests a 10-year observation period

Following the ongoing public debate, in February 2024, a renowned *Chinese expert* published an article on the question of when emissions decline in China can be counted as emissions peak. He proposed a 10-year observation period to determine China's carbon emissions peak, covering five years before (2016-2030) and five years after the targeted peak (2031-2035).

As he explained, a lengthy observation period is essential due to fluctuations caused by extreme events and cyclical economic factors, noting that past economic cycles in China have typically lasted 10 to 12 years. [1] He also cites Germany's achievement of its 2020 emissions reduction target, which was largely influenced by the Covid-19 pandemic rather than structural changes. As expected, emissions rose again in the following year with economic recovery. Thus, since setting specific annual emissions targets is a common practice worldwide, but often overlooks cyclical economic factors and unforeseen events, longer observation periods are crucial.

Additionally, recent predictions about China's emissions peak involve the *uncertainty* of whether future patterns will align with or deviate from historical trends. While an increase in renewable energy capacity surpassing the rise in overall energy demand could stabilize fossil fuel use and emissions growth in a given year, real-world changes often defy such predictable patterns. Additionally, any determination on how to judge the carbon peak must be *made in advance*, rather than being interpreted retroactively based on evolving emissions trends.

Furthermore, it was stressed that China may need to *accelerate its efforts* to reduce emissions, especially concerning coal power [2] and power grid reforms [3] . Currently, significant policy changes are not anticipated until 2030 or later, which could result in sudden adjustments. Therefore, the Chinese expert also proposed establishing interim targets for 2025-2035, including specific goals for the energy mix, renewable energy share, and overall energy consumption, to prevent delays and facilitate timely sectoral reforms.

Analysts using current declining carbon levels to validate predicted carbon emissions peak

Despite the critiques, the public debate persists, with energy analysts reinforcing their predictions. *An analysis* published end of May 2024 argued that the recent fall in China's carbon dioxide (CO2) emissions by 3%, which ended a 14-month surge, hints to a carbon emissions peak in 2023. Again, the overall emissions decline and the claim regarding the achieved emissions peak were attributed to the expanding solar and wind generation, which met 90%

of the growth in electricity demand, as well as to declining construction activity. Additionally, the analysis expressed confidence in China's ambition to *shift its economy* from traditional heavy industries to more technologically advanced and cleaner sectors, aligning with its focus on cultivating '*New Quality Productive Forces*'.

While acknowledging the divergent views across the industry and government regarding the outlook for clean energy growth, it was asserted that a 2023 peak in China's CO2 emissions is possible if the expansion of clean energy sources continues at the record levels seen last year. It was also predicted that future excess demand could be entirely met by renewables, with hydropower regaining momentum, thereby reducing reliance on fossil fuels.

However, as the Chinese expert noted, current trends are insufficient to confirm a carbon emissions peak because predictions can only be confidently made for about one year, with long-term trends potentially experiencing significant fluctuations or reversals.

Nevertheless, the prediction—or rather the confirmation of the prediction—was accepted in the public debate, with media reports and other analysts incorporating it into their coverage and forecasts regarding the global emissions peak. For instance, some *institutions have inferred* from existing claims about China's emissions peak that a global trend shift in CO2 emissions is imminent. Thus, optimistic predictions and forecasts regarding China's emissions peak are also influencing subsequent global emissions forecasts, but this poses several risks. On one hand, if institutions or policymakers uncritically rely on these unverified and uncertain claims, it could lead to misunderstandings between China and the EU, especially since China has not officially declared that it has reached its emissions peak. On the other hand, there is also the risk of misjudging not only the situation in China but also the overall global scenario, which could result in misguided political decisions and actions with potentially negative outcomes.

The problem with newly constructed renewables capacity

Another point which has been raised by experts but seems to be overlooked in current optimistic predictions, is the uncertainty about whether expanded renewable capacities will actually replace fossil energy production in China. Apart from the fact that fossil energies are deeply entrenched, with many *Chinese regions and interest groups* depending on them, there are a few more reasons why an immediate replacement of coal with renewables is not a given:

Firstly, China does not currently use an *economic dispatch system* that prioritizes the cheapest generation facilities. This means that when new, more cost-effective renewable energy facilities are introduced, they do not automatically replace more expensive existing facilities. As a result, some coal-fired power plants continue to operate even though they are more expensive than newly constructed renewable options.

Secondly, there is a discrepancy between the installed capacity of renewable energy sources and their actual operating capacity. For example, in the domain of wind power, *several experts* have criticized that China's planning approach is based on capacity building rather than capacity utilization or generation goals. This means that while there is a focus on increasing installed capacity, there are no guarantees if, when, or to what extent this capacity will be utilized. This discrepancy is also the reason why, although the installed wind capacity in China has long been twice that of the United States, it *produced less wind power than the US*. A similar situation exists with solar energy installations, where the utilization rate of newly expanded solar capacity has remained low, particularly in East China, where distributed solar systems are widely deployed. Unlike utility-scale solar, distributed solar consists of small-scale systems typically installed on or near the site of electricity use, such as residential rooftops or commercial buildings. Following the launch of China's "*Whole County PV Programme*" (整县光伏推进方案) in 2021, distributed solar installations surged. However, regional grids and power distribution networks have *struggled to keep up* with this rapid growth. Since late 2023, curtailment and temporary suspension of distributed solar applications have increased significantly in several eastern provinces, potentially hindering future installations unless the grid's capacity to absorb solar power is quickly enhanced. Thus, China's installed renewable capacity figures should be viewed critically, as they do not always reflect actual energy generation, and not all installed capacity is actively used.

Thirdly, under the current energy policy landscape the expansion of renewable capacities has also led to a *net increase* in coal power. The provisions for renewable energy development in the 14th Five-Year Plan require that renewables account for no less than 50% of the "hydro, wind, solar, and coal" mix. Since some transmission lines dedicated to hydropower provide 100% renewable electricity, even a coal power contribution of 70% through other lines can meet the average requirement. Hence, the policy which sought to support investment in renewables has also triggered a net expansion in coal power.

Fourthly, renewables cannot yet replace all the *functions of coal*, as coal is still crucial for ensuring reliable energy, operational flexibility, and heat, as noted by three Chinese experts recently. A significant portion of coal-fired power plants in northern China are combined heat and power plants. Therefore, to fully replace coal in its heating role, innovations in technology for providing heat from clean energy sources are necessary. Additionally, renewable energies like hydropower, wind, and solar are highly dependent on natural conditions such as climate and weather. For example, droughts in regions reliant on hydropower have led to energy shortages in recent years. To address the reliability and flexibility gaps of renewable energy compared to coal, advancements in management and storage technologies are required.

Despite these significant challenges, the international community including Western energy analysts continues to focus too much on the numbers related to the expansion of renewables.

Recent analyses and their *media reports* celebrate the rapid increase of the global and mostly China's installed renewables capacity without taking the above-mentioned challenges in the actual usage of renewables and replacement of fossil energy enough into account.

Past inaccuracies in predicting national or global emissions peaks seem to have little dampening effect on current forecasts, despite the possibility of a strong increase in emissions from primary energy consumption and the construction industry, or continued low energy generation from hydropower. Various Chinese and international experts have repeatedly highlighted ongoing challenges, including inadequate integration and transmission of renewable energy, inefficient grid management, and delays in shutting down coal power plants due to political and economic entanglements, which hinder the immediate replacement of coal with alternative energy sources. Despite these concerns, overly enthusiastic assumptions seem to remain dominant in the public discourse.

