

# 「DIÁLOGO POLÍTICO」



## KEYS TO UNDERSTANDING CHINA



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DIÁLOGO POLÍTICO is a platform for democratic dialogue among political opinionmakers about topics of relevance in Latin America, based on the values of freedom, solidarity, and justice. It connects the region with the great geostrategic debates in the world. It is a window for publicizing projects of the Konrad Adenauer Foundation in Latin America.

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# Keys to Understanding China

Counterpart, competitor, or systemic rival? Or perhaps, all three at once? The truth is that the People's Republic of China has become an unavoidable factor in the international arena. Trade, climate change, resource exploitation, investments, networks – none of these issues can be seriously addressed without considering China's growing role.

In a context marked by wars and geopolitical tensions, we must closely observe and, above all, learn from what is explicit and what is not in Chinese politics. This applies to Latin America and the world. The confrontation between two models of society is evident in various areas. The «shared destiny of the human community» will no longer be directed by the West. **Shi Ming** quotes Xi Jinping as saying so. Our author warns that China «may be dangerously approaching the high-tech level of the United States». **Tim Rühlig** cautions that, to enhance its normalization capacity, «China has carefully studied Western approaches and selectively modified these practices to serve its own state economy».

Regarding the economic sphere, **Alicia Garcia Herrero** asserts that «sustained growth has kept China's labor costs low for an extended period and helped it remain competitive globally». This is one of the factors explaining the Chinese economic miracle and the achievement of lifting 800 million people out of poverty. The flip side is the repression of human rights, as noted by the author **Alicia Hennig**.

China poses a challenge to democracy and freedom. Its economic and technological achievements position it not only as a regional but a global power. It is evident that behind the soft politics and the irresistible offers of its colossal market lie geopolitical objectives. Behind export opportunities, there are risks that it is advisable to identify in a timely manner.

**Aya Adachi** emphasizes that «Latin American countries benefit from the expansion of markets for their raw materials. At the same time, they face competition from Chinese products, which can create pressure on local industries». **Juan Pablo Cardenal**, on the other hand, highlights that «commodity prices were sky-high, and Chinese demand strongly boosted the GDP of many countries». He concludes that «the new world emerging from the pandemic is the end of globalization as we knew it and the emergence of two ideologically and geopolitically opposed blocs».

The key components of soft power are culture, political values, and foreign policy. Author **Vladimir Rouvinski** warns that through these, «China seeks to recruit governments and peoples of Latin America to support its new global initiatives that aim at redesigning the architecture of the future world order». The flip side of soft power is the military ambitions of the Asian power. Author **Meia Nouwens** asserts that «the People's Liberation Army is the armed wing of a political party rather than a country's military». Regarding China's power, «the structure of the reforms, and the types of capabilities that China has focused on building through reforms and procurement, point towards building a force that can achieve reunification by force if so required by China's leadership».

Author **Zsuzsa Anna Ferenczy** analyzes the issue in the context of the aggression against Ukraine and concludes that «the strengthening friendship between Russia and China advocates for an order based on the will of the strongest». **David Merkle** wonders how a successful recalibration of policy toward China can be achieved. He concludes that «China under Xi Jinping has embarked on a course that increasingly portrays the West as an adversary. China seeks to counter universalist claims with its own values, ideas, and norms». This makes it essential to focus on one's own resilience for any interaction with China.

The scenario is complex, and the wars of recent years show how quickly the peace considered guaranteed for the last decades can be lost. The People's Republic of China is undoubtedly an unavoidable player. On the one hand, it offers its colossal market, and on the other hand, it shows its teeth when it comes to Taiwan or access to limited but indispensable resources for Western economies. Latin America has in China a buyer for many of its products, but more importantly, an eager buyer of commodities interested in conditioning their marketing and imposing their rules of the game.

From *DIALOGO POLITICO*, we want to stimulate thoughtful reflection on this gigantic challenge that seems not always to be sufficiently recognized by authorities, political parties, or the public opinion in Latin America. It is not a time to believe naively in seemingly generous offers. On the contrary, it is necessary to read the fine print of contracts and agreements.

«The enthusiasm in Latin America resembles ours (in Eastern Europe) a decade ago», states **Martin Hála** in an exclusive interview with *DIALOGO POLITICO*. The Czech expert warns about the implications of free trade agreements with the communist power. The Chinese government is pursuing a project that expresses the intention to reorganize the world order.

The survival of democracy, of the rule-based order, of the unrestricted validity of human rights is at stake. To face this challenge, learning is essential. Understanding China well is the first step to engage effectively with it. We hope this special edition contributes to this learning process.

*Sebastian Grundberger and Manfred Steffen*



# Dealing with China: How Can a Recalibration of China Policy Succeed?

DAVID MERKLE

In the era of geopolitical conflicts, the question of a successful recalibration of China policy arises. Competition with the communist leadership in Beijing requires improving one's knowledge of China and strengthening one's own brilliance. To convince others, one has to convince one's own players at home.

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It's September 2013, a balmy late summer evening in the heart of Shanghai. The restaurants and bars in the central district of Jing'an are quite full. There is a palpable sense of lightness among the young people, reminiscent of years past in China when the country's economy surged at almost double-digit rates. Optimism was the hallmark of the country and many dared to try something new. Despite the authoritarian reins with which the CCP firmly shaped the country, delegation after delegation visited China to strengthen bilateral ties. Agreements were signed, a high degree of mutual respect and commitment shaped the relations, guided by the overall aim of contributing to the prosperity of their respective societies.

Nearly a decade later, the global public opinion towards China has undergone a fundamental shift. The official Communist Party narrative attributes this change to "ideological thinking" among Western political countries, claiming they are "influenced by the US and aim to curb China's global growth".

This narrative, however, overlooks that China under Xi Jinping has embarked on a course that increasingly portrays the West as an adversary. China seeks to counter

» China under Xi Jinping has embarked on a course that increasingly portrays the West as an adversary. «

universalist claims with its own values, ideas and norms. Under this premise, Chinese interests are pursued based on a logic that views a weakened West as necessary to ensure a favourable environment in which China can safely operate. Many aspects align with this core idea: China's trade and industrial policies, its geo-economic and geopolitical strategies, and China's military trajectory.

Under this premise, how can we deal with the communist leadership in Beijing, a leadership that frequently asserts a commitment to providing 'global public goods', particularly to countries in the Global South? What about our values and ideas when they may no longer align with those held by many members of the international community (not the societies themselves, but their respective political leaderships)? And where is it crucial to take firm stance to show China the limits of its revisionist actions and prevent the



deterioration of an increasingly unstable international order?

The phrase “China has changed, therefore our policy towards China must also change” opens the German Strategy on China, released in July 2023. This sentiment is shared by large segments of the political spectrum in Western democracies, and serves as a helpful starting point for our deliberations on China.

China can be a partner in those areas where the world needs initiatives to jointly address common challenges. Specifically, in fields like healthcare, innovation, and the provision of sustainable solutions to enhance individuals’ livelihoods -such as by comprehensively reducing CO2 emissions. In a nutshell, we can best work together in areas which are not limited to national challenges and where we need to find long-term solutions that benefit global wellbeing. In general, a partnership is

realistic if national interests and the mere pursuit of competitive advantages do not supersede the intent to cooperate.

However, as non-state resources increasingly align with serving national and party interests, the landscape grows more complex.

The economic focus on diversification strategies, widely debated in the European context under the term ‘de-risking’; the creation of a risk matrix to assess developments in the Chinese environment; and the broader general objective of building resilient supply chains, all point to a direction where private entities interact in an even more risk-prone international environment. In a changing political landscape, market economies must delineate industrial policies that do not prioritize protectionism, but instead provide a set of tools to compete against heavily subsidised counterparts. This could involve





» In the age of geopolitical conflict, enhancing expertise on China becomes a necessary requirement highlighting the need for a clear direction. «

establishing screening mechanisms and adopting new policy instruments. Building resilience on a political level also involves considering steps rooted in a clear set of guidelines that could eventually escalate the costs for any potential retaliatory measures.

Strengthening one's resilience must become a benchmark for any interaction with China. China has risen to become a leading force in discourse. Domestically, China achieves this because there are hardly any spaces for critical discourse on its sensitive internal developments. However, this by no means makes the Chinese system a superior one. On the contrary: China's vulnerabilities become more visible as the flow of information becomes less transparent. To engage with China on equal footing, the fear of confrontation needs to be abandoned, and even more, a renewed sense is required to

unequivocally label wrongdoing as such. This particularly applies to China's direct and indirect support for Russia and Iran.

China must be convinced that the anti-Western course that is being pursued in many policy fields, and reflected in China's foreign policy behaviour, directly undermines Europe's and many global partners fundamental interests. This also requires addressing own interests vis-à-vis Chinese interlocutors much more clearly. Through dialogue programmes, enhanced proficiency in Chinese language, and the will to openly address disputes.

In the age of geopolitical conflict, enhancing expertise on China becomes a necessary requirement highlighting the need for a clear direction. Injustice remains unjust. Upholding what's right and strengthening one's radiance remains the essence of competitiveness. To convince others you have to convince your players at home. This also applies to everyone seeking a sense of lightness for themselves and their country, keeping an optimistic vision for the future – just like the many young people in Shanghai.



DAVID MERKLE

Desk Officer China,  
Konrad-Adenauer-Stiftung.



During Xi Jinping's visit to Prague, Chinese citizens greeted him with the Chinese flag. March of 2023.

# Martin Hála: «The Economy in China is not Independent of Politics»

The director of the Czech agency Sinopsis asserts that the Chinese Communist Party's government is actively engaged in a project aimed at reshaping the global order. Within this context, he explains the role of free trade agreements and economic cooperation in the terms defined by China.

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Martin Hála is a sinologist, professor, founder, and director of Sinopsis, a joint project between AcaMedia and the Institute of East Asian Studies at Charles University in Prague.

He studied in Prague, Shanghai, Berkeley and Harvard. He was regional director for Asia Pacific at Open Society Foundations. Sinopsis aims to present a periodic overview of developments in China and their impact on the outside world from the perspective of Czech, Chinese and international observers.

**—Free trade agreements with China is a big topic. What recommendations would you offer to governments contemplating the implementation of such measures?**

—I would probably tell you to be a little bit more careful, when considering an FTA-arrangement with the People's Republic of China for several reasons. One of them is that it would probably be a rather asymmetric relationship because there isn't that much that Uruguay can export to China but there is a zillion kind of products that would be imported from the People's Republic of China. I could imagine that an FTA would lead to a flooding of the Uruguayan market with Chinese

goods and the State in Uruguay would lose some of the basic leverage, like setting control on the imports of goods.

The second one is that agreements and trades in the People's Republic of China are most of the times viewed slightly differently and have different legal values. The fact you have an international agreement does not necessarily mean that this is the ultimate solution that will be fully and equally observed on both sides. So apart from official trades or agreements, like potential FTAs, the Chinese government, which is a party-state, basically a government that is run by a political party in a very concentrated top-down way, can impose a number of other arrangements that will actually undermine the commitments in the FTA.

You might remember the Australian case when Australia fell out of favour with the Peoples Republic of China because they demanded an independent inquiry into the origins of the COVID epidemic and this was after they had signed a Free Trade Agreement and a number of other trades with the People's Republic of China. Yet the People's Republic of China was able to implement undeclared limitations on neutral trade. Basically, undeclared

» **This specific environment is a party-state, a Leninist social arrangement where a political party, which is not really a political party per se, essentially controls everything including the economy.**«

boycotts, specifically in coal and some agricultural products like wine, despite the existence of an official trade or document. It's the way the political system works and the way the political system defines the economic system in China. They are more than capable to impose non-economic obstacles and barriers in mutual trades.

So, for these two reasons I would be very cautious in thinking about FTAs.

—**You said that the enterprises in China are never only driven by economical thoughts but also by political ones.**

—Yes. The Chinese companies, including the private ones, operate in a specific environment. This specific environment is a party-state, a Leninist social arrangement where a political party, which is not really a political party per se, essentially controls everything including the economy. They always need to take into consideration the preferences of that particular political party, in this case the communist party of China.

The economy in China is not independent of politics. The political system directly impacts the economics in a very direct way so Chinese companies can never consider only the economic aspects of their activities.

—**Have you observed this kind of problems also in other countries in America?**

—I grew up in a Leninist system, the communist Czechoslovakia before 1989. It is basically the same system. It is a Leninist system. But in the case of China, it has been “improved” a lot. It is like Leninist system on steroids. I have experienced the hard way how this system works. The innovation of the system in China is that they manage to coopt all sources of elements that would be sort of falling apart in the original Leninist system. The original Leninist system never really imagined that they would introduce market mechanisms. Lenin himself tried to do that on a much smaller scale in the 1920s when he introduced the New Economic Policy, you probably remember that from history. Soviet economy was collapsing, and Lenin tried to save it by introducing these limited market reforms. But they were very limited in the case of the Soviet Union. In the People's Republic of China after 1978 that happened on a much larger scale. These reforms were so much bigger than the Lenin's reforms in the twenties. The difference is in scale but not in substance.

