

## Overview of recent developments on China

### EURODEFENSE CHINA WORKING GROUP

- Currently, there are extensive developments on the international level, with high dynamics and unexpected connections.
- China's fostering of a multipolar world is ongoing, despite setbacks and US-led responses in the form of the trade war and the technology embargo.
- The competition between the unipolar and multipolar world is ongoing, with implications at global and regional level.
- The European Union seems to have lost relevance, dynamism, credibility, and performance. China sees it more and more as a proxy actor for the US which is incapable of charting an independent course and, at most, seeks to adopt diluted US positions in an attempt to seem more reasonable or moderate.
- China also sees the EU as falling behind in the global race for innovation, as expressed in the rate of successful start-ups, patents filed or funding allocated. The EU maintains a lead in key technological and industrial areas, such as producers' goods (CnC machines, stereolithography equipment) and airplane manufacturing, but it has not managed to establish strong companies in the digital tech sector. Through its Belt and Road Initiative, China saw as natural an economic relation that would assist its rise not just as an industrial power, but also an innovation one, possibly at the expense of EU industrial viability and homegrown capabilities;
- The competition between the three global powers - the US, China, and Russia - is also taking place in Europe, including for its control, as well as due to the weakening of the unity of the North-Atlantic Alliance. The reemergence of the US as an acknowledged security partner for the EU MS, as well as its replacing of Russia in the role of key energy provider has given the US an impetus in the competition for Europe. However, self-defeating energy policy decisions by the Biden Administration threaten the growing US influence.
- The United Nations, G20, G7, as well as organizations such as the WTO, are losing their coherence and representation capacity, given the appearance of new actors on the international level, such as BRICS. In developing itself as a champion of the Global South, China seeks to create parallel institutions to Western ones that enable it to act unhindered in its preferred fields. It cannot currently replace the Western framework completely, especially since global demand for official development aid or monetary support can be much larger than what is offered in the Western framework or the Chinese-led one.
- Ironically, China was the main beneficiary of the Western-led order and its tacit encouragement of capital flight, offshoring and technology transfers, as well as the Western developmental aid apparatus. However, the accomplishment of goals related to the centennial of the founding of the Communist Party of China (2021) and the centennial of the founding of the People's Republic (2049) requires the development of alternate global power centers, particularly outside of the West.
- These goals include the "rejuvenation of China", the development of a "moderately prosperous society" and of a "comprehensively developed one" using the Chinese "market economy with social characteristics". The Belt and Road Initiative, despite current difficulties, is one such

way of ensuring both the importation of valuable goods (food, energy, raw materials) and the export markets for finished goods with greater innovation content.