Conclusion

The current public debate on the alleged peak of Chinese carbon emissions clearly illustrates how Western think tanks and analysts spread optimistic predictions about Chinese environmental progress that neither China nor the majority of experts confirmed or share. The underlying motivation appears to be to encourage and drive especially Western policymakers and stakeholders to increase their engagement and action on environmental policy. This dynamic persists despite a long history of inaccurate environmental forecasts, both globally and specifically for China. For instance, in 2020 climate scientists and *energy experts predicted* that global fossil fuel emissions, which had dropped dramatically due to the global pandemic, might never again reach the levels of 2019. However, this prediction proved wrong as emissions rebounded stronger than ever in 2022. The relevant climate scientists *later admitted* their predictions were 'overexcited' due to the significant emission drop during COVID. Thus, past cases have highlighted the unreliability of such predictions, which often assume a linear structural development and do not account for unforeseen events.

In times of geopolitical rivalry and global competition for environmental leadership, prematurely predicting a country's carbon emission peak can have serious consequences. It can lead to decisions based on one-sided, unverified or unrealistic claims through which China is often portrayed more favorably than the reality might warrant. This can contribute to misunderstandings between the EU and China and hinder the development of effective measures tailored to the actual environmental situation.

Given the shared goal of achieving the 1.5°C target of the Paris Agreement and the related climate negotiations, the EU should be cautious in its approach to forecasts and claims about China's environmental progress, especially concerning decarbonization and the emissions

peak. Whether China has reached or will soon reach its CO2 emissions peak cannot yet be determined with certainty and the long-term trajectory of China's carbon emissions largely depends on further developments in the renewables sector and energy management. The complex interplay between reducing incentives for coal, curbing coal expansion, increasing the integration of installed renewable capacity, and improving power grid management will remain central to the decarbonization challenge.

[1] His proposal is inspired by the recent agreement on the observation period for global warming. In the UN Intergovernmental Panel on Climate Change's Sixth Assessment Report, a twenty-year period is used, with the midpoint of those two decades designated as the year when 1.5°C is breached.

[2] As of 2023, China still heavily relies on coal, which makes up around 60% of its energy mix. China is also both the world's biggest producer and consumer of coal.

[3] Despite having the largest combined installed capacity of hydro, solar, and wind power globally, China's power grid faces challenges such as inefficiencies in integrating renewable energy, over-reliance on coal, regional fragmentation, and outdated infrastructure, which hinder its ability to fully transition to cleaner energy. Reforms are needed to modernize the grid, improve flexibility, better integrate renewables, and support the country's carbon reduction goals.

https://doi.org/10.31175/eh4s.2014.14

Synergy or Stalemate? Europe-China Science Technology and Innovation collaboration in shaping the BRI and Agenda 2030

By Viktoriya Voytsekhovska

POLICY RECOMMENDATIONS

In recent years, the European Commission has been endeavouring to reconfigure its R&D ties with China, navigating technological Tide across various STI sectors. China is recognized as important knowledge producer, however in order to protect sensitive military or technical information Chinese participation in STI is mainly centred on sustainable economy, ecosystems, public health, nanomaterials, food, agriculture and pollution reduction. This adjustment comes in response to longstanding apprehensions about intellectual property issues and the potential unwitting contribution of European researchers to Chinese military technology development, especially in the light of the Sino-Russian collaboration. To tackle these issues, the EU should:

- Address limitations and risks for collaboration: geopolitical, IPR, data sharing and processing, possible dual technologies use and military implications;
- Emphasize the joint research efforts on cross-cutting themes in STI: carbon neutrality, climate change, healthcare, resource depletion, sustainable development policies & practices;
- Enhance data sharing security within the EU and reduce interaction with China in the critical technologies areas: biotechnology, big data, AI, deep space, and quantum systems;
- Protect critical technology areas: military, semiconductors, AI, quantum systems, biotechnologies;
- Increase macro policy coordination to optimize and balance cross-country risks and limitations to facilitate Sino-EU collaboration in important areas of STI.

Keywords

BRI

SDGs

STI

Innovations

Infrastructure

Development

Agenda 2030



Introduction

The European Union (EU) views China as a long-term strategic partner, emphasizing science, technology, and innovation (STI) through initiatives like the 2019 Strategic Outlook and the Regional Multi-annual Indicative Program (MIP) highlighting key collaboration priorities. This partnership aims to tackle global challenges and promote shared values, particularly the Sustainable Development Goals (SDGs) and climate change commitments. While collaboration has potential benefits, the EU- China relationship has evolved from a 'negotiating partner' to an 'economic competitor' and 'systemic rival' especially concerning sensitive technologies like DNA genetic engineering, AI, cyber security, quantum computing, and advanced microchips. Both China and the EU recognize the significance of technological advancement for future sustainable growth, addressing the UN Agenda 2030.

China's Belt and Road Initiative (BRI) focuses on win-win cooperation and aligns with multiple SDGs from UN Agenda 2030, promoting infrastructure, innovation and development across BRI countries and beyond. While Chinese investments in Europe, initially welcomed, provided economic benefits but later raised concerns over intellectual property and potential security implications leading to a cautious approach from number of EU countries. The paper provides evidence from Greece, Italy, Portugal and Germany.

The Russian military aggression in Ukraine in February 2022 has resulted in significant geopolitical shifts, introducing new layer of complexity for the EU-China STI collaborations. The EU's response to the war, which includes sanctions against Russia and support for Ukraine has also led to a change in research priorities and increased scrutiny of Chinese investments in critical infrastructure and technologies due to security concerns. Therefore,

future collaborations should take a more balanced approach, focusing on non-sensitive areas such as Agenda 2030, Climate Change, Circular Economy, public health, food, and agriculture, while using emerging technologies with caution: artificial intelligence, facial recognition, smart drones, ransomware, etc.

The EU-China history of STI collaboration in the context of BRI

China includes Europe in the Belt and Road Initiative (BRI) for FDI, trade, innovation, and infrastructural projects, and to serve as a connecting bridge between the Indian Ocean and Europe across the Red Sea. Chinese investments proved to be beneficial for Europe following the euro crisis in 2010-2012. The timely intervention of the first BRI investment projects at the end of 2013, particularly in Greece, Italy, and Spain, played a significant role in this regard.

The Chinese BRI massive investments went to Italy already in 2014 towards energy Eni, electricity Enel machinery Fiat Chrysler, and in 2015 the state-owned company ChemChina purchased 16,87 % of stocks from Italian tier maker Pirelli, investing 7,7 billion USD with involvement of newly founded Silk Road Fund (main areas: sustainable development, infrastructure, energy and resources, industrial cooperation), increasing the positive public and political perception of China. The collaboration with Italy continued throughout 2019 when the Italian Premier Giuseppe Conte signed the Memorandum of Understanding with China's President Xi Jinping in Rome. The MoU was followed by number of agreements with Port of Trieste and Genoa, where the infrastructural investment Platform from China Communication Construction Company took place.

The change of spirit towards Chinese investments came with the new Prime Minister of Italy M.Draghi in 2021, when the Pirelli contract came to an end, and again in 2023, when Italy left the BRI. However, in May 2024, Stellantis, which includes Italy's FIAT, partnered with Chinese electric car startup Leapmotor to sell EVs in Europe followed by Italian Prime Minister Georgia Meloni's visit to China to resume Sino-Italian collaboration, signing a 3-year plan with the Chinese government, which envisages collaboration in key areas of Chinese technological excellence – electric vehicles and renewable energy.

Another important investment within the *BRI framework in Europe* was China's COSCO Shipping's 2016 purchase of 67% of the Port of Piraeus (Greece), which amounted to almost 312,51 million USD initial investment as part of the trade collaboration with Europe. The port of Piraeus in collaboration with Vodafone is committed to embracing 5G and IoT digitalization through the implementation of a cutting-edge LTE network, benefiting from substantial investments in its infrastructure by COSCO. China sees its investment in Greece as a success with increased trade and job creation, but European experts believe that few new jobs were created and that the trade benefits China more than Greece or the EU.