Essentially you coopt supposedly foreign elements into the Leninist system, but you make sure that these foreign elements only operate within this sandbox. A limited space where the communist party is still in control and can change the rules whenever they find it necessary.

—**You said that China's rising should be observed as a global phenomenon. What is the role of South America?**

—Yes. The rise of China, in particular the ambitions of China, or to be more specific the ambitions of the leadership of the communist party of China, are global. And there is something that may not be so clear ten years ago. Today it is expressed in a number of Chinese owned initiatives



and documents. In the last year, three major initiatives have been introduced by the People's Republic of China and they're all being called global. Such as the global development initiative, the global security initiative, and the global civilisation initiative. The Communist Party of China now has these rather vague but nevertheless clearly expressed plans for a rearrangement of the global order. They have their own ideas about how the global development, the security arrangements and the civilizational relationships should be organized globally.

—**There are some countries in South America which have very close relationships with China in this moment.**

—It reminds me of the optimism and of the hopeful thinking that we had in eastern Europe ten years ago. I understand that it's driven by similar motives, mostly economic and that a lot of people

do not take into consideration the political aspects because they think it is a purely economic relationship. I think the experience of Eastern Europe could be helpful for Latin America because it has shown that it is never only about economy, there is always politics in the background.

—**Others have created a special bond... like Venezuela.**

—Personally, I am quite surprised that the case of Venezuela is not discussed more in Latin America. I would expect the people in Latin America to pay closer attention to what has been happening in Venezuela because it is a striking case. It is a case in which the Chinese footprint looks rather large. There's been a huge investment in Venezuela, I think it's valued around 60 billion dollars within the framework that the BRI (Belt and Road Initiative) it's not being fully accounted for. This certainly doesn't seem to have improved

the economic situation on the ground. An investment of that magnitude should leave some positive impact but I'm not sure that you can find that in Venezuela.

I was surprised how little attention people seem to pay to it. I was told that Latin America, despite of being one continent, sharing one language and having very similar cultures people do not often care much about what is happening in other Latin American countries, especially those who are far away. But not only, even in Colombia, which is Venezuela's neighbour and has a large immigration and refugee population coming from Venezuela.

I could imagine that eastern Europe seems to be far away from this continent. But Venezuela is right here, right? So why doesn't it resonate more?

—**Two very interesting words: investment and acquisition.**

—That was the case in the Czech Republic, where this one company that supposedly invested heavily in the country in fact was just buying stuff that was already there. So those are not investments but acquisitions. The distinction is important because investments stimulate the economy. Productive investments stimulate the economy by creating new wealth, creating new jobs. But if you acquire something just by acquisition, if you buy some real estate, nothing really changes in the economy. It is just a different owner, but it doesn't have any direct impact on the economy.

—**What about country security and communications-related investments?**

—The first thing is that you have to understand the nature of the political system in the People's Republic of China when you think about the security aspects of the economic relationships. For a very long time

in Europe and in particular in Eastern Europe there have been very open economies with a very few requirements in terms of security. Nobody until recently thought about security in the context of economy. Nobody even thought about economic security. We had these 30 years of unfettered globalization, it was a flat world, the only thing that mattered was economic efficiency. If you can produce stuff cheaper in the People's Republic of China or buy it cheaper there. That was all that mattered.

For instance, in Europe in most cases the public bidding was always based on price. So whoever offered the lowest price won the contract by default. And if they didn't, they could take you to court for discriminating against them. That has changed recently so gradually these security concerns have been introduced even legislatively, giving the decision-makers the power to discriminate against certain vendors on the base of their reliability. There is this notion in many European countries now of insecure or unreliable vendors. Which makes a big difference because even if these vendors offer you the lowest price you don't have to automatically give them the contract. And they cannot take you to court, because you're covered by this notion of unreliable or insecure vendor.

That was introduced in the debate about Huawei, a typical example. They come into a place where they usually undersell everybody else by some 30% so in most cases you just have to take them by default because you're dealing with public money and as the cheapest offer you have to give it to them. If you don't they can take you to court. Nowadays you can no longer do that because people realized that apart from the economic efficiency,

apart from the price, there are other aspects that you need to take into consideration in long terms, especially in sensitive sectors as telecommunication and strategic infrastructure. It is not just about the price it's about national security and in terms of price you have to think long terms. Even though the contract may be cheaper today if it turns out that it is insecure in the future, and you have to rip it up and replace it with something else, it's actually costlier that if you went from the very beginning for a more expensive option. So the thinking about security and economy and economic security has been changing certainly in Europe and the US and some other parts of the world. I'm not sure how it works in Latin America. But I would think that a lot of countries are still in that mode doesn't consider economic security as important.

—**The People's Republic of China invites people from all political parties to visit them and learn about their model.**

—We had a period of several years where there has been a massive movement of people under the rubric of 16 + 1, BRI, strategic partnerships and so on. Everybody was taken to China. Even people who did not seem to have any particular influence on the society did travel to China. It was really massive. It was probably tens of thousands of people. And similarly, a lot of delegations came from the People's Republic of China.

Now the people who went from Czech Republic very often didn't recognize that this is an organized program, so they thought about it as a sort of exchanges that you could have with any other country like with Austria or the Netherlands. They thought that the city governments in China were exactly like their

» **Everything, all the power is concentrated in the hands of the Communist Party's leadership. Which leads to massive corruption.** «

own city government. Or the universities exchanges who went from the Czech universities would think that the receiving party would be at the same level as their own. But it is not exactly like that. Everything is organized from the top. There are special agencies that specialize in organizing these exchanges, like The Chinese People's Association for Friendship with Foreign Countries (CPAFFC). This is an agency that is run by the United Front Work Department Central Committee of Chinese Communist Party (UFWDC).

The basic problem with these exchanges is that there is an asymmetry again. You are not looking at you peer on the other side. The peer on the other side is part of a whole system that organizes these exchanges with the purpose of advancing the goals of the Communist Party of China. That does not exist on this side. If you go to China, it's not like there is a whole bureaucratic structure in Uruguay or the Czech Republic that is going to prepare you. There is this basic asymmetry which kind of points out how dangerous it is.

—**One word that is unfortunately very important in south America and Uruguay is corruption. What is the role of China in this topic?**

—This is a huge topic. Corruption is an essential part of the Chinese political system exactly because of the concentration of power. Like they say absolute power corrupts absolutely. Corruption of course



exists everywhere. It's part of every society. But in most countries, it will be dealt with through checks and balances. The power would be controlled by others. That is the basic idea of division of powers. That different parts of the power establishment control each other. That is not existing in China. Everything, all the power is concentrated in the hands of the Communist Party's leadership. Which leads to massive corruption.

The Chinese of course realize it themselves, they are quite worried about it, because they see that corruption is the one thing that could have toppled the ruling position of the Communist Party in the future. Because it creates a huge public dissatisfaction. There were times when they were experimenting with this division of power, especially in the times of Deng Xiaoping. He did not only introduce economic reforms but also some political reforms. He was trying to deal with

the problem by empowering some other agencies other than the communist party to control the communist party. He was trying to reinstitute the division between the party and the government. The idea was that the party and the government would control each other.

He also experimented with the empowerment of the press to disclose cases of corruption. It was a very interesting period. This ended with Xi Jinping. If you read the specialized party magazine, they describe them in some detail. Xi Jin Ping thinks that division between party and state went to far and that you must bring it back so that the party can again control everything and that corruption can be controlled not by outside agencies but by the party itself. So that's why he started with the anti-corruption movements, basically by the party itself. It's like a party inquisition, a Central Commission for Discipline Inspection.



**—Is China influencing corruption in South America?**

—I could not dare to talk about south America because I do not know enough about it. Though in other places it is a feature of the system because of the concentration of political and economic power. If you take the BRI as example, it's mostly executed as a political deal between political players.

Normally companies talk to each other and make a deal to implement a project. In the case of the BRI it's always a political decision at the top level. It is not always driven by economic consideration. It is driven to a very logic sense by political considerations and in a very particular way. The BRI is basically a contract for big infrastructural projects financed by the Chinese banks. So, the Chinese side offers the implementation of the projects through a statal. So, they basically offer the full package and that is a huge temptation for the politicians to negotiate these deals. The model is to inflate the overall price of the project because is financed by the Chinese policy banks anyways and

then divide the spoils. It has been documented in Malaysia in major detail, in some parts of central and eastern Europe so you have to take that seriously.

**—Small script to look at?**

—I think you must look at the small script. The enthusiasm for China and the hopeful expectations are understandable because it's a huge market. I understand Uruguay is also an export-oriented economy so it is obviously a very important market for you, but you must look at the small print. You must understand the systemic differences between your open society and open economy and the Chinese political system and the economic system that is dependent on it. That will matter in the bilateral economic relationship because it will not be just about economy. It will always be to certain extends about politics because of the nature of the Leninist one-party-system in the People's Republic of China.

*Interview by Doris Filipovic  
and Manfred Steffen.  
Montevideo, November 15, 2023.*



# From World Revolution to World Domination?

SHI MING

The concern of the West about China's approach to dominating the world needs to have insightful analysis regarding Beijing's strategy, confronted with the challenges it must face. Therefore, experiences during the first Cold War may prove revealing regarding big power's politics to form alliances based on economic, ideological, and military convergence of interests and question Beijing's capability to pursue a comparable result in a much more complex reality.

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End of August 2023. Johannesburg. Six more members joined the so-called BRICS-Club. Worldwide, commentators are focusing on the sole winner: China, for having formed a club to counterbalance a G 7 dominated by the "West".

The discourse gains momentum, also because for some time, a general assumption has prevailed, which holds that China is focusing on world domination to replace the old hegemon, the USA. Evidence for such an assumption seems too obvious: None other than China's President Xi Jinping emphasized at every occasion a "shared fate of human community", that shall no longer be led by the West. Chinese state ideologists like the philosopher, Professor *Zhao Tingyang*, promoted for more than three years his thesis of "Chinese Universalism" – all under heaven – as a much better theoretical ground to put the world of the 21st century on than any Western systems such as the one of Emanuel Kant. A plain language takes shape in real confrontations in Southeast Asia, South Asia, Northeast Asia, and increasingly in Africa and Latin America, which sees two "combatants" pitted against one another: China and the USA.

» «Shared fate of human community», that shall no longer be led by the West.«

Yet, upon closer inspection, reasonable doubt emerges: Just because the BRICS Club, visibly driven by China as well as by Russia, is set to be enlarged and appears as "another club" besides the G7, is that already a declaration of China to challenge the West, let alone successfully? What is the relationship between the founding members (Brazil, Russia, India, and China) are they led by China? Not to mention the six new members with conflicts like those that oppose Saudi Arabia and Iran. Is it to be expected that China mediates a religiously rooted conflict with a history of centuries? The reality is much more complex than what seems apparent, also than what the Chinese leadership under Xi Jinping might desire.

Three of five initial members of the BRICS: Brazil, South Africa, and India, none of them is truly interested in China's initiative to drive the process known as de-dollarization. India still feels sufficiently tied to Russia as a traditional ally

in geopolitics. By comparison, China has begun to weaken Moscow's influence in Central Asia. For instance, three months prior to the summit in Johannesburg, President Xi Jinping chaired a summit with five states of Central Asia. Russia, which views Central Asia as its backyard, was not present. As revenge, in July, Moscow invited Viet Nam, the Philippines, and India, all three rivals to China, to a "symposium" on the disputes in the South China Sea that China declared as its "core interest zone," that it denies anyone else to claim. This time, it was Beijing that was not invited.

One may understand China's efforts in Johannesburg to be nothing more than joining "networks" beyond the West, as a "disobedience" of sorts and not as a realistic move to establish a China-centered "Anti-Club." Well known as such was another international organization, the so-called "Shanghai Cooperation Organization" (SCO), that was also newly enlarged by a new member Iran, with a perspective to include Belarus somewhere in the future.

Again, many Western media read this, too, as a sign of the efforts of Russia and China to counter the overwhelming influence of Western organizations, such as NATO and a series of new alliances still in the making, such as AUKUS (USA, Britain, and Australia) and the QUAD (USA, Japan, Australia, and India). Yet again, nobody could reliably identify China as a "leader" or at least as a "moderator." Rather, the opposite: Central Asian countries are trying to neutralize Russia's grasp. Pakistan is trying to get away from China's economic and military-technological control.

If neither Russia nor China could preserve control over countries in their orbit,

if Russia and China alike appear to wrestle with what they once could count on, how can we be sure of their increasing momentum to match the global challenges they believe in being confronted with, when Russia is caught in the quagmire of the war in Ukraine as it is, for instance?