- This goal also leads to the priority of the reintegration of Taiwan into the People's Republic. The status quo is still acceptable, though it should be noted the tendency of China to adopt hawkish attitudes and discourses towards Taiwan as a result of internal issues, which parallels what happened during the Diaoyu/Senkaku Island disputes with Japan, in which popular anger was mobilized against Japan and Japanese businessmen and product to distract from other issues;
- Too much wishful thinking radiates from Western coverage of China's real estate crisis. The effects are strong, but it resembles a controlled demolition rather than a crisis, triggered by the Chinese Government to address the real estate bubble and the cost of living crisis after Xi Jinping's speech about overcoming "the three mountains – the cost of healthcare, the cost of education and the cost of homes". Limiting the ability of real estate giants to refinance their debt triggered Evergrande's problems but it is also making possible a painful adjustment while the government took steps to protect the general population to the detriment of internal and especially foreign creditors.
- China's economic problems lie elsewhere – the opaque subprime loans to state-owned entities engaged in strategic activities such as infrastructure development in China and abroad; the rapid fall of the working population coupled with high youth unemployment; the persistent inequalities between people and between regions and the difficulties of China's transition to a new economic model, based on exporting innovation and high value-added products, while encouraging internal consumption more. The US tech war has disadvantaged China but not to the extent imagined by its implementers, since China appears to be steadily replacing the supply chain for things like chips.
- China has several sources of anxiety regarding Taiwan. The first is that its crackdown on Hong Kong has made its "one country – two systems" model less credible to the Taiwanese. The second is that the newer generations of Taiwan are not so in favor of unification, even if they are not yet supporting de jure independence. This is borne out by the fact that, with William Lai's victory in the Presidential race, this is for the first time that a party other than the Kuomintang has held the Presidency three times. The new President adheres to the letter of the former President's commitment to the Taiwanese Constitution, which practically enshrines the status quo. However, his rhetoric has sometimes changed in order to gauge public reaction.
- The US is also becoming erratic on the Taiwan question, from the perspective of China. Nominally, the US still supports the One China Policy. However, gaffes by President Biden and the moves by key US politicians such as Nancy Pelosi have started to erode the confidence of China in its ability to maintain the status quo without force. They are ultimately afraid of a policy of incremental steps leading to a situation where a Taiwanese political movement could find fertile ground globally for independence. This is the explanation for the relatively strong reaction towards the Lithuanian rapprochement with Taiwan and its exit, followed by the other two Baltics, from the 17+1 Initiative for cooperation between China and Central and Eastern Europe. An example from the US includes the various versions of the Taiwan Relations Act which Republicans have tried to approve. The latest iteration contains a reference to Congress organizing hearings for the approval of the head of the US Delegation in Taiwan, as if he were an ambassador, as well as language obligating the US to efforts to integrate Taiwan in various international organizations.
- The Presidential election season is one such source of worry to China, given Taiwanese influence in the Republican Party (many of whose China experts were former religious

missionaries to Taipei – the first phone call Trump accepted after winning in 2016 was from Tsai Ing-wen, the former Taiwanese President) and the Republican support for Taiwan including with weapons contracts.

- The prospects of armed conflict are remote, but RAND Corporation simulations have shown that the US is at a disadvantage through the number of its forces and the effect of the Chinese investment in air and naval capabilities specifically geared to eliminating the US power projection capability in the South China Sea.
- What may trigger a crisis is not just the internal politics of China, but also the fact that the US is now undergoing an effort to modernize and enlarge the fleet, while reforming the US Marines to an island-hopping anti-naval force geared towards conflicts in the South China Sea under the Force 2030 Program. This means that, for the next few years, the US will be occupied with revamping its forces, including by solving the manpower crisis.
- Language within the Final Declarations of NATO Summits shows that the US is lobbying hard for NATO involvement in the Indo-Pacific, which would both strongly overextend European forces, but also trigger internal political dissensions, while risking also escalation with China.
- On the international level, the lack of trust and cohesion between members of NATO is deepening. Added to these is the lack of medium and long-term vision.
- The century of Asia is taking shape more and more as a reality, to which the West has not yet been able to adapt.
- In 2024, for the coherence of Europe and its position in the world, the crystallization of new points of reference is expected, namely:
  - the stability of the United States after the presidential elections in November
  - the prospect of an unprecedented financial-banking and economic crisis
  - the results of national elections in some European countries, as well as European parliamentary elections
  - managing the conflict in Ukraine, ending hostilities in Gaza, and finding sustainable solutions.
- Defining a medium and long-term vision of the European Union and operating with unexpected elements, with possible deep implications (see 3H - Hamas, Hezbollah, Houthis).
- In the meantime, we should expect China to practice a proactive diplomacy, trying to generate successes like the recent Iran-Saudi Arabia rapprochement. China does not have a credible position as a mediator in the Ukraine conflict, especially since they agree with several of the underlying worldviews of Russia, including condemning the interference of the West, the start of negotiations from geopolitical realities like lost territory and more.
- The EURODEFENSE network can play a leading role in assisting European strategic thought leaders in articulating “The Way Ahead”, through the actions of a group of concerned people with credibility and visibility.

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