Portugal is involved in the Belt and Road Initiative with Chinese green investments. China leads in electric vehicle production, aligning with Portugal's low-carbon goals and Industry 4.0 technology advances. Chinese high-tech companies like Tederic, Ningbo David, Medical Device, and Shyahsin are expanding in Portugal.

The EU aims to become carbon neutral by 2050 thanks to *European Green Deal*, emphasizing a transition to a *Circular Economy*, building renovation, energy innovation, and sustainable practices. China, with the highest-level CO 2 emissions, is striving to become a global climate change leader by achieving carbon neutrality by 2060, promoting sustainable investments in renewables, zero-carbon-emission zones, and the advancement of green technologies.

In accordance with the EU-China 2020 Strategic Agenda for Cooperation, both parties have committed to 'cooperating to establish a strategic policy framework for green and low-carbon development to actively address global climate change'. Particularly, in 2023, the Chinese and German governments signed a *Memorandum of Understanding to launch Climate and transformation dialogue*.

The city of Duisburg plays a pivotal role in the Belt and Road Initiative (BRI) with 100 Chinese companies present, showcasing green investments for a carbon-neutral economy in Germany. Duisburg is a key hub for transporting goods from China to Europe. Chinese tech company Huawei has provided IoT platforms for the city's private Wi-Fi and 5G networks, but plans for further collaboration are on hold. There were concerns about Chinese investments in critical infrastructure and human rights violations. Despite this, a significant deal was finalized in 2023 involving the Hamburg Port with investments from COSCO and 'Hamburg Haven and Logistics'. Germany and other EU countries aimed to limit Chinese investments in their critical infrastructure due to possible security implications.

The initial enthusiasm for Chinese Foreign Direct Investment (FDI) in Southern European countries was not universally embraced. Subsequently, prominent EU governments criticized these investments, characterizing them as predatory, competitive, and potentially subject to future misuse. This raised apprehensions regarding their prospective military application, 'debt-trap diplomacy' or utilization as leverage in negotiations. Furthermore, China's imposition of constraints on foreign investments within its domestic market has led to an increasingly imbalanced EU-China partnership.

EU-China STI strategic collaboration areas in the context of Agenda 2030

Although China has been identified as a competitor and systemic rival by the EU, it is important to remember that it is also simultaneously designated as a long term strategic partner in some issue areas. This is emphasized in various EU Flagship Projects such as the *2019*

Strategic Outlook Joint Communication, the *Regional Multiannual Indicative Program for Asia and the Pacific 2021-2027* correlating with the *14th Five-Year Plan for China*, highlighting STI as core elements for future international cooperation. This partnership is progressively intricate, as the EU declares collaboration with China to address global challenges and promote shared values and interests, with a key emphasis on upholding international commitments such as the *Sustainable Development Goals* and the *Paris Agreement on Climate Change*. Even though the advantages of collaboration are evident, the EU-China relationship has been increasingly complex over the past decade, from the enthusiasm of "negotiating partner" to "economic competitor" and "systemic rival" especially in Science, Technology, and Innovation (STI), particularly regarding four key technologies the EU is sensitive about: DNA genetic engineering, AI-powered systems, quantum computing, and cutting-edge microchips, which might have dual use with negative military and security implications for the EU.

The *Chinese Belt and Road Initiative* (BRI), or One Belt One Road, stands as the cornerstone of President Xi Jinping's foreign policy. According to official Chinese documents, the Belt and Road aims to promote win-win cooperation, common development and prosperity, peace, openness, inclusiveness, mutual understanding, and trust, aligning with the values of the 2030 Agenda. As an infrastructure and innovation development project, BRI primarily focuses on SDG.9 "Industry, Innovation and Infrastructure", possibly contributing to other SDGs in the STI area due to their interlinked nature:

- SDG.3. "Good health and wellbeing": e-health, IoT, 3D printing, nanomedicine, biotechnologies for environment and health;
- SDG.7. "Affordable and clean energy": solar panel energy, bladeless wind energy, 3D printed solar energy trees, solar energy from waste etc.;
- SDG.8. "Decent work and economic growth": AI, digitalization, smart buildings, etc.;
- SDG. 9 "Industry, Innovation and Infrastructure": Industry 4.0, technologies 4.0, 5G, Big Data, AI technologies, green innovations;
- SDG.11. "Sustainable cities and communities": e-town, smart car, digital citizen, green urban planning, smart waste management, IoT, smart water management etc.
- SDG.17. "Partnerships for the goals": knowledge sharing in STI, AI, digitalization, co-creating sustainable technologies, and capacity building for STI.

Chinese BRI aims to align closely with the SDGs, both of which the European Union and China as two large global players are committed to.

Nowadays, the BRI has aspirations to become a new digital "Silk Road Initiative", connecting Asia with Europe and Africa via marine and land routes, providing greener investments in infrastructure and technology, increasing connectivity, and transitioning to carbon free energy.

The integration of science, technology, and innovation (STI) is vital in the pursuit of the Sustainable Development Goals (SDGs), considering its complex nature driven by the rapid pace of technological advancements and new technologies development (AI). STI has the potential to transform the current business model to be more inclusive and sustainable by means of new technologies and digitalization. Therefore, fostering innovation and partnerships is essential in addressing the multidimensional and interconnected challenges of sustainable development, particularly concerning striving for eradicating poverty, well-being for all, healthy life, clean water and sanitation, climate change, resources depletion, decent work, responsible production and consumption etc.

European Union and China framework and background bases for STI cooperation

For the European Union, China is the second most important economic partner, however the STI collaboration has waned over the past decade due to the suspicion of potential dual technologies use, Intellectual Property Rights (IPRs) violations, transparency, and reciprocity issues with exception of climate change, public health, environment, energy transition, sustainable food and agriculture areas.

China's STI policy has undergone a transformation, from Deng Xiaoping's focus on technology transfer, *special economic zones (SEZ)*, *863 Program*, and opening up, to Hu Jintao's "Indigenous innovation" (自主创新), focus on R&D, Sustainable Development and Xi Jinping's "new era" emphasis on self-reliance "Made in China", AI, 5G, digital innovations and broader geopolitical vision across BRI. Internal challenges and the global context have shaped Chinese innovation-related policies. They have evolved from embracing learning from others, and collaboration to self-reliance and aspiration for leadership in emerging technologies.

The European Union and China collaboration history in the STI area started in 1998 with the Science and Technology Cooperation Agreement and was reinforced in 2012 by the *EU-China Innovation Cooperation Dialogue*, EU *Regional Multi-annual Indicative Program* (MIP) and complemented in 2019 by *EU-China Strategic Outlook* where the EU is discussing with China the Roadmap to future cooperation in the aforementioned fields. Such cooperation foresees future collaboration between partners from industry environment, academia as well as policymakers.

Moreover, in 2015, the European Union signed the *Arrangement with National Natural Science Foundation of China*, which showed commitment from both sides to develop and expedite different types of research mobility and enable new partnerships in the area of science, technology and innovations with key Flagships: Climate Change, Biodiversity, Biotechnology and Agriculture. The 2024 *EU and China commitment on the cooperation in the field of CE* is important international stride towards realizing a carbon-free future by 2050-2060. The Circular Economy stands at the core of EU policies, offering solutions to resource depletion, biodiversity loss, climate change, and paving the way for sustainable development and growth while safeguarding the environment. In March 2024, *the EU conference concerning Climate Change 2040* took place in Beijing, where scientists and policymakers discussed the future development perspectives in the area.