More impressive than joining multiple "clubs" like SCO or BRICS is the fact that, until now, China has shown no signs of forming an alliance of its own on a geo-economic, geopolitical, and geo-military basis. Such foundations have been needed until now by any big power that aims to dominate vast regions, let alone the world. Washington formed NATO at the beginning of the 1950s and it remains, even under an utterly unpredictable President as Donald Trump was, loyal to this alliance.

Until the former Soviet Union in 1991 was dismantled, it remained loyal to the Warsaw Pact at all three levels: economic (*Comecom*), political (*Comintern*), and military (*Warsaw Pact*). None of the major disputes with the other side was taken and performed without involving NATO: during the Cuban Missile Crisis" (1963), in the "Six-Day War" (1967), in the Middle East and into the Gulf War 1991 and the war in Kosovo (1999). On the side of the former Soviet Union, we count the invasion of Czechoslovakia (1967) and the war in Afghanistan (1979). The importance deriving from this practice of block building, also in the economic sense, has been global throughout the entire Cold War.

The experience of the Cold War might prove to be enlightening. Many are already talking about a Cold War 2.0, with China as the main adversary to the West. If so, the logic would read as follows: Mighty were the former Soviet Union

«As for natural resources, the competition is raging in Africa, Central Asia, and Latin America. »

and the USA for over four decades. Each of them was and is able to ruin our world many times over by the power alone of their nuclear arsenals. However, even the two could not dominate the world without a firm and reliable alliance in none of the three senses: ideologically, economically and militarily. What makes us believe that this seemingly “iron rule” of building and promoting a long-lasting and reliable alliance would not apply to newcomer China? Would China not need a geo-economic sphere of influence, at least, to converge the basic interests of many countries, making them dependent on Beijing like those in Eastern Europe once depended on Moscow?

One may notice that forming a common political basis for an alliance would not be easy because, for Beijing, neither the Communist ideology nor a world religion like Islam is readily available for allies to join. Militarily during the Cold War, the former Soviet Union indeed many times outclassed their adversary, the USA, in terms of high-tech. Until now, even severely concerned American strategists contend that in some areas, China “might be getting dangerously close to the high-tech level of the USA.” A substantial “overtake” has barely been confirmed. Wouldn’t this make a military alliance more paramount for Beijing today than it was for Moscow during the Cold War? Are we not already witnessing the first steps from China to cautiously approach Vladimir Putin?

The most compelling distinction between the confrontation between the US and the former Soviet Union during Cold War 1.0 and the upcoming conflict between the West and China is the fact that both camps were separated as systems in all three dimensions. Thanks to its “Opening-Up politics” for three decades, China has been interwoven into the world economy. As for factual dependencies that emerged between Western industrialized states and China, in some areas, economists are seeing Chinese domination related to rare earth as a resource, quantum-physics as a high-tech, and car-making industry as a question of market volume.

However, of all three, none possess the potential to reliably indicate a predestination for future development. As for natural resources, the competition is raging in Africa, Central Asia, and Latin America. There, China is a remarkable player but by no means an unchallengeable hegemon. Besides the usual suspects, the USA, the EU, Brazil, and India, and to some degree, Russia all are also chasing resources in Africa. African countries, countries in Central Asia, Latin America, and elsewhere stand to benefit from this. They are trying to balance between different competitors much like Brazil is trying to balance out China’s desire for Australia’s ores or Kenya trying to neutralize China’s industrial investment into its railway system. Nowhere could China claim a lasting economic sphere of influence like in the Cold War, as the USA once viewed Latin America, and the former Soviet Union, the entire Eastern Europe.

As was the case during the Cold War, now the monetary momentum ceases to play the only decisive role. Geopolitical



tension worldwide contributes its share to impact, if not to determine the competition. Thus China's mercantilist politics, like the "One Belt One Road" strategy, are fading. 17 plus 1 Cooperation with Eastern Europe has shrunk to 14 plus 1, with Italy on the verge of quitting China's offer. Due to geopolitical tension, Pakistan, known as "a friend for all weathers," is drifting away from China's investments that aim to "buy" the geopolitical fidelity of Islamabad. Pakistan again approaches the US and favors the F16 to upgrade its air force rather than the *Xiaolong* 100, a co-production and a strategic project with far-reaching consequences that has been run by China for more than two decades.

Not to mention the newly reached "Camp David Agreement" between the US, South Korea, and Japan not merely to strengthen their alliance, but also to declare their commitment to contain China's effort in the South China Sea, where countries like Vietnam and the Philippines are anyway trying to gain more economic independence from China.

Not even Africa remains loyal to China as the major donator. In May 2020, the first year of the COVID-19 pandemic, 23 African ambassadors jointly protested in Beijing against "racist discrimination of Africans by Chinese in China," a troubling phenomenon that had lasted for three decades without any of these ambas-

sadors ever voicing their disapproval. But in 2020, their protest note was copied and submitted to the United Nations in New York and the African Union. Finally, the protest was soon backed by all 34 African countries. Considering that almost the entire continent was longing for Chinese aid in money and vaccines, within weeks, numerous African countries demanded a debt cut of epic proportions from Beijing. It worked.

Beijing reluctantly accepted the painful sacrifice, beginning with a debt cut for Kongo, a country rich in rare earth, which is essential for China's semiconductor industry. However, regarding specifically the semiconductor technology, China was facing the pressure coming from the West, led by the USA, South Korea, and Japan, countries that, again due to geopolitical tensions, are now trying to cut off China from their supply chain, knowing Beijing is missing its own "economic orbit" that could serve Chinese interests well. This is generally true elsewhere, but particularly in Africa.

Finally, the discussion about "decoupling," driven by the USA under Donald Trump and subsequently adapted into a Western strategy called "de-risking," means that large economies should diversify their industrial production of all critical goods by shifting away from China.

China comes under unprecedented pressure: Its established industrial scale for producing steel, cement, glass, and primary industry machine lathes, even cars, vanished because key players from the USA, Japan, South Korea, Britain, France, and Germany switched their focus away from China towards other countries like Indonesia, Viet Nam, and India. Also, the market volume that kept attracting West-

» Not even Africa remains loyal to China as the major donator.«

ern investment into China withered. Now, mass unemployment and the dropping purchasing power of the middle class, coupled with disastrous pandemic-control politics from 2020 until the beginning of 2023, persuade more money to leave China, rendering Beijing's sharpest weapon obsolete to fight Western dominance. A reliable economic sphere centered around China would very much help to neutralize the pressure. However, none with any significant weight is in sight.

Surrounding China's neighborhood, three real or possible free trade zones of global clout are to be considered: The RCEP includes China but is well-balanced between many other players like Japan, South Korea, and Singapore. The CPTTP, led by Japan and joined by European powers like Great Britain, kept China excluded. Moreover, the APEC is still wrestling with a free trade option whatsoever. Meanwhile, other essential players are speeding up efforts to build alternatives like the FTA of the EU with Japan, South Korea, and with essential member states of ASEAN, Vietnam, and Singapore. The EU has begun negotiations about an FTA with India, yet not with China. The principally reached CAI, a comprehensive agreement regarding service, investments, and trade, was frozen in 2022 by the EU due to political disputes such as human rights violations in Xinjiang. A resumption is not to be expected.

Remarkably, the failure of China to build up an economic sphere of influence,

for instance, in Southeast Asia, is partially due to the Communist Party itself. Under Xi Jinping, the ruling party of China abandoned its doctrine to base its power legitimacy upon economic growth. A premise that let China unbothered by its convergence with the Western-style economy for three decades. From his inauguration at the end of 2012 onward, Xi declared that it was no longer his major development goal that China should top the world's economies, measured by China's GDP, by 2049.

Instead, fighting dangers to China from the outside, especially from the West, became the utmost priority. Consequently, seeking economic progress alongside the West ceased to be a proper path, despite the best insight into how badly the Chinese economy needed every cooperation with the West or any other influential partner – such as with BRICS or member states of SCO. Interest conflicts with everyone else, also those in both “clubs” “beyond the Western grasp,” are being increasingly seen as threats to be coped with at any cost and based on China's economic momentum as a whole. In the style of Donald Trump's “America First,” China under Xi Jinping is pursuing a policy that could be titled “China only.” Until now, unlike the EU, China has not pursued a negotiation about an FTA with Latin America as a region. It prefers to overpower each of the smaller and weaker countries by negotiating with each one of them separately to coerce Chinese interests at any cost.

Without having shaped any geopolitical and geo-military alliance that even remotely compares to those of the Cold War Superpowers, and with no chance to substantially converge its economic inter-

» In the style of Donald Trump's «America First», China under Xi Jinping is pursuing a policy that could be titled «China only».«

ests with partners in the world, the only remaining tool to assert China's desire to dominate the world is a military-technological option: Arms race, coupled with the convergence of civilian production with a military capability (double use), accelerates, and in a few areas of high tech such as hypersonic missiles, a closing in on the superpower USA is a worrying reality for the West which is launching an ever more tightening boycott in all the high-tech areas, beginning with the Five-Alliance in terms of chips, consisting of the USA, South Korea, Japan, Taiwan and the Netherlands.

To reiterate the open question: Compared with the former Soviet Union that many times topped the US high-tech in real and military-industrial capability during the Cold War, compared with Moscow's firm alliance in the shape of the Warsaw Pact, China could, as it seems, only count on itself. Would this be enough for Beijing to turn upside down, or even challenge, the existing power structure today, let alone in tomorrow's world?

Many factors that determine China's future course remain uncertain. Only one thing is clear: the determination of the CCP leadership to fulfill what is known as the “China Dream” to top everyone else in the world. One may reasonably doubt China's real chances to do so. Yet, the world must remember: Mao Zedong in the 1960s



dreamed consistently of a world revolution not only to wipe out world imperialism but also to overwhelm the traitorous “Socialist camp” dominated by Moscow, meaning Mao’s China challenged both superpowers simultaneously.

No matter how poor China was by then, no matter how unrealistic the vision might have appeared for Beijing to overwhelm any big power in the world, the vision of the world revolution did help Mao to survive all the internal, murderous power struggles. As for China’s survival, in 1971, it was Mao himself who, still dreaming of his world revolution, decided to switch China’s foreign policy away from any socialist utopia straight ahead into the imperialistic camp led by the USA. Five years later, in 1976, Mao died. Soon,

his empire vanished as China’s door toward the world was opened.

With an unprecedented crisis breaking out within China and an increasing isolation from the outside world, does Xi Jinping need the dream of world dominance for the same reasons? Or could his empire, without such a vision, collapse like a house of cards as Mao’s did?



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# Repression of Human Rights in China under Xi Jinping

ALICIA HENNIG

This article links the increase in repression under current Chinese leader Xi Jinping to his drive for political control, party supremacy, and ideology. It highlights a number of areas where repression has intensified and concludes that the situation will not improve without a major ideological shift.

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When China first hosted the Olympic Games in 2008, the country was looking forward to a better, more liberal future – perhaps. The Games were an opportunity for China to show itself to the world in the best possible light.

They took place during Hu Jintao’s second term (2003-2013), which was already marked by a return to ideology. Hu also rolled back the economic and legal reforms of his predecessors, Deng Xiaoping and Jiang Zemin (Shirk, 2018). However, the Games could still be considered a success for China, even though the government largely reneged on its promises to improve social conditions, human rights, and media freedom, among other things. Brutal crackdowns on peaceful demonstrations in Tibet, tighter visa requirements, restrictions on international journalists, and media censorship surrounded this global event.

### China in a “New Era”

In 2012, just before Xi Jinping officially came to power, it was difficult to say whether he was more of a reformer or a revisionist. Today, in his third term, noth-

« Xi’s «new era» has seen the introduction of a series of policies, laws, and regulations that underline a clear and pronounced anti-liberal stance. »

ing is clearer: Xi is a hardliner, prioritizing ideology and political control over economic and social development. Xi’s “new era” has seen the introduction of a series of policies, laws, and regulations that underline a clear and pronounced anti-liberal stance, reinforcing the ideological drive that began under his predecessor Hu while intensifying repression and human rights abuses (Shirk, 2018).

### *National Security and Intensifying Repression*

One lens through which to interpret the introduction of new laws and regulations under Xi, and thus the increased suppression of previously existing freedoms in China, is Xi’s primary focus on “comprehensive national security” (zongti

*guojia anquan*). He introduced this concept in 2014, at the beginning of his first term. Since then, it has become a core element of his approach to governance, encompassing every conceivable area that needs to be securitized – a “securitization of everything” (Drinhausen & Legarda, 2022). The most important area is political security, i.e., maintaining regime stability and guaranteeing the Party’s supremacy. This primary security objective is achieved through another fifteen areas, ranging from territorial security to resource and ecological security, economic, cultural and societal security, and cyber security, to name a few. The concept is accompanied by corresponding laws that have been implemented to defend against a number of perceived threats, such as terrorism/separatism, US military and technological dominance, ideological issues related to Western values, and organized religions, among others.

### *New Laws for more Control*

Some of the new laws introduced under Xi mainly give security organs more power and access to restricted facilities, private records, and personnel, such as the Counter-Espionage Law (2014, renewed in 2023) or the Cybersecurity Law (2016). While these are primarily defensive in nature, other laws require the active participation of individuals and companies in the overarching national security project. For example, the obligation to report national security threats to state security agencies under the National Security Law (2015) or to assist security agencies in carrying out intelligence work, as in the National Intelligence Law (2017) (Tanner, 2017). The problem with all these laws is that the termi-

» This alleged threat is based on a deliberate equation of the expression of religious and ethnic identities with «separatism». «

nology and definition of what constitutes a national security threat remain vague. Thus, these laws can be easily exploited and used against Chinese citizens to further restrict their rights and freedoms. Ordinary Chinese citizens could also easily be used by the state for espionage.

Other laws, such as the Counter-Terrorism Law (2015), have led to an increased build-up of military and security structures, particularly in the regions of Tibet and Xinjiang, under the supposedly justified threat of terrorism and separatism in these regions. However, this alleged threat is based on a deliberate equation of the expression of religious and ethnic identities with “separatism.” It also equates peaceful dissent with acts of violence, in which case security measures are indeed justified. Thus, this law serves as a justification for cracking down on ethnic and religious expression and has been widely used in this context (FIDH, 2016).

Similarly, the implementation of the Overseas NGO Management Law (2016) stifled the international NGO landscape and impact, as overseas NGOs since then have been required to register with the Ministry of Public Security and partner with either a Chinese sponsor organization or a professional supervisory unit (Holbig & Lang, 2022).

Laws such as the Cybersecurity Law (2016) and the Data Security Law (2021),

among others, have enabled the Chinese government to better control public opinion on the internet, how data is collected and stored by organizations operating in China, and have made it much easier to access this data (including from foreign companies) in the event of investigations (Tanner, 2017).

But Xi's drive for national security is not limited to the Chinese mainland. Despite the agreement on a 50-year transition period at the time of the Hong Kong handover, the central government in Beijing has increasingly interfered with Hong Kong's political autonomy. On June 30, 2020, Beijing imposed a separate national security law on the city-state: the Hong Kong National Security Law (HKNSL). It was a response to protests, notably the Occupy Central movement (2014), which was pushing for more democracy, and protests over a planned extradition treaty with mainland China (2019-2020). The introduction of the law had a far-reaching effect on the freedoms previously enjoyed in Hong Kong, essentially silencing any dissent.

### *The Ideology behind Xi's Drive for Political Control*

The ideological backbone of all these measures is Document No. 9. Originally an internal communication, it was circulated by the General Office of the CCP in April 2013. The document lists seven risks to national stability and development as perceived by the CCP. These include Western-style constitutional democracy with a multi-party system, elections, and an independent judiciary; universal values such as freedom, democracy, and human rights; civil society; a neo-liberal mar-

ket economy; and media and press freedom. According to the CCP, these dangerous ideas are being spread by so-called "anti-China forces" and dissidents who are trying to infiltrate China's ideological sphere, which the CCP must guard against (ChinaFile, 2013).

This document foreshadowed the numerous crackdowns that were soon to follow and the tightening of China's security apparatus through "comprehensive national security."

### **How the CCP's Document No. 9 Led to More Repression**

Of course, Xi is not the first Chinese leader to seek to control the cultural and social spheres of Chinese society, to reinforce ideology, to reject Western notions of democracy, freedom, and human rights, and to see any threat in terms of so-called "anti-Chinese forces" and infiltration. These have been constant concerns of the CCP since Mao, with varying responses and intensity, especially after the 1989 Tiananmen protests and massacre by the Chinese military. What makes Xi's approach different is indeed its broad, comprehensive scope and a clearly articulated ideological basis, as in Document No. 9.

So how has Document No. 9 been translated into reality, and what is the role of cultural and social security in this? The purpose of cultural and societal security is to "avert danger before it materializes" (Drinhausen & Legarda, 2022). Cultural security aims to prevent the harmful influence of (Western) ideologies and thought and, thus, focuses on suppressing support for human rights and freedom of expression — values clearly condemned

in Document No. 9. Repression also extends to religious communities and spiritual movements because their beliefs challenge the Party's ideological guidance.

Societal security aims to control society and prevent collective action such as public gatherings and protests. This particularly affects local Chinese NGOs and activism, but also any state-independent journalism.

On the following pages, various examples illustrate the repression fueled by cultural and social security.

### *The Crackdown on Religious Communities: Falun Gong, Tibetan Buddhists and Muslim Uyghurs*

The first crackdowns on Falun Gong took place in the late 1990s. The spiritual movement, founded in 1992, taught specific meditation practices and Qi Gong-style exercises. It attracted a growing number of followers. Members often practiced in public places. In April 1999, a group of about 10,000 practitioners gathered outside the CCP compound in Zhongnanhai. It was a peaceful protest in response to the continued harassment and arbitrary detention of practitioners. This mass protest triggered a massive crackdown. Since then, the CCP perceived Falun Gong as a threat to political and social stability, branded it a “heretical organization” (*xiejiao zuzhi*), and officially banned it in July of that year. Propaganda campaigns to smear the movement followed. Members have been arbitrarily detained, forced to renounce their beliefs, tortured, and ill-treated. Falun Gong has still not been rehabilitated.

Repression of religious communities was then extended to Buddhism in the



Tibet Autonomous Region (TAR) and Islam in the Xinjiang Uyghur Autonomous Region (XUAR). Repression in the TAR had already become more concrete under Hu's rule.

Tibet was incorporated into Communist China under Mao in 1951 and became the TAR in 1965, losing some parts to Chinese provinces. In 2008, the CCP resorted to massive repression when Tibetan monks staged their annual protest



The largest anti-extradition protest in Hong Kong, 2019.

march to commemorate the 1959 uprising. In response to the crackdown, some 150 or more peaceful protests broke out across the Tibetan plateau and other Tibetan-populated provinces, which the government put down with massive security forces. According to Chinese official records, four Tibetans were killed, while the Tibetan community claims at least 100 were killed. Security forces remained in the monasteries for months, and many

Tibetans were interrogated, arrested, and detained.

Repression intensified under Tibet Party Secretary Chen Quanguo (2012-2016). He introduced a series of security and surveillance measures, such as the structuring of urban centers into grids for systematic surveillance by so-called “convenience police stations” with 24-hour patrols. He also introduced a system of encouraging people to spy on and report on

each other. Tibetan monks and nuns responded to this intrusive and repressive surveillance system with self-immolations, hoping that Xi Jinping would adopt a softer policy towards the TAR. Instead, Xi continued Hu's approach. He maintained a hardline stance and stepped up efforts to indoctrinate Tibetans, separate families, and monitor and control monastic life. And he imposed additional restrictions on travel within and outside Tibet. Security forces in the TAR often resort to violent means to suppress and punish what the CCP perceives as political dissent.

Xinjiang, literally the new frontier, was a region that was permanently conquered, consolidated, and colonized under the Qing Dynasty (1644-1912). The administrative handling of this region varied between the fall of the dynasty in 1911 and the establishment of the People's Republic of China in 1949. After being incorporated into the PRC in 1955, it became a so-called autonomous region, XUAR, like Tibet. The CCP continued the settler colonialism of the Qing with even more migration of Han Chinese into the region and systematic exploitation of natural resources through its Xinjiang Production and Construction Corps (XPCC, *bing tuan* 兵团). The CCP had always viewed the Uyghurs as backward because of their religion, but its approach had previously been more developmental. However, repression became more visible during Hu's tenure, especially after the 2009 riots in the capital Urumqi. Linked to the US "global war on terror" in response to the 2001 attack on the World Trade Centre, unrest in the XUAR was increasingly seen as linked to the so-called "three evil forces": "terrorism, extremism, and separatism". Xi later

» Unrest in the XUAR was increasingly seen as linked to the so-called "three evil forces": "terrorism, extremism, and separatism". «

claimed that Islamic extremism had infected large parts of Uighur society and driven them into terrorism. This view led to a push for various counter-terrorism measures, including the implementation of surveillance measures that even exceeded those in Tibet. Chen Quanguo was again in control, having since moved from Tibet to become Party Secretary of Xinjiang (2016-2021). Under the alleged threat of counter-terrorism, more than a million Uyghurs and other Muslim peoples of the region disappeared; they were detained without due process in so-called re-education camps. These facilities were found to be linked to elaborate and extensive forced labor systems. Chen was replaced in 2021; the ad hoc nature of the detention and "re-education" campaign gave way to the institutionalization of repression. In 2022, the UN described the situation in Xinjiang as cultural genocide.

### *The Crackdown on Chinese Human Rights Lawyers*

Document No. 9 was followed by a nationwide coordinated crackdown (also known as 709) on Chinese human rights lawyers on July 9, 2015. This crackdown resulted in the detention of 300 (human) rights lawyers and other legal professionals. At least fifteen of them have been charged with criminal offenses. Lawyers



and professionals have been placed under RSDL (residential surveillance at a designated location), detained, disappeared, and even forced to confess on Chinese television. They have also been threatened, beaten, and tortured in extra-legal secret detention centers (so-called black jails, *hei jianyu*) despite China's ratification of the UN Convention against Torture (CAT). Similar procedures have been imposed on those who have spoken out publicly on their behalf — a retaliation by the Chinese government. As a result of retaliatory measures, the true extent of violence against human rights lawyers, defenders, and other legal professionals may be much less known.

Lawyers and legal professionals have been an essential layer of support for China's oppressed, such as ethnic minorities, religious practitioners, or imprisoned journalists, and have challenged government abuses. As advocates for the Chinese people and civil society, they are seen by the CCP as a threat to social stability that must be contained. Therefore, in addition to organized crackdowns, the CCP uses basic control measures such as threatening lawyers with the suspension or revocation of their or their firm's license.

Repression continues to this day. Most recently, in 2023, Xu Zhiyong and Ding Jiayi, who advocated for better civil rights, were charged with "subversion of state power."

### *The Control over Chinese Higher Education*

The various threats that Document No. 9 defined also had a significant impact on Chinese higher education as an extension of the Chinese government. Under Xi

Jinping, they now must serve the government's purposes exclusively.

Obviously linked to Document No. 9 is the crackdown on "Western values," which extended to campuses and universities as early as 2015. It substantially stifled open debates in the classroom.

Since Xi's first term, Chinese university professors have been fired or had their contracts terminated for publicly questioning or criticizing the Party, Mao Zedong, or Chinese society on the social media platform Weibo. Other professors have been reported by their students for not toeing the official Party line or for being too "Western." Milder cases of mere "inappropriate remarks" resulted in a reprimand. Some were investigated further; others lost their Party membership. The cases involved a wide range of universities, from the highly prestigious Peking, Tsinghua, and Fudan universities and the Chinese Academy of Social Sciences to Xiamen University and more inland institutions such as Hubei or Guizhou University.

According to a database maintained by Scholars at Risk, there have been a total of 118 cases of university professors being punished since 2012. Several of these cases involve scholars from Xinjiang. Punishments ranged from travel restrictions (12) and loss of position (23) to more severe measures; fourteen were prosecuted, and 51 were imprisoned.

### *The Control of Foreign NGOs*

The introduction of the Overseas NGO Law (2016) can also be interpreted from the perspective of curbing "Western influence." Since the introduction of the law, overseas NGOs have either left the country

or had to shift their activities to non-politically sensitive areas. Of the estimated 7,000 overseas NGOs present in China at the time of the law's introduction in early 2017, only 707 are now registered with the Ministry. There has been an observable shift in activities. Previously, overseas NGOs also focused on political issues, such as labor and gender issues, or legal and government reform. But now, they are only allowed to work in areas sanctioned by the state. As a result, non-political issues such as education, poverty alleviation, youth, and health issues now dominate their activities (Holbig & Lang, 2022).

### *The Control of National NGOs and Activism*

There are two types of civic NGOs in China: service-oriented NGOs (welfare and services for disadvantaged groups) and advocacy NGOs (law reform/change through legal means and mass mobilization). The latter type has faced increasing restrictions since the early 2000s. However, although there were crack-downs under Hu, there was no systematic approach to cracking down on NGOs. Moreover, many NGOs were not officially registered with the state as social organizations, which, similar to the Overseas NGO Law (2017), required the support of a government agency as a professional supervisor of the NGO's activities (dual administration system). Many were registered, if at all, only as business entities. All this has changed dramatically under Xi. He abolished the dual administration system and introduced a direct registration system based on four categories of social organizations. But this turned out



to be a sorting mechanism to separate “official” NGOs from “unofficial” ones. Those that became official NGOs were essentially co-opted, as they had to adjust their agendas to the government's preferences, change their sources of funding, and could no longer work with those that were not registered.