In 2022, the EU and China signed an Administrative Arrangement for the period from 2021-2024 to establish a *Co-funding Mechanism*. The mechanism will support research projects on Food, Agriculture, Biotechnology (FAB), Climate Change, and Biodiversity (CCB). It will provide funding for Chinese entities involved in these projects and will be supported by the Ministry of Science and Technology of the PRC.

Europe leads global innovation, investing almost 100 billion EUR in *Horizon Europe* (HE) 10th Framework Program, the largest initiative for 2021-2027. In line with the Global Approach and the ongoing discussions on the 'Joint Roadmap for the future of EU-China cooperation in science, technology, and innovation', cooperation between European and Chinese researchers and entities under Horizon Europe is encouraged mainly under Food, Agriculture, and Biotechnology, and Climate Change and Biodiversity flagships.

China also participates in *European Cooperation in Science and Technology* (COST) as non-COST member, providing Chinese academics with networking opportunities and capacity -building initiatives to address various scientific, technological, and societal challenges through university collaborations less influenced by geopolitics.

However it may be, the *2023 Business Confidence Survey* performed by the EU Chamber of Commerce in China, discovered that 45% of respondents feel that China's enforcement of intellectual property protection laws is inadequate, with instances of forced technology transfer being reported. Access to vital Chinese databases, such as CNKI, has been restricted for EU researchers and businesses in open science and access. This lack of reciprocity in openness poses challenges in following the cooperation roadmap.

EU-China STI collaboration: navigating the complex issue

The EU's approach towards China at the current stage is a nuanced balance between defensive risk management and the proactive pursuit of mutually beneficial partnerships and collaboration.

The growing imbalances between Chinese and European partners underscore the need for a fresh EU-China collaboration strategy, particularly focused on sustainability, transparency, IP respect, and equality based on the 3 P's: Promote, Protect, and Partner. It is imperative for the EU to adopt a more forward-looking approach to China and to engage in negotiations for collaboration on equal footing in key developmental areas such as climate change, human well-being, innovation, and social issues to ensure the establishment of mutually beneficial future partnerships.

The realization of the Sustainable Development 2030 Agenda, "The Future We Want" necessitates collaboration on a global scale. Addressing critical global challenges like 'No Poverty'; Climate Change'; and 'Partnership for the Goals' calls for concerted efforts and engagement from multiple stakeholders across continents and countries. Therefore, the active participation of major global players is essential.

Drawing from the momentum of the BRI Initiative and Agenda 2030, the China-EU collaboration has the opportunity to not only explore new markets and strengthen financial and people-to-people connections but also to facilitate the transition to a more sustainable business model, thus enhancing its economy, competitiveness, political image, innovation development, while having the UN 2030 Agenda at its core.

The Belt and Road Initiative (BRI) intertwines perfectly with the goals of Agenda 2030, possibly making an important shift in development paradigm policies and practices. The EU and China are dedicated to addressing global challenges through green investments and infrastructure development, transitioning from fossil fuels to renewable energy sources, and fostering a more inclusive, smart and resilient business model. The optimal strategy involves finding a compromise between competition and collaboration on a reciprocal and transparent basis - maximizing gains while mitigating risks.

The ongoing Russian war in Ukraine has intensified political tensions and altered global alliances. It has affected collaborations between China and European nations in several ways: disrupting collaborative projects and shifting European focus towards security, cybersecurity, energy security, and defence-related technologies. Additionally, economic sanctions and trade barriers have increased, leading to heightened strategic competition. There is a growing emphasis on protecting intellectual property rights (IPR) and technological sovereignty, resulting in a more self-reliant and competitive science, technology, and innovation (STI) environment.

To move forward the EU-China relationship, a strategy focused on sustainability, transparency, and intellectual property respect is recommended. The collaboration between the EU and China presents an opportunity for genuine partnerships that emphasize innovation, and advancement in science and technology to respond to pressing global challenges like

climate change, pandemics, resource depletion, energy transition, environmental degradation etc. However, for these partnerships to succeed, it is crucial that to address security concerns, including the protection of sensitive technologies, their possible dual use, and cyber security. By focusing on a balanced relationship that promotes technological cooperation while safeguarding intellectual property and security interests, the EU and China can contribute to sustainable global growth, helping achieve the goals outlined in Agenda 2030.

https://doi.org/10.31175/eh4s.2014.15

Reevaluating the 'China Model': The Carbon Emission Burden of China's Infrastructure Overinvestment

By
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&
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KEY TAKEAWAYS

- In the last decades, China has heavily invested in road, rail, subway, and airport infrastructure and stimulated its economy through infrastructure investment. However, this has increasingly been overshadowed by concerns about the deepening debt spiral and numerous negative economic, socio-economic, and ecological impacts.
- Ecological aspects have received little attention and primarily involve large emissions during the procurement of materials, construction, operation, and demolition of infrastructure. Recent studies show that certain types of infrastructure in China have a larger ecological footprint compared to similar projects in other countries. What is more, infrastructure expansion without sufficient demand leads to underutilization, resulting in wasted resources and unnecessary destruction of the natural environment.
- Especially in the context of the EU's Global Gateway initiative, China's infrastructure overcapacity serves as a cautionary example for EU policy, illustrating the risks of extensive infrastructure spending. It also highlights significant environmental impacts, particularly the massive generation of CO2 emissions, which should be a key point of emphasis in discussions with countries in the Global South, ultimately calling into question China's credibility as a leader in climate and environmental issues.

Keywords

China's debt-economy model

Local debt

Chinese infrastructure investment

Carbon Emissions

Global Gateway



Introduction

In recent years, China has heavily invested in various types of infrastructure, including roads, railways, subways, and airports. While infrastructure development is initially *necessary for development* and crucial for a country's economic growth, in China, misaligned incentives have driven local governments to overinvest in infrastructure, leading to significant overcapacity and substantial socio-ecological consequences. Despite infrastructure construction being inherently linked to large-scale emissions, and overcapacity resulting in a waste of resources and unnecessary environmental degradation, China's model of excessive infrastructure investment has often been *praised globally* as *fast, flexible and effective*. However, *concerns in terms of size and impact* have been raised, too.

One trigger for the excessive investment in domestic infrastructure was the *1994 tax reform*, which aimed to centralize tax collection and allocation to address central government deficits. This *created pressure* on municipal administrations, which retained responsibility for public goods and raised funds through land leasing or sales of land use rights to offset the tax revenue shortfall. [1] Hence, municipal administrations were incentivized to increase land value through infrastructure and real estate development, with *Local Government Financing Vehicles (LGFV)* [2] proving to be a pragmatic solution for financing these projects. Thus, the practice of debt-driven infrastructure investment emerged: Beginning with the response to the 2008 global financial crisis, *three rounds of monetary expansion* in 2008, 2015, and 2020 fueled extensive infrastructure investments. These investments eventually led to soaring LGFV debts, overcapacity in real estate, and rising social tensions. Efforts to reduce local debt have failed, leaving China heavily indebted and economically vulnerable. By the end

of 2022, outstanding interest-bearing LGFV debts totaled 54 trillion yuan (approximately 7 trillion euros), accounting for about 44.6% of the national GDP. Moreover, overcapacity in the construction sector, particularly in steel and cement, has been transferred abroad in recent years through the Belt and Road Initiative (BRI), as reducing it domestically too quickly would risk causing significant disruptions to China's economy.

So far, China's extensive infrastructure investments through LGFVs have primarily been studied from an economic perspective, while environmental consequences of excessive and unnecessary infrastructure expansion have not received enough attention. Given that Chinese infrastructure projects are often more emissions-intensive than their counterparts abroad and that construction without demand has led to underutilized infrastructure, the environmental implications including wasted resources and unnecessary environmental destruction must be taken into account when evaluating China's debt-economy model and infrastructure investment.