In 2014, in the wake of Taiwan’s Sunflower Movement and Hong Kong’s Occupy Central Movement, NGOs were increasingly seen as anti-government organizations and instruments of Western interference to undermine the party-state. From the CCP’s perspective, NGOs posed a threat to regime stability. As the gov-

ernment shifted to a greater focus on national security, both service and advocacy NGOs were criminalized on a large scale. They were cut off from foreign funding, a major source of their income, and targeted for punishment under various offenses. These were catch-all offenses, such as “illegal business operation,” “picking quarrels

and provoking trouble,” and “gathering a crowd to disturb the public order”. Their broad definitions invited an arbitrary and self-serving use by Chinese authorities, allowing for sentences of up to five years.

### *The Suppression of Independent Journalism and Media*

In the early days of the Covid pandemic in China, several Chinese individuals emerged and reported on Covid from the ground in Wuhan, independently of the Chinese state media. There were at least four so-called “citizen journalists”: Fang Bin, Chen Qiushi, Li Zehua, and Zhang Zhan. Fang Bin and Zhang Zhan were detained and sentenced to three and four years imprisonment, respectively, under the blanket charge of “picking quarrels and provoking trouble.” Zhang Zhan also went on hunger strike several times in protest at her sentence. Chen disappeared and was placed under surveillance for some time after his reappearance. Li was allowed to leave China in 2021.

### **Outlook**

For a while, it seemed that China was on the road to greater economic and social liberalization. However, these early signs slowly turned into wishful thinking under Hu Jintao. Under Xi Jinping, this trajectory has become entirely illusory. Originally seen as an advocate of reform, while reform was equated by many with continued liberalization, he has sweepingly rolled back those prevailing freedoms under the banner of national security. The survival of the party and “socialist” ideology is all that matters to him.

In China, where Xi’s socialism is the only “religion,” religious communities are not only suppressed but continually indoctrinated and re-educated to “fit in” with their Han Chinese environment. They are also exploited as cheap labor in internment camps to serve China’s faltering economy.

The situation in Chinese universities today is more reminiscent of the Cultural Revolution: students are indoctrinated with “patriotic education” while denouncing and punishing their own teachers.

The space for NGO activity in China is shrinking. Advocacy and especially activism in areas related to government affairs, such as LGBTQI+, labor, and consumer issues, have been effectively silenced. The role of existing NGOs has increasingly shifted to that of service providers according to government preferences.

There is little independent reporting in China. Citizens who engage in such reporting or disseminate such findings online inevitably face varying degrees of repression, including detention.

The outlook is, therefore, bleak. Even if Xi gives way to a new generation of leaders, the goal of “securitizing everything” is unlikely to change without a major ideological shift (Drinhausen & Legarda, 2022).

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# The “Chinese Economic Miracle” – Separating Fact from Myth

ALICIA GARCIA HERRERO

China's remarkable economic growth has structurally decelerated since 2010. This paper presents a baseline scenario in which China's growth is projected to reach 2.4% by 2035, while examining various downside risks, ranging from population aging to the rapid reduction of returns on assets, and the fast accumulation of debt. Although innovation presents the potential for upward growth, its positive impact on total factor productivity has yet to be witnessed. Overall, the risks to China's long-term growth generally lean towards the downside.

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## Introduction

Since a series of reforms took place in the late 1970s, China has recorded remarkable growth for decades. From 1978 to 2010, the average growth has hovered around 10%, placing China in the 1% percentile for countries moving from 1,000 to 10,000 USD per capita. This, together with the over 800 million people that China has lifted out of poverty, clearly justify the expression of the "Chinese economic miracle". As of today, China continues to serve as the most important engine for global growth, contributing about one third of the total global growth over the last three decades.

With 'reform and opening up' as the key mantra since the late 1970s to transform China from a planned to a market economy, the country has been increasingly intertwined with the rest of the global economy through trade and investment and a growing participation in the global value chain. This is attributed to China's obvious economies of scale, relatively low wages, and logistical infrastructure, supporting manufacturing. China's accession to the WTO in 2001, and the support of Western companies investing there,

## » China's era of very high growth is over. «

coupled with massive technology transfer, are also important external factors behind China's success.

However, China's growth trajectory reached its peak in 2010 and has been slowing down since then, especially since 2015. Although China's growth rate remains higher than global average and even higher than other emerging markets, at least on average, China's era of very high growth is over.

In particular, both the trade war led by Trump since 2018, and more significantly, the Covid pandemic since 2020, have resulted in rapid deceleration of China's growth, all the way to barely 3% in 2022. Entering 2023, while a cyclical boost is expected due to the full removal of pandemic-related mobility restrictions, growth will remain subdued compared to pre-pandemic levels, although it should still meet the very conservative target set by the Chinese government last March, which was 5%.

The reasons for such a sobering growth outlook are mostly structural and will be



Consumers in the IFS shopping district of Chengdu, the most developed city in southern China.

reviewed in this article after some more details on the miracle years. Ultimately, our medium-term growth outlook points to China's growth decelerating to 2.3% by 2035. There are several downward risks and a positive wild card, namely that of innovation, considerably impacting growth on the positive side.

## A Review of China's Growth Miracle

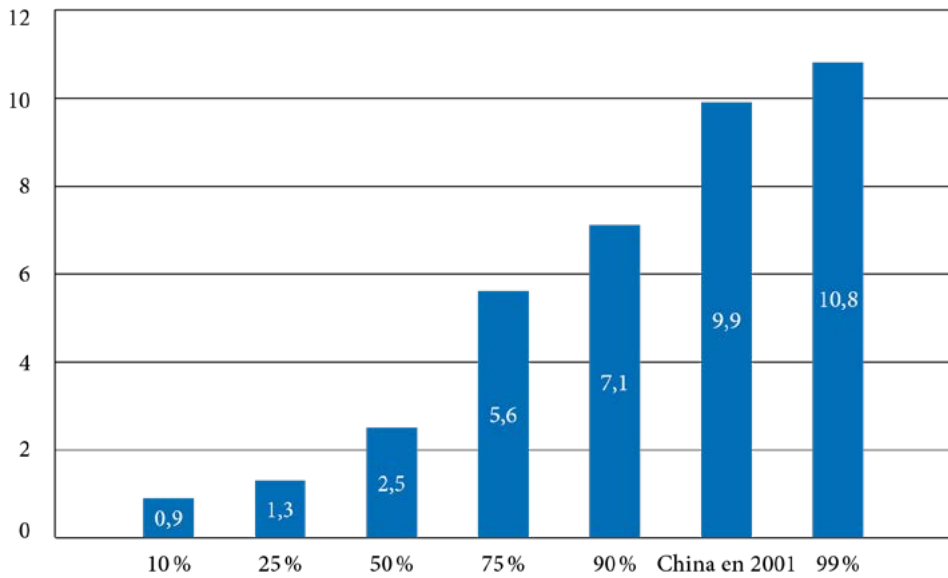
China's rapid growth since 1978 has received wide attention and interest from scholars and policymakers around the world. As shown in Figures 1 and 2, when we compare economies' 10-year average GDP per capita growth rates after they reach per capita incomes of \$1,000 and \$5,000 after 1961, the ninetieth percentile

of the distribution of annualized growth rates are 7.1% and 4.4%. China has achieved even higher growth rates of 9.9% and 6.3%, respectively, after reaching the \$1,000 and \$5,000 thresholds, indicating sustained higher growth compared to many other countries after surpassing certain levels.

China's economic success can be explained by some drivers. Before the reform and opening up introduced by Deng Xiaoping, China was still a planned economy. The first reforms began in the agriculture sector, with increased incentives for rural households to boost agricultural output. Then reforms spread to the urban industrial sector, including introducing the dual-price system which greatly reduced shortages of supply, and allowing private businesses to operate, spurring competition and flexibility.



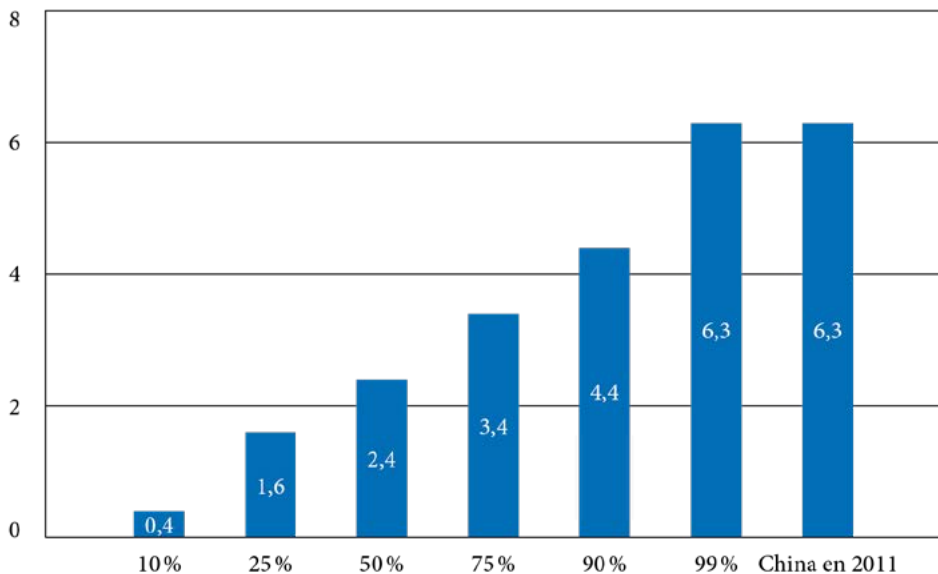
**Figure 1. Real GDP per capita growth rate in the next 10 years  
(post \$1,000 GDP per capita)**



Source: Natixis, World Bank

Note: Average real GDP per capita growth rate for the 10 years after an economy reaches \$1000 per capita (ranked by percentile, based on world GDP from 1960 to 2020).

**Figure 2. Real GDP per capita growth rate in the next 10 years  
(post \$5,000 GDP per capita)**



Source: Natixis, World Bank

Note: Average real GDP per capita growth rate for the 10 years after an economy reaches \$5000 per capita (ranked by percentile, based on world GDP from 1960 to 2020).

## » China's accession to the WTO in 2001 marked a new chapter.«

At the same time, China opened its door to embrace foreign investment, mostly in special economic zones in coastal areas of China, including Shenzhen, Guangzhou, Xiamen and Zhuhai. These zones became engines of growth for China's economy. Foreign businesses flocked into China. As the figure below shows, foreign direct investment (FDI) inflows into China rose substantially during the period between 2000 and 2014.

Foreign investment played an important role in bolstering China's economic growth, not so much because of the funding (China has generally had high savings), but mostly due to the technology transfer that it brought along, as well as the management skills. At that time, China had a vast young, inexpensive workforce, but it lacked managerial capabilities, technology, and know-how. Foreign direct investment, thus, was particularly important in the manufacturing sector. The surging foreign direct investment (FDI) not only brought higher quality jobs and wages, but also technology, enhancing competition in the domestic market.

Furthermore, productivity gains also played out in China's booming economy. These gains not only came from technology improvement and its spillover effect, but also from factor reallocation. The latter was best symbolized by two trends, urbanization, and the structural reform of state-owned enterprises (SOEs) that started in the 1990s. Both processes contributed to factor reallocation by migrating a large portion of China's workforce from

the agricultural sector to the urban industrial sector, and from the less efficient public sector to the more vigorous private sector.

Beyond the reform and unilateral opening-up efforts to attract FDI, China's accession to the WTO in 2001 marked a new chapter. With access to the global markets, China's advantages in producing cheap products and mass manufacturing capacity finally had a pathway to reach consumers around the world. Alongside fast urbanization, China found a new tool to boost growth: exports. However, these exports, still required state-led investment to improve the logistical infrastructure needed to become more competitive.

During this process, despite experiencing very rapid growth, China continued to control wage growth and maintained a stable renminbi until 2005, with a relatively slow appreciation thereafter. Both suppressed wages and a cheap exchange rate clearly helped China increase its global market share of exports.

### China's Long-Term Prospect: A Baseline Scenario

After years of rocket growth followed by a significant slowdown, assessing China's future growth rate will provide important implications not only for China but also for other developing economies. In this section, a baseline scenario for China's long-term growth is introduced based on the Solow's convergence theory. This theory is based on the assumption that in the long run, countries' growth rates will converge, meaning that poorer countries will grow faster than richer countries along this convergence path (Solow, 1956).

**Table 1. Forecasting China's potential GDP growth rate (%)**

	Output	Labor productivity	Employment rate	Labor participation rate	Adult population growth rate
2021-2025	4,9	4,9	-0,1	-0,3	0,4
2026-2030	3,6	3,8	-0,1	-0,5	0,4
2031-2035	2,4	3,0	-0,1	-0,7	0,2

Many studies have adopted this framework and pointed to a slowing growth path for any country having reached middle income growth of around 10,000 USD per capita. For example, the World Bank (2019) expected China's average annual growth rate to decline to 4% from 2021 to 2030 in a scenario of limited reforms, which aligns with today's situation. On a slightly more positive note, Albert et al (2015) suggested that China would continue on its deceleration path over the next decade, but would still maintain a growth rate above 4 percent in 2030. It's worth noting when their calculations were done.

A convergence growth theory points to China's average growth rate standing at 4.9 percent from 2021 to 2025, and at 3.6 percent from 2026 to 2030 (Table 1 and technical details in the appendix).

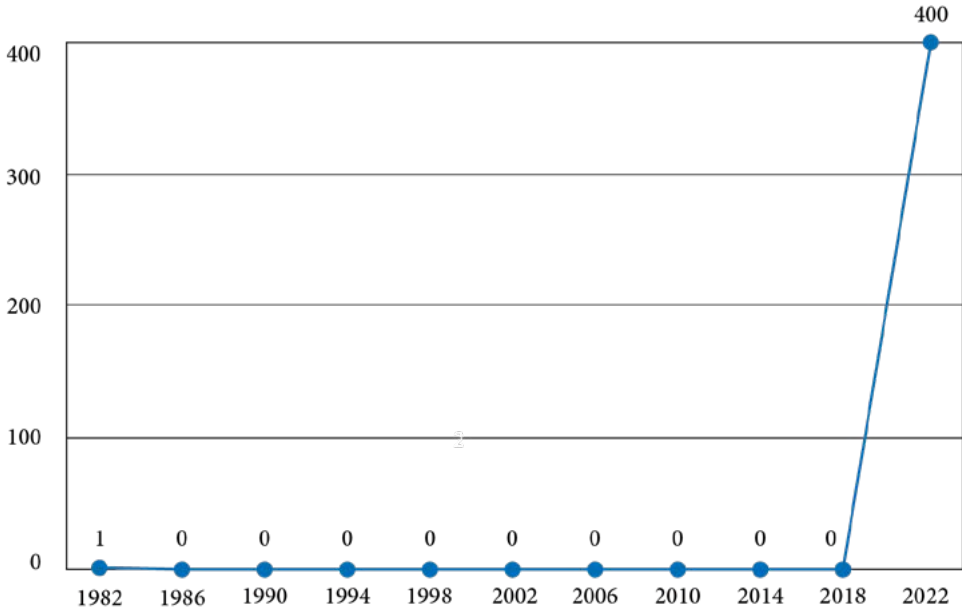
That said, China will still be able to avoid the middle-income trap as its growth remains relatively high compared to other countries. As shown in Figure 4, the average growth rates in the next 10 years after crossing the 10,000 USD per capita threshold were only 3.8%. China's expected growth, even if it ends up grow-

ing barely 2.4% in 2035, will still stand at 4% in the 10 years after reaching the threshold, surpassing the world average. Figure 5 shows that China will only perform behind South Korea, higher than Japan and outperforming many economies that have overcome the middle-income trap (Figure 5).

### Upside and Downside Risk to the Baseline Growth Scenario

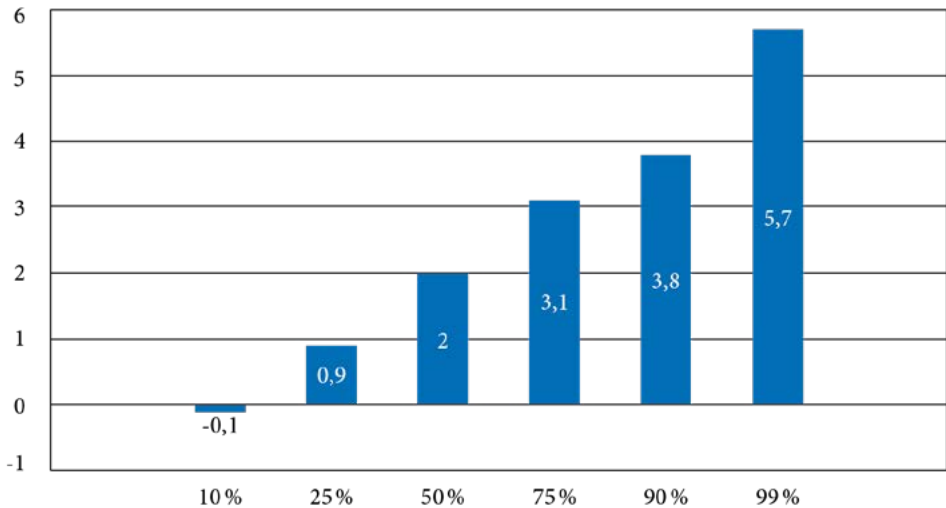
The first downward risk comes from population aging, as discussed previously. China had long been the world's most populous country, only recently surpassed by India. Its working age population was growing fast from 1970 to 2010, which provided a vast pool of workers for businesses to choose from (Figure 6). This sustained growth has kept China's labor costs low for an extended period and helped it remain competitive globally. All in all, the 'population dividend' was certainly one of the supporting factors for Chinese growth in the past decades. Such favorable demographics were also accom-

Figure 3. Foreign direct investment, net inflows (BoP, USD)



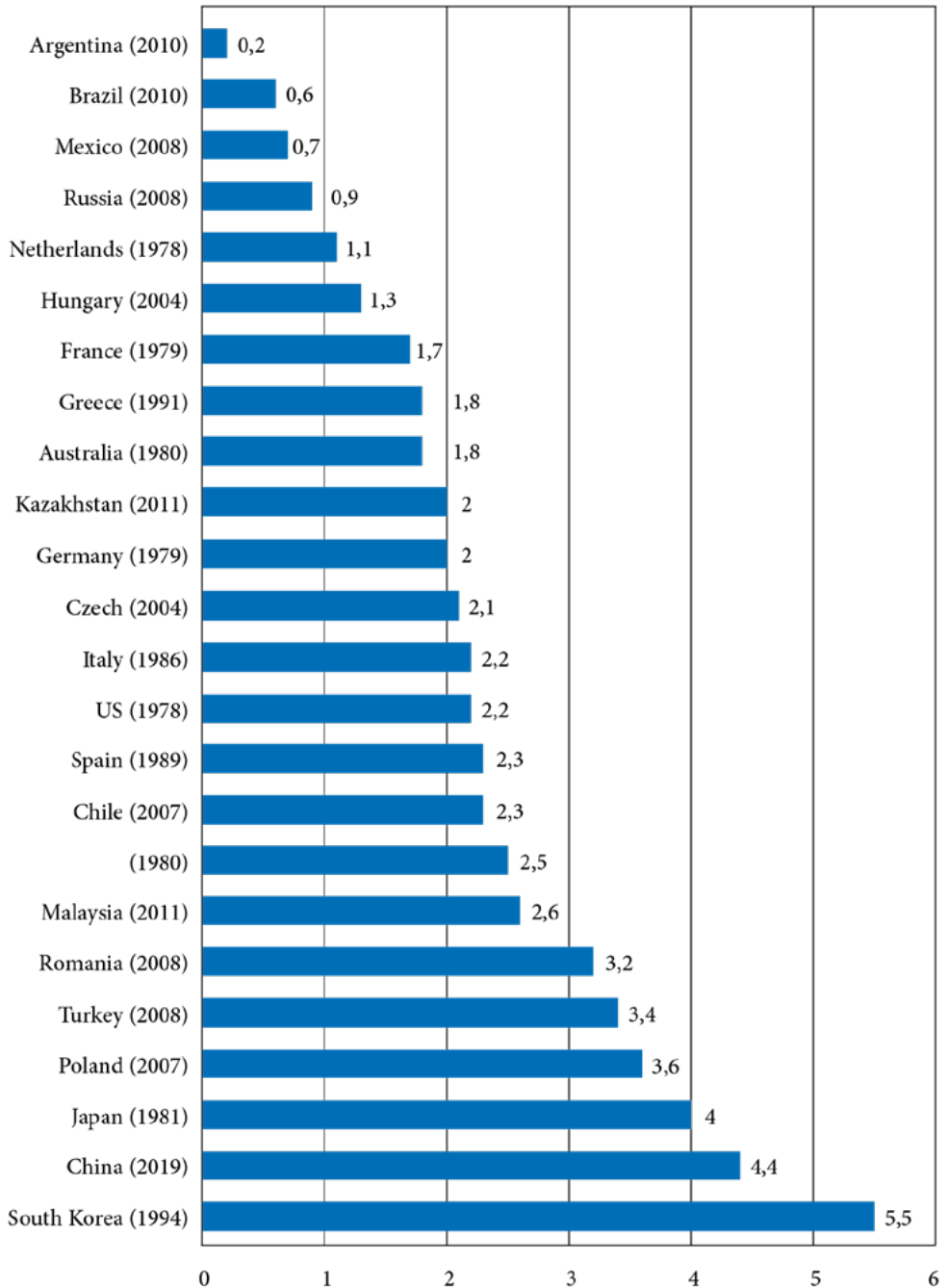
Fuente: Natixis, World Bank.

Figure 4. The real GDP per capita growth rate (%) in the next 10 years when an economy's GDP per capital past 10,000 USD (by percentile, based on the world's GDP from 1960 to 2020)



Fuente: Natixis, World Bank.

**Figure 5. 10-Year Average Growth Rate (%)**  
**After a economy crossing the 10,000 USD per capita threshold**



Source: Natixis, Author's calculation.

panied by China's urbanization process, which migrated people from the low-productivity agricultural sector to the higher-productivity sector in the cities.

However, China's fertility rate has been declining and reached a record low of 1.09 in 2022. The United Nations has forecasted a population contraction starting from 2025. As a result, China's fertility rate is now among the worst worldwide, alongside well-known aging countries such as South Korea and Singapore.

While the picture appears worrying, what is interesting, though, is our finding that aging will hardly be a factor in explaining growth deceleration up to 2035, thanks to the remaining scope for urbanization in China. But from 2035 onwards, aging will pose an important challenge to China's growth. By then, the urbanization process should have been completed, and the sharp drops in the birth rate that began in 2017 will start to have a noticeable impact. More specifically, one can expect an additional one-percentage-point reduction in China's annual growth rate from 2035 onwards (Figure 8). This will make China look very much like Japan today, growth wise.

A second very relevant downward risk lies on China's diminishing return on investment. Capital accumulation was also a key element in China's growth story. Its growth mode has even been described as investment-led, given the crucial role that investment has played in contributing to GDP growth during the past few decades (Figure 9). However, the fact that China's investment-to-GDP ratio is one of the highest in the world, reaching 43% in 2021, clearly indicates there is limited room for further growth and also explains the decreasing returns on scale.

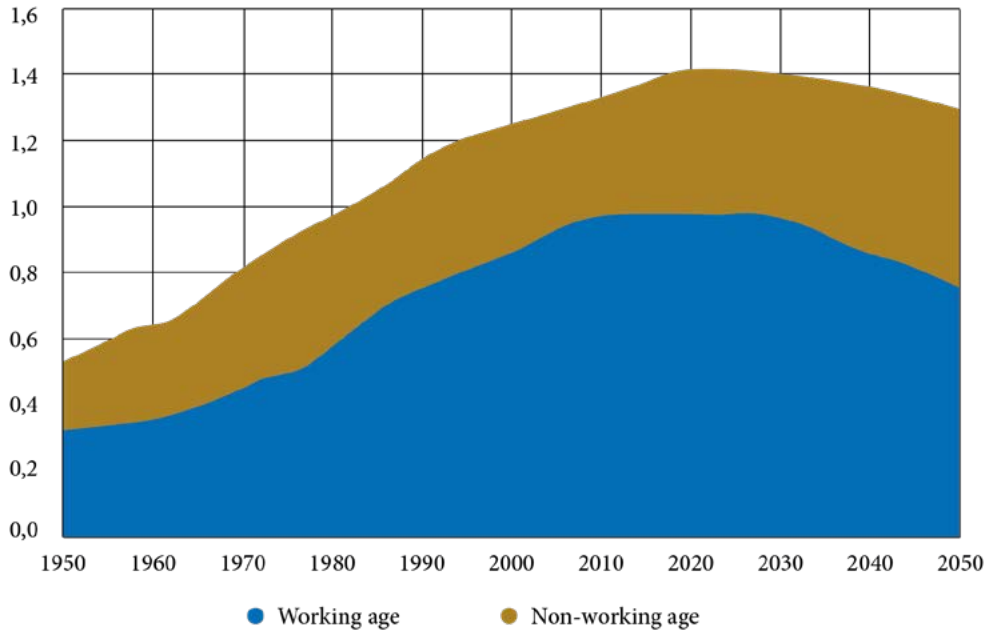
» This sustained growth has kept China's labor costs low for an extended period and helped it remain competitive globally. «

Years of massive investment have clearly pointed to an overinvestment problem. More specifically, from 2017 to 2022, return on assets has continued to decline for state-owned enterprises (SOES), but even sharper declines have been observed for privately-owned enterprises (POES), although the return on assets remains higher for private companies (Figure 10).