In fact, China's infrastructure overcapacity serves as a cautionary lesson for EU policy, highlighting the risks of large-scale infrastructure spending without thorough economic planning and long-term demand. The EU should highlight the significant negative environmental impacts in international climate discussions and the exchange with the Global South, which has praised China's infrastructure investments; furthermore these lessons should be incorporated into the planning of the Global Gateway initiative. [3] Ultimately, the case also reinforces the view that China's role as a climate and environmental leader is rather questionable.

Emissions, ecosystem destruction and contamination related to infrastructure construction

Research thus far indicates that infrastructure projects exhibit diverse environmental impacts across their life cycle phases, including construction, utilization, maintenance and refurbishment, and demolition. While the emission burden arising from resource extraction, energy provision, component manufacturing, transportation services, as well as product use and disposal, can be effectively quantified, numerous other environmental impacts may be less obvious at first glance or more challenging to measure or quantify. These include the destruction of ecosystems and land, both where the infrastructure is built and where resources are extracted for construction (such as sand and gravel from riverbeds, steel, coal from mountains where they are mined, etc., as well as metals, etc., from natural areas). Contamination of the environment (air, water, soil, light, noise) during construction and operation of the infrastructure also represents a significant environmental impact of infrastructure projects. Additionally, heavy infrastructure construction, such as airports and groundwater extraction, has caused gradual soil sinking, harming ecosystems and increasing flood risks, especially in coastal and river regions already threatened by rising sea levels.

Yet, aside from infrastructure expansion itself being an environmentally harmful way to stimulate the economy, there are two additional factors that are crucial to the environmental impact of China's debt-driven infrastructure investments: Firstly, depending on the material choice, project management and energy consumption, infrastructure construction in China is often *more emissions-intensive* than in other countries; and secondly, inefficient or inadequate project management led to construction without demand and standstills due to excessive debt. Underutilized or stalled infrastructure projects, as well as those that do not function optimally, can have negative ecological impacts. Each infrastructure project has a *finite lifespan*, and for public transport systems like railways and metro, the goal is to offset construction emissions to achieve a net reduction in *per capita emissions* for passenger transport. Poor project management or financial oversight can delay projects, reducing their effective lifespan and thus diminishing the emissions advantage. For example, China's local debt and liquidity crisis has resulted in some completed infrastructure projects *being halted*.

Why Chinese infrastructure construction is often more emissions-intensive than in other countries

A study comparing the lifecycle emissions of two road projects– the Chinese Qinling Road project and the American Route 35 in New Jersey – found that the Chinese road project emitted 41.5 kg/m² more CO2, primarily due to the use of lime-fly ash in its subbase, a material far more emissions-intensive than the hot-mix asphalt (HMA) used in Route 35. Lime-fly ash accounted for 26.86% of Qinling's total emissions, whereas Route 35's material choice resulted in lower CO2 output. Additionally, machinery used in Qinling had significantly longer work times, particularly for earthwork and transportation, further increasing emissions—earthwork alone took 11.48 times longer than in Route 35. Reducing emissions in such projects could involve improved lime and cement production technologies, alternative materials like cement-stabilized gravel, and cleaner energy sources for machinery. Although Qinling's on-site material transportation was more efficient, its overall emissions from materials and construction were still much higher than those of Route 35. Despite experts suggesting the use of more eco-friendly materials in construction, a shift remains unlikely. China is the world's largest cement producer, and the cement industry is deeply integrated into both *the domestic economy* and international projects like the *Belt and Road Initiative (BRI)*. As a result, China's cement expansion through the BRI reinforces the industry's central role, making significant change difficult.

In terms of urban railway, *a comparative study* analyzed the Shanghai metro system alongside other global metro systems. While traction emissions per person in China were relatively low, emissions per vehicle were relatively high when compared to systems in Delhi, San Diego, Los Angeles, San Francisco, Sacramento, and Rome. Additionally, the study highlighted that Shanghai's metro stations exhibit high emissions during operation, compared to the Seoul metro system, suggesting significant energy-saving opportunities. Despite Shanghai's

newly constructed urban and high-speed rail transit stations featuring energy-intensive facilities and ornate designs, the city's emissions per passenger remained lower than those in Seoul, possibly attributed to higher travel demand in Shanghai.

An additional study proposed that optimized spatial planning for the distribution of subway lines and stations, as evidenced by the spatial analysis of Chinese subway networks, can effectively minimize material and energy consumption across all lifecycle stages, including construction, operation, and waste management.

In the category of High-Speed Railway Infrastructure, *a study from 2019* analyzed the carbon footprint of the Beijing-Shanghai Fast Track Transportation Project compared to other High-Speed-Rail Projects in Asia and Europe.

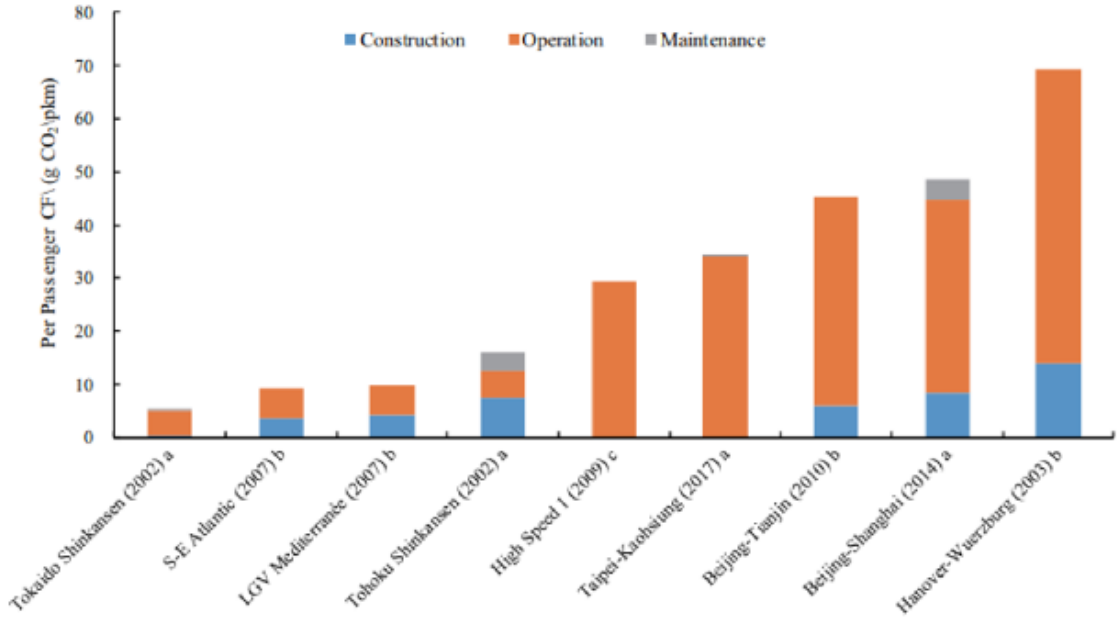


Figure 8 Comparison of the per-passenger carbon footprints of the different HSRs. *Note: (a) which carbon footprint included Construction, Operation and Maintenance; (b) which carbon footprint included Construction and Operation; (c) which carbon footprint included Operation.*

Source: Lin, Jianyi, Huimei Li, Wei Huang, Wangtu Xu, and Shihui Cheng. 2019. "A Carbon Footprint of High Speed Railways in China: A Case Study of the Beijing Shanghai Line." J of Industrial Ecology 23 (4): 869–78. https://doi.org/10.1111/jiec.12824.