A third risk is the fast-growing public debt, especially since the pandemic. Aside from the increase in pandemic-related public spending, the government's pressure was compounded by China's ailing housing market, as local governments relied heavily on land sales for funding. With a crisis-ridden real estate sector, which witnessed multiple defaults by developers and the challenges faced by property giants such as Evergrande and Country Garden, local governments have been tackling growing difficulties.

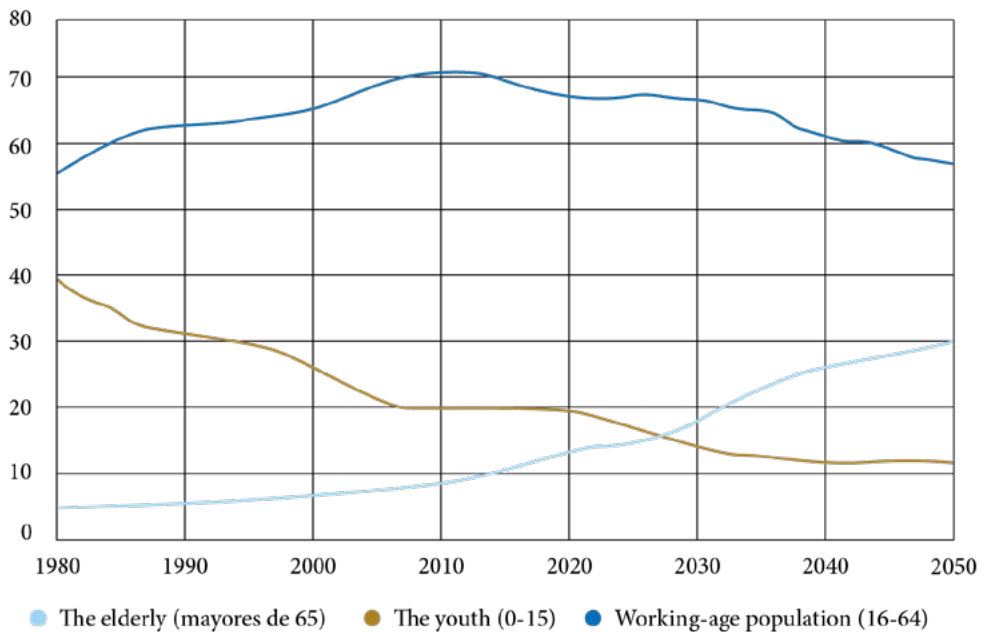
However, what makes China's public debt more worrisome is the off-balance part. In recent years, local governments have extensively used the off-balance sheet platforms, i.e., local government financial vehicles (LGFVs), to finance infrastructure and real estate projects. This part of the public debt, though closely linked to the government, has yet received full government recognition, which adds to the complication of fully gauging the level of public debt, let alone its impact on growth.

Figure 6. China: Population (Bn)



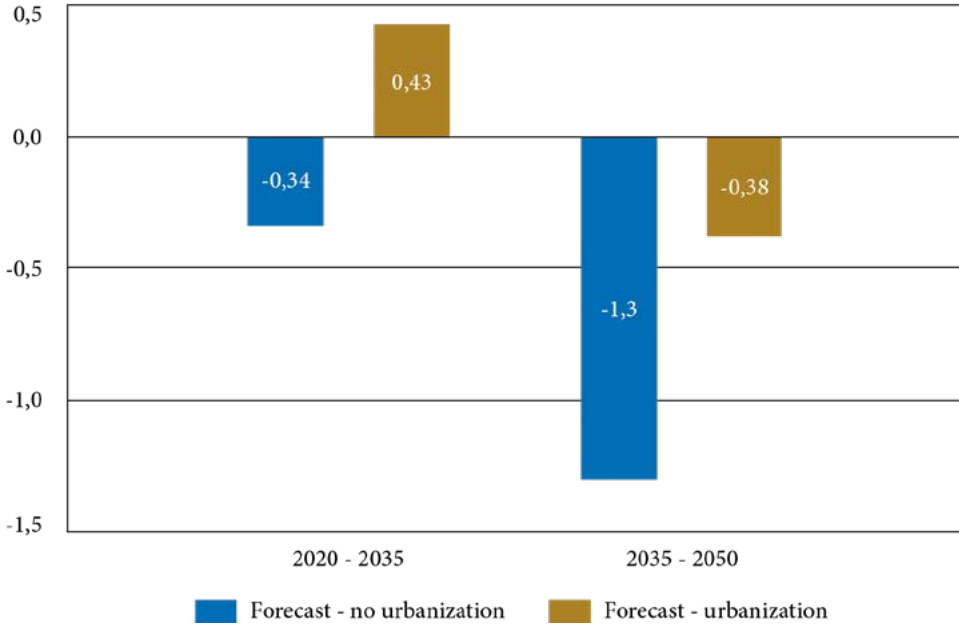
Source: Natixis, United Nations. Projections after 2022.

Figure 7. China: Share of different age group (%)



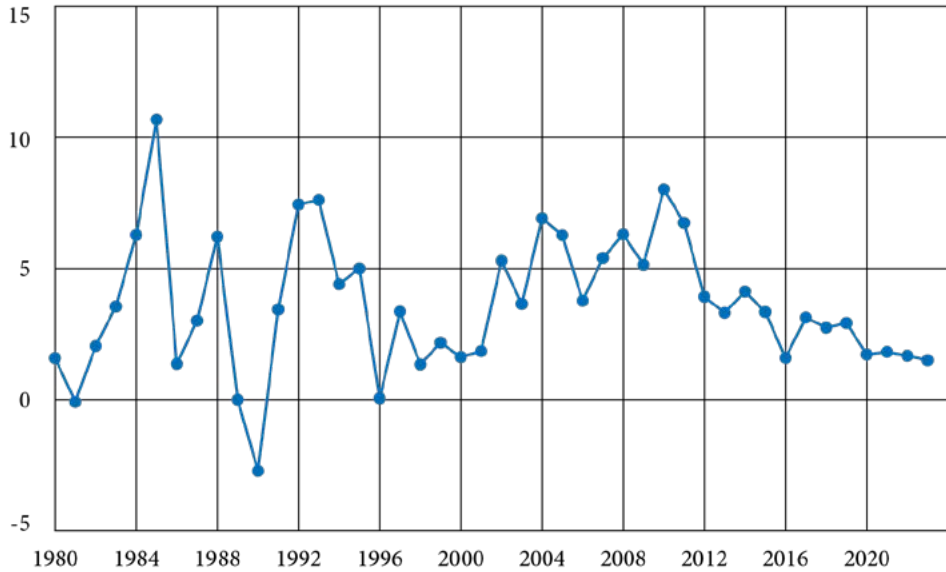
Source: Natixis, United Nations.

Figure 8. Forecast impact of population aging on China's GDP growth rate (%)



Source: Natixis.

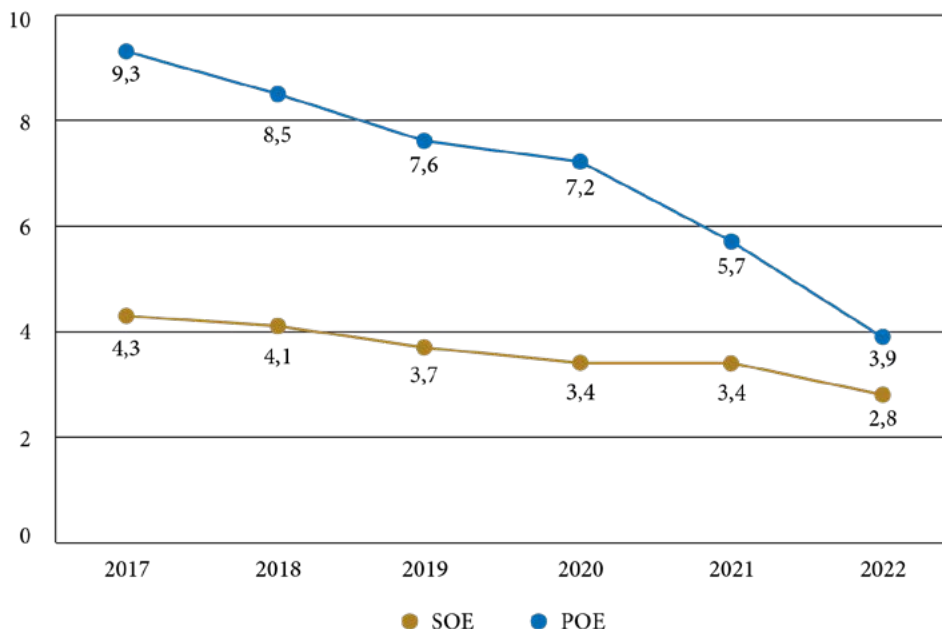
Figure 9. Gross capital formation contribution to GDP growth (%)



Source: Natixis, National Bureau of Statistics, CEIC.



Figure 10. Chinese Corporates: Average ROA (%)



N.B. Calculations are based on bond-issuing companies using wind's BDE and BSC functions. The average return on assets is defined as the simple average of the ratio of gross return over total assets for all sampled SOEs and POEs (excluding financial companies and local government financing vehicles)  
Source: Natixis, Wind.

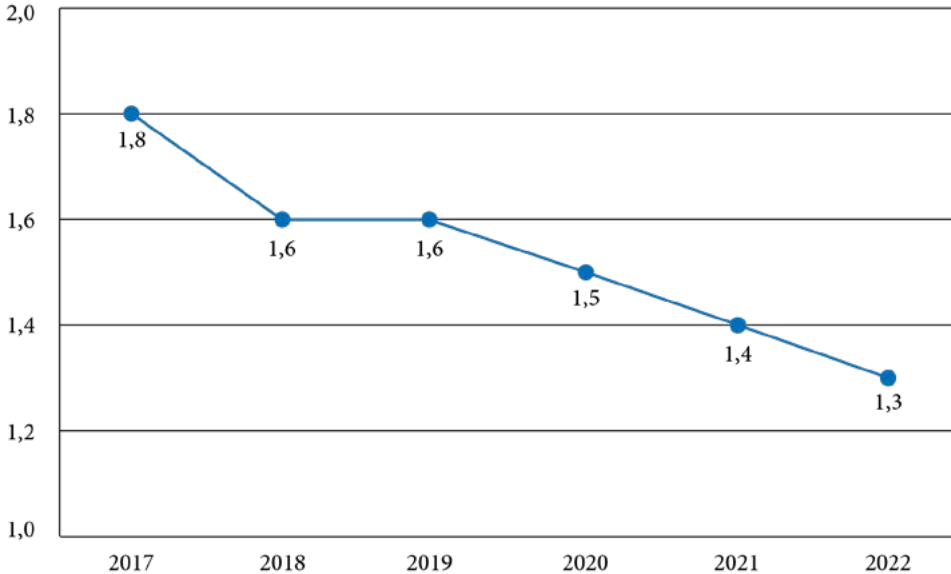
All in all, as of Q1 2023, China's LGFV debt has reached 46% of GDP. Together with on-balance sheet debt, China's public debt now accounts for nearly its gross domestic output (97%), as shown in Figure 11.

It is important to note that the accumulation of public debt does not necessarily harm potential growth, as it depends on how the money is spent. Given that LGFVs finance most of the investment carried out by local government, one could imagine that their return on assets should be higher than that of other public debt. However, the average return of LGFV projects has declined to a very low level and continues decreasing, especially in the context of China's average interest rates over the last few years. The average rate of return on assets of the LGFVs was

1.8 percent in 2017 but had dropped to 1.3 percent by 2022 (Figure 12).

A fourth crucial risk is coming from China's external environment, which has worsened dramatically in recent years. The Trump administration drastically changed the direction of us-China relations, transitioning from engagement to competition and rivalry. This trinity has been replicated by the EU commission as well. The competition started with trade through Trump's substantial import tariffs and moved further to tech containment, which has been pushed even further by President Biden. Technological containment goes beyond export controls to the screening of Chinese investment into the us, and more recently the eu. The most relevant piece of containment likely stems

Figure II. China: LGFV Average ROA (%)



N.B. Calculations are based bond-issuing LGFVs (Wind Classification) using Wind's BDE and BSC functions. The average return on assets is defined as the simple average of the ratio of gross return over total assets for all the sampled local government financing vehicles.  
Source: Natixis, Wind.

from coordinated export controls on high-end semiconductors and their components (us-Japan-Netherlands) back in May 2023. The extent to which such controls will delay China's convergence in mastering top technologies, such as semiconductors, artificial intelligence, and quantum computing, remains uncertain.

A fifth, and last, relevant risk is the reshuffling of value chains away from China. Over the years, China's market share in total exports has been continuously rising. The figure below illustrates the contrast in China's growing status as a global supplier with the declining share seen in the us, Germany, and Japan from 1978 to 2019 (Figure 12). In other words, at an astonishing rate, China has successfully become an integral part of international

trade, and the world has become increasingly dependent on China, especially since China's reform and opening in 1978 and with a renewed momentum since the Covid pandemic.