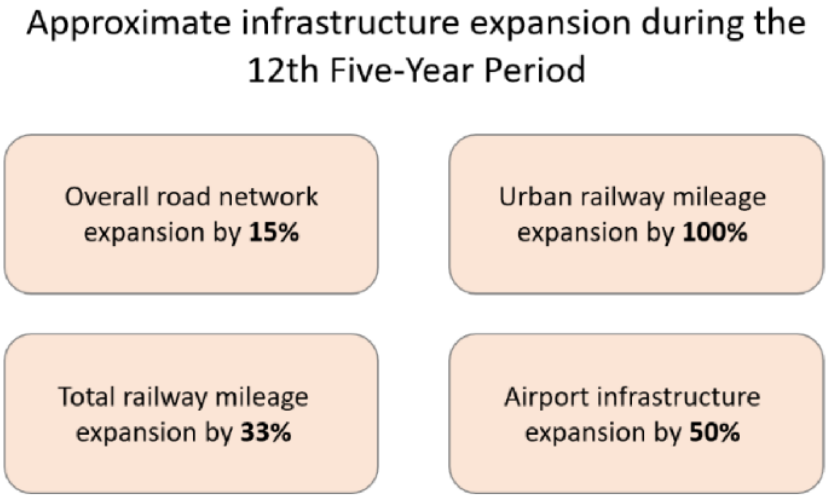
The results indicated that the Chinese high-speed rail (HSR) infrastructure was relatively emissions-intensive, second only to Germany's Hanover-Wuerzburg HSR line, which had higher per capita carbon emissions during both construction and operation due to lower passenger turnover and more spacious seating. [4] In contrast, the high emissions of China's HSR lines were not linked to seating or passenger turnover but were driven by the country's reliance on a coal-based, carbon-intensive energy mix, as well as a higher proportion of bridges, faster operating speeds, and heavier train bodies. In order to reduce carbon emissions

in construction and operation the study suggested to work on cleaner electricity supply options, more efficient raw material production, and enhancements to train technology are crucial for reducing the carbon footprint of Chinese high-speed railways.

For airports, the lack of scientific studies on total carbon emissions throughout an airport's life cycle, especially for Chinese airports, makes it impossible to draw conclusions about the emission intensity of Chinese versus other airport projects. However, it is important to note that aviation, including the construction of airports is more emission-intensive than any other infrastructure transport mode: *A study from 2021* calculated the carbon emissions of the landing and take-off from China's airports with the highest annual passenger throughputs. Results indicated that China's then busiest airport (in terms of annual passenger throughput), Beijing Capital International Airport, emitted approximately *828,048.88 tons of CO2* annually solely from landing and take-off activities. When accounting for emissions from power station operations and various support vehicles owned by the airport, the total CO2 emissions reached *2,897,484.52 tons*. This is nearly three times the annual operational emissions of the *Shanghai metro system* and roughly equivalent to the annual operational emissions of the *Beijing-Shanghai High Speed Railway line*. However, the emissions for the above-mentioned airport do not include the total emissions during the flight but only those emitted during start and landing. Therefore, airports remain the most environmentally harmful infrastructure type, making it essential to carefully consider whether their construction is truly necessary. Against this backdrop, it is particularly problematic that China constructed a large number of *new airports* in the last decade, many of which *remained underutilized*.

The dimensions of Chinese infrastructure overcapacity

During the 12th Five-Year Plan Period from 2011 to 2015, large quantities of infrastructure were developed, leading to substantial infrastructure overcapacity.



Source: Own calculations based on literature analyses.

China's overall road network was set to expand from around *4 million km in 2010* by about 15%, reaching approximately *4.5 million km in 2015*. Expressways were set to grow by over 60% from *74,000 km in 2010* to *108,000 km in 2015*, which is almost *twice the length* of the U.S. Interstate Highway System. *Urban railway mileage doubled*, rising from around 1,500 km in 2010 to around 3600 km in 2015. *Total railway mileage* expanded by about one third, increasing from 90,000 km in 2010 to 120,000 km in 2015, of which 45,000 kilometers were *fast railroads*. Finally, airport infrastructure was set to expand by almost 50% by building *82 new airports by 2015*. However, overcapacity and underutilization remain significant issues in China's infrastructure. By 2011, 70% of airports were *operating at a loss*, and between 2010 and 2015, the average occupancy rate of China's high-speed rail was only *around 60%*.

Although urban railways experienced the highest percentage of expansion, it was the investment plans for airport infrastructure that sparked the most debate in China. *Experts throughout China* were already *cautioning against the need* for such expansion. They argued that '*China does not need any new airports*' citing environmental and economic concerns. Instead, they advocated for directing resources towards integrating existing transportation networks. Furthermore, they pointed out that many Chinese airports *were underutilized*, and constructing new ones was unsustainable. The majority of these new airports would primarily serve passengers from remote Chinese cities, shuttling them to hubs connecting to major destinations. However, with Chinese airlines compelled to lower prices to compete with the rapidly expanding high-speed railway network, the solution lies not in more airports, but in better-developed transportation networks, so argued experts. Existing airports would already be *struggling to compete*, with some coastal cities even *encouraging government officials* to fly rather than travel by train for business trips in a bid to boost local airport usage.

The push for extensive new airport construction investment was driven mainly by *two factors*. Firstly, the Civil Aviation Administration of China (CAAC), tasked with expanding China's airport network, felt mounting pressure to catch up with the aviation infrastructure of larger Western nations like the US or Brazil. However, this pressure was based on an overestimation of the size of the US aviation network when comparing the number of commercial airports in China to flight facilities in other countries. In reality, by 2011, China *had almost caught up* with the US in terms of large airports. Moreover, comparing China and the US directly was inaccurate, given the less developed passenger railway network in the US. With the rapid expansion of railways in the 2000s and 2010s, Chinese airports were already experiencing overcapacity. Furthermore, US airports were also *facing financial challenges* and running deficits.

Secondly, aside from the miscalculations by the CAAC, there was another reason for the promotion of extensive airport infrastructure expansion despite lacking demand: the responsibility of local governments to initiate airport projects. Unlike railway projects initiated by

the central Ministry of Railways, airport projects were driven by local governments incentivized under the debt-driven economic model to increase land value through infrastructure and real estate development. Thus, local governments were incentivized to introduce and build new airport projects, even when there was not sufficient demand for the airport. Additionally, China's system of cadre rotation and bureaucratic promotion plays a significant role, as the officials who initiate airport construction are typically not the ones for *repaying the debts* or overseeing the airport's long-term development. Instead, these officials are usually incentivized during their 3 to 5-year tenure to promote policies that bring them *short-term economic and political success*. And not only did individual officials face performance pressure, but entire local governments were also competing with one another for the highest economic growth. This competition often led to *local protectionism*, as governments prioritized maximizing economic benefits within their own regions.

This large-scale creation of overcapacity aimed at stimulating the local economy, however, came with significant ecological consequences, including wasted resources and unnecessary environmental destruction during resource extraction and construction, as well as from the overcapacity and debt-related challenges. In some cases, infrastructure faced further setbacks due to local debt or liquidity crises, causing standstills. Since 2022, more than 20 cities have *experienced disruptions* in public transportation due to inadequate financial support.

In January 2024, the State Council *issued a directive* to manage China's $13 trillion municipal debt, instructing state-owned banks and 12 local governments to postpone or suspend projects with less than half of the planned investment utilized. This includes infrastructure projects like expressways and *urban rail* in high-risk regions. Among the *rejected subway projects* due to high local debt were those proposed for Harbin (Heilongjiang), Kunming (Yunnan), and Baotou (Inner Mongolia).

Lessons for the EU

China's debt-driven economic model has led to a significant increase in infrastructure investment and construction. However, infrastructure construction is associated with numerous ecological impacts, which necessitate a reevaluation of the infrastructure investment related parts of the "China model" from an environmental perspective. Recent comparative studies of global infrastructure projects reveal that material choices and inefficiencies, as well as the reliance on a coal-based energy mix during management and construction phases in China have led to increased CO2 emissions. Moreover, China's debt-driven economic model created incentives to launch projects without proper consideration of demand or essential economic factors such as profitability or the ability to repay debts. In some cases, this has led to the construction of unnecessary infrastructure, resulting in waste of natural resources and significant destruction of the environment. The increasing indebtedness of

local governments has exacerbated the situation, as stalled or incomplete infrastructure projects contribute to further resource waste.

Therefore, the substantial environmental costs associated with China's infrastructure expansion under a debt-economy model, as well as the additional negative implications stemming from overcapacity and indebtedness, must be recognized as a serious issue.

Recommendations

When developing the Global Gateway Initiative, the EU should avoid copying China's infrastructure model, which often overlooks ecological impacts and supported construction without demand. Instead, it should focus on thorough planning and the use of eco-friendly materials and processes.

The EU should highlight the ecological impacts of extensive infrastructure development, particularly in discussions with the Global South, where China's initiatives are increasingly admired. Emphasizing the link between infrastructure expansion, CO2 emissions, and local social and environmental costs is essential in climate negotiations.

As China is increasingly positioned as a *leader in climate issues*, the EU should highlight the ecological impacts of China's infrastructure expansion model (domestically and abroad in the BRI context) in international climate negotiations to provide a more realistic understanding of China's environmental status.

[1] In China, there is no private ownership of land. Urban land belongs to the state, while rural areas are owned by collectives, subject to state expropriation.

[2] An LGFV describes a *financing mechanism* of local governments, typically appearing in the form of companies or investment firms, aimed at generating revenue for local governments through targeted investments in infrastructure projects. Unlike local governments, LGFVs can borrow directly from banks. Much of the LGFV bonds are not traded on the public market, making them implicit and opaque debts. As LGFVs act on behalf and in the interest of local governments, their debts can fundamentally be seen as implicit indebtedness of local municipalities.

[3] In response to China's Belt and Road Initiative, the EU launched the Global Gateway initiative in 2021, aiming to support developing countries and emerging economies by mobilizing investments in infrastructure.

[4] The number of seats on a train has a minor impact on total carbon emissions but plays a *significant role* in the per-passenger carbon footprint of high-speed rail. This factor is a key reason why the Hanover-Würzburg HSR line in Germany has the highest per-passenger CF. The German line had the fewest seats per train, roughly 30% of those on the Beijing-Tianjin line and 50% of the S-E Atlantic line. This highlights a trade-off between providing more comfort space and reducing carbon emissions.

https://doi.org/10.31175/eh4s.2014.16

China's Security Engagement with Africa & The "Global South" Narrative

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KEY TAKEAWAYS

- In recent years, China has taken a more assertive role in global governance, aiming to position itself as a key player and potential emerging leader in the "Global South."
- Beijing is seeking to create a coalition of countries that support its vision of a multipolar world order, with Africa playing a central part in this strategy.
- China's military diplomacy and security engagement with African nations has served in bolstering its political and economic influence on the continent.
- Beijing has evolved from being a norm-taker to a norm-shaper in its approach, promoting aspects of its governance model in Africa's security architecture.
- China's increasing normative influence in African security presents challenges for the EU's engagement on the continent, necessitating a reassessment of its approach to security cooperation with African nations.

Keywords

China's Foreign Policy

African Security

Security Engagement

China-Africa Relations

Global South



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Introduction

In recent decades, China has actively sought to position itself as a pivotal partner and emerging leader within the Global South. Despite the lack of clear consensus on the definition of "Global South" or a definitive list of countries it includes, the term holds considerable symbolic value. It embodies a shared sentiment among developing nations, *characterized* by a "sense of economic or financial disadvantage, frustrations with Western paternalism and neo-colonial attitudes", and a collective drive for a more equitable global governance architecture.

China's *engagement with Africa* has emerged as a critical element of its *Global South strategy*. *Fostering stronger ties* with African nations aligns with Beijing's aims to create a multipolar global order and new norms that advance its geostrategic, political, and economic interests. China's strategy has notably evolved to include a more assertive role in shaping Africa's security architecture. While initially focused on establishing itself as a reliable security partner, Beijing has gradually expanded its normative influence, *promoting military governance* models based on its Party-military model.

These dynamics present strategic implications for the EU, requiring a nuanced understanding of China's growing role in African security to assess challenges and impacts on EU interests.

Strategically Harnessing the Global South

African countries have grown increasingly disillusioned with Western security engagement on the continent, often viewing it as driven by interventionist policies and strategies prioritizing external interests rather than addressing the root causes of instability in Africa. Furthermore, despite years of engagement, Western-led efforts have largely *failed to resolve* long-standing security challenges, a persistent source of *frustration* for local populations.

This mounting discontent has contributed to the rise of anti-Western sentiment and the surge of military coups across the continent. In March 2024, *Niger* and *Chad* announced the cancellation of their military cooperation agreements with Washington and demanded the withdrawal of U.S. troops. In *Mali* and *Burkina Faso*, repeated popular demonstrations have also called for an end to the French military presence. These movements culminated in the forced withdrawal of French forces from Mali in 2023, marking the end of France's decade-long *Operation Barkhane* mission. *Critics argue* that the operation largely served France's strategic interests, particularly its influence in former colonies and resource access.

These developments represent a significant setback for EU foreign and security policy, as they have fueled the desire among many African nations to seek alternative partnerships, including with China. Presenting itself as a *"natural member"* of the Global South, Beijing highlights shared historical grievances and the collective *struggle* against imperialism and colonialism to foster a sense of solidarity and strategically frame its partnership as based on mutual respect and benefits. Moreover, China's *non-interference policy* is frequently emphasized as *a critical distinction to the Western approach*, often criticized as paternalistic and interventionist. This approach resonates with African leaders who feel that the EU's approachtends to undermine African agency, while China has placed a strong *emphasis* on answering calls for greater support in developing "African solutions to African problems."

China's Early Engagement in African Security

China's evolving military engagement reflects a strategy aimed at gaining diplomatic legitimacy and protecting its economic interests through adherence to international norms. At the 2011 Shangri-La Dialogue in Singapore, then-Chinese Minister of Defense, *Liang Guanlie*, emphasized China's intent to act as a responsible power in global security rather than an expansionist one. Aside from participation in *UN peacekeeping missions*, Beijing largely limited its military activities as deployments to what it considers as its own territory and maritime areas, signaling a commitment to established international standards rather than challenging them. However, as China's economic footprint expanded, its military strategy adapted, marked by China's growing involvement in Africa's security.

The establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000 formalized Beijing's relationship with Africa. FOCAC has since facilitated China's expanding influence through official channels, increasing its involvement in African security through UN missions and anti-piracy operations. Driven by growing economic interests, China's security activities in Africa became more pronounced. Since 2008, the People's Liberation Army Navy (PLAN) has conducted *escort missions* in the Gulf of Aden to protect critical shipping lanes. In 2013, China sent combat troops to Mali as part of a *UN peacekeeping mission*, and in 2015, it deployed an infantry battalion to South Sudan, where China National Petroleum Corporation (CNPC) has significant oil investments. These actions highlight China's willingness to directly safeguard its overseas assets, and, if needed, evacuate them.

China conducted an evacuation operation in *Yemen in 2015*, relocating 629 Chinese nationals and 279 foreigners to Djibouti. Subsequently, in 2016, China's defense ministry confirmed the construction of a *logistical support facility* in Djibouti. Officially intended to support anti-piracy patrols, this base also enables non-combatant evacuations, peacekeeping operations, and intelligence gathering. In 2023, China further demonstrated its capacity by *evacuating citizens from Sudan*.

Beijing's Emerging Role as a Norm-Shaper in African Security

China has progressively assumed a more assertive role in African security, shifting from a norm-taker to a norm-shaper approach. This shift aligns with President Xi Jinping's broader goal of enhancing China's global influence and promoting an alternative governance model. The change of paradigm in Beijing's foreign policy has also brought about a "more flexible and pragmatic" interpretation of its long-standing *non-interference* principle, enabling more proactive stance in conflicts resolution.

While China has employed various strategies to influence the norms of peace and security governance on the continent, a key approach has been the establishment of defense dialogue platforms. In 2018, China unveiled the "*China-Africa Security Cooperation Initiative*", which provides financial resources and personnel for capacity-building within the African Union (AU), alongside participation in peacekeeping missions and anti-piracy operations. *The August 2023 summit* saw China pledging increased support for "humanitarian aid, military education, peacekeeping, and counterterrorism assistance." In 2022, Beijing also *spearheaded* the creation of the Initiative of Peaceful Development in the Horn of Africa, focusing on security, development, and governance to "support regional peace and development through concrete action." Beijing has used both these platforms to advance its *Global Security Initiative* (GSI) – repeatedly emphasized as a *guiding framework* for cooperation. It is touted as a new pathway for African nations to effectively address security challenges at their root by tackling development and governance in parallel with security measures.

Another critical element of China's normative strategy is *Political military work*, encompassing the activities of the People's Liberation Army (PLA) aimed at "shaping the civilian environment to achieve the political, ideological, and military goals set by the Chinese Communist Party (CCP)." This strategy contributes both to advance the strategic interests of the CCP and propagate the values and norms of the Chinese party-state. A key aspect of these efforts is Professional Military Education (PME), which includes training programs, military exchanges and capacity-building initiatives. China views PME as a strategic tool to *promote* its party-army model, where the *party has absolute leadership* over the military– a principle rooted in Mao Zedong's adage that "the party controls the gun." This ensures the military's loyalty to the ruling party, preventing shifts in allegiance or challenges to authority.

Many African ruling parties have embraced this approach, as it aligns with their priorities of consolidating and maintaining power while preventing military coups or insurrections. This has resulted in the adoption of similar governance structures in several African countries, where military leaders and government officials trained in China have been instrumental in embedding these norms. For instance, *Angola's MPLA* has adopted a model similar to China's, whereby high-ranking officers are closely tied to the ruling party. This has helped the MPLA secure the military's loyalty, consolidate dominance in Angolan politics and maintain long-term political stability. Similarly, the *Ethiopian National Defense Force* (ENDF) operates in close alignment with the ruling party, mirroring the CCP's control over the PLA.

The impact of Chinese military training programs in boosting China's political influence on the continent is evident in the rise of alumni to high-ranking functions within their respective institutions. The PLA Army Command College alone has trained at least 10 African heads of defense departments, eight defense ministers, as well as presidents, prime ministers and other national leaders. Notably, *Zimbabwe's* sitting president Emmerson Mnangagwa received military training in the PLA academy in Nanjing during the liberation war. His experience in China has influenced his leadership and governance style, and he has maintained strong ties with Beijing throughout his political career. General *Gabriel Jok Riak*, former Chief of Defense Forces of South Sudan, also used his military training in China to strengthen South Sudan's military forces and deepen its strategic ties with Beijing.

Enhancing party-to-party diplomacy and outreach has also benefited China's security engagement in Africa. This includes the establishment of training programs that integrate ideological education promoting regime or party control in line with China's fused party-state model. A significant development in this strategy is the *opening* of the FLMSA's Mwalimu Julius Nyerere Academy in Tanzania in 2022. Funded by a 40 million USD grant from the CCP's International Liaison Department, it serves as a platform for China to "share its experience in governance more systematically with like-minded political organizations." While strengthening ties with current ruling African parties and elites, it also aims to shape

positive perceptions and understanding of China's political governance among the younger generation, poised to become the future political elites. As part of the training, professors from Renmin University delivered *lectures* on China's "Party history, Party-building and experience in state governance." An attending Namibian official has stated the Central Party School instructor *emphasized* that "party discipline should be above and outside the law."

Finally, China has further consolidated its political influence in Africa by promoting Chinese policing norms within African police forces. According to a report from the Africa Center for Strategic Studies, "Between 2018 and 2021 over 2,000 African police and law enforcement personnel *received* training in China." The training typically includes instruction on Chinese policing techniques, which are heavily focused on maintaining public order, ensuring loyalty to the state, and suppressing dissent. Participants are exposed to the Chinese model of law enforcement, which integrates extensive surveillance, strict social control, and the prioritization of state security over individual rights. Many African countries have begun *adopting* Chinese surveillance technology, including facial recognition systems, mass surveillance cameras, and data analytics platforms, to enhance police and security forces' capabilities.

Implications for EU Stakeholders & Policy Recommendations

While the EU has traditionally held a strong role in Africa's security architecture, its relationship with African nations remains complex, shaped by historical legacies and a colonial past. The EU's approach has often fallen short of addressing core grievances, in particular calls for greater African agency. In this context, China's rapidly expanding influence in African security and normative efforts to shape the region's security architecture carries several strategic implications for the EU.

Firstly, China's deepening engagement is likely to accelerate the trend of African countries distancing themselves from European security partners. Following the path of Mali, Burkina Faso, and Niger, other nations like Chad or Sudan might also be inclined to seek alternative partnerships. Secondly, while both EU stakeholders and China agree on the importance of a peaceful and stable Africa, Beijing's growing ideological and normative influence contrasts with the EU's value-driven approach. This divergence risks weakening the EU's diplomatic leverage to encourage democratic reforms while strengthening authoritarian trends. Military juntas in Mali and Burkina Faso have capitalized on Chinese support to *consolidate their power*, indirectly enabling them to delay democratic transitions or intensify repression against dissent.

Furthermore, China's promotion of ideological education that emphasizes party or regime control could contribute to eroding democratic principles and proper civil-military relations. The training programs contain lessons on PRC practices which have, in some cases,

infringed or indirectly aided infringement of personal freedoms and individual rights. This includes, for example, training on *dual-purpose technologies* that could be exploited to access individuals' data in ways that expand state surveillance and control over citizens' personal lives.

China's consolidated influence in Africa is helping to build support for its normative efforts in international fora. In 2020, Beijing *introduced a resolution* at the Human Rights Council on "Promoting mutually beneficial cooperation in the field of human rights", which was supported by all African nations. This resolution promotes human rights norms that are more aligned with China's views, including non-interference. This alternative approach to human rights poses challenges as it could contribute to reducing accountability for human rights violations.

EU stakeholders need to reassess their approach to security engagement on the continent to better address the calls from African leaders for more equal partnerships. This would entail boosting efforts to support the development of an African-led peace and security architecture and promoting initiatives that enhance African agency. Increased capacity-building support for the African security actors, including the AU, would enable more effective responses to regional crises, aligning with the EU's interests. Finally, despite divergences in approach, it is important for the EU to explore pragmatic cooperation with China in Africa to support regional stability and development where possible. Framing Beijing solely as a competitor or rival risks being perceived as undermining African agencies in choosing partners, thereby hindering opportunities for constructive engagement.



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Funded by
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The project "European Hub for Contemporary China (EuroHub4Sino)" has received funding from the European Union's Horizon Europe research and innovation programme under grant agreement number 101131737.

Funded by the European Union. Views and opinions expressed are however those of the authors) only and do not necessarily reflect those of the European Union or European Research Executive Agency (REA). Neither the European Union nor the granting authority can be held responsible for them.