As of today, China is at the center of the global value chain, especially in terms of intermediate goods. In 2003, China accounted for 8% of global manufacturing exports, but by 2018, this figure had grown to a staggering 19%. Moreover, China's dominance in sectors ranging from office machines, furniture, and apparel parts is even higher at 50%, 60%, and 40% of the global market share, respectively. This dominance becomes even more pronounced when focusing on green technology for the decarbonization of the world, especially in areas like solar panels.



Old woman begs on the street. Kunming, Yunnan province.

However, after the supply shortages during pandemic lockdowns, countries in the world have become increasingly cautious about highly concentrated supply chains and are reassessing their excessive reliance on China. Many of them implemented de-risking measures, respectively, to diversify their sources of supply. Elevated geopolitical tensions further pushed them to secure the supply chains. As this trend persists, China will continue to face pressure from manufacturers relocating their factories away from China.

In the context of supply shortages during pandemic lockdowns, and with European countries losing their gas supplies from Russia since the invasion of Ukraine, both the EU and the US are reassessing their economic dependencies. Significant

future technologies, including permanent magnets used in wind turbines and electric-vehicle batteries, rely on raw materials sourced from and processed predominantly in China. Geopolitical risks related to this were demonstrated in 2010 when China imposed an export ban on several raw materials used in hybrid cars, wind turbines and guided missiles, as part of a maritime dispute with Japan. More recently, the Chinese leadership has also considered similar bans on exports to the US. Excessive dependencies have also been visible in clean technology manufacturing, in which China dominates wind, EV batteries and solar panels. All in all, such reshuffling of the value chain away from China could exert additional downward pressure on growth in the future, especially given

how much China has benefited from inward FDI for so many years.

Finally, moving to the potential positive shocks, which could push growth upwards, the most obvious is innovation. Our baseline projection of China's medium-term growth relies on a linear projection of productivity convergence based on past global experience. However, modern growth theory argues that productivity growth is endogenous, and depends on the endowment of human capital and research efforts to push up total factor productivity (TFP). TFP has long been a key driver of China's growth (Figure 13), but its growth rate has dropped significantly since the global financial crisis, even more so than global productivity. Whether China's innovation efforts are providing enough tailwind to mitigate the structural deceleration of the economy will be a crucial question for the medium-term future.

China's leadership knows this and has made innovation policy its top priority. Under different slogans such as 'Made in China 2025' or the party's 'Innovation-driven development', reaching and expanding the technology frontier in major industries has become the goal of economic policy. In an overview of China's progress on innovation and its impact on growth, Garcia Herrero and Schindowski (2023) find that China's performance in terms of increasing inputs to innovation, R&D and educational attainment, is clearly favorable, and so are the intermediate outcomes, such as the number of patents and scientific publications (Figures 14 and 15). However, these intermediate objectives, including the increasing value added of exports in China, have not translated into a corresponding increase

in total factor productivity and, consequently, growth.

In summary, the risks are tilted towards the downside as far as China's growth is concerned. Nevertheless, it is too early to assess how much innovation may eventually contribute to growth by increasing total factor productivity.

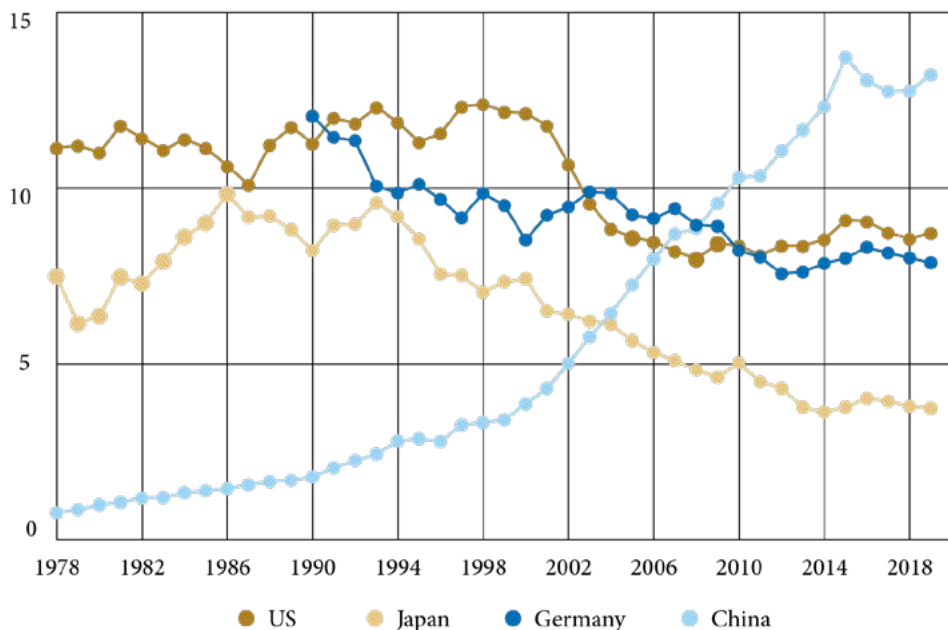
## Conclusions

China's so-called growth miracle is indeed one of the most impressive cases of a successful development case reaching the level of middle-income countries. However, China's growth peaked in 2010 and has continued to decline since, structurally. There are a number of downward risks beyond such structural deceleration, from aging, to the increasingly low return of assets and the massive accumulation of public debt. The final risk stems from the reshuffling of the value chain, which is behind the reduction in FDI into China. As for the upward shocks, innovation is the most obvious as it can increase total factor productivity, but this is not what we have seen so far. In fact, total factor productivity is actually decelerating in China. All in all, while one can talk about China's economic miracle, the future looks very different from such past reality.

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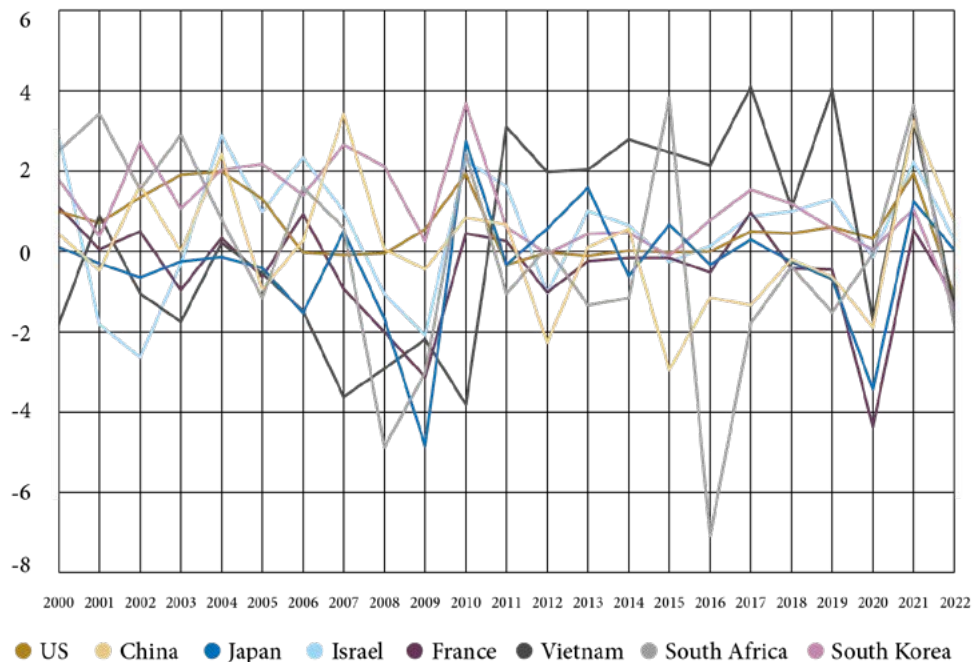
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Figure 12. China's trade as a share of global market since 1978 (USD Bn)



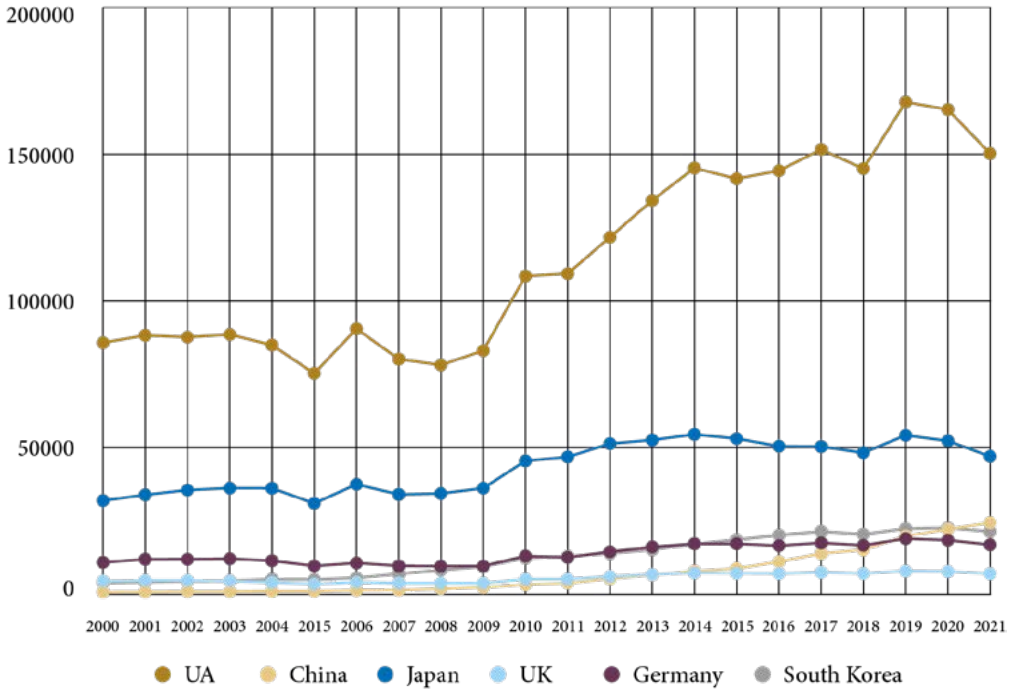
Fuente: Unctad, Natixis.

Figure 13. Growth in Total Factor Productivity (%)



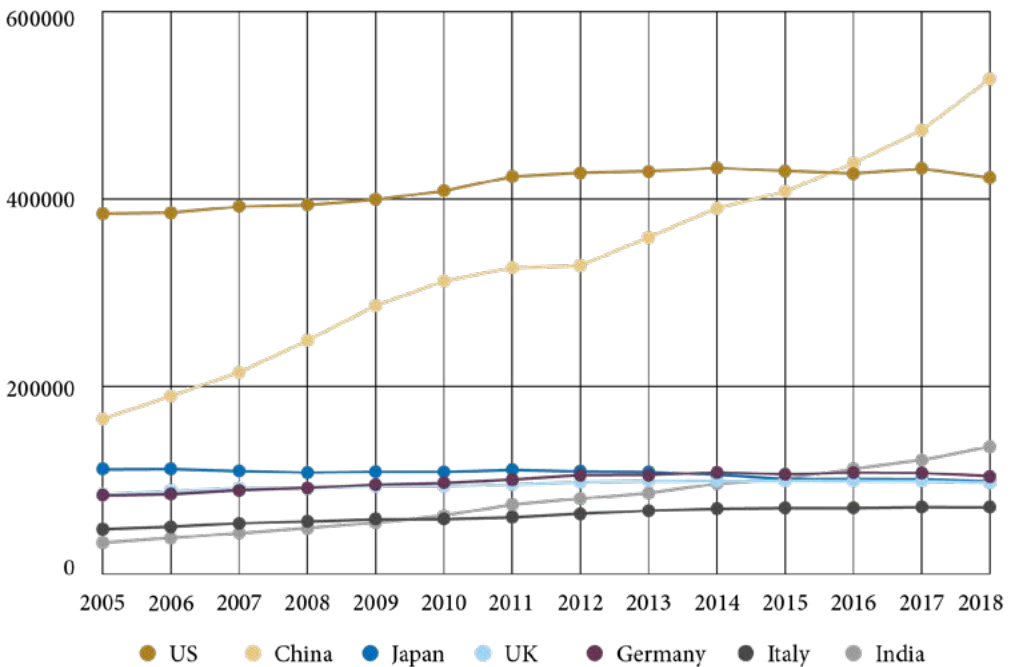
Source: The Conference Board, Bruege.

Figure 14. USPTO total patent grants (PCT and direct), by country



Source: wipo Statistics Database.

Figure 15. Number of articles published in scientific and technical journals, by country



Source: World Bank, National Science Foundation.

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**Latinoamérica en su laberinto**

Seis claves del estado de la democracia en la región

Sebastian Gramling, Ángel Arango

Número 13



# China's Soft Power in Latin America

VLADIMIR ROUVINSKI



By examining China's strategic communication, cultural diplomacy, diaspora, and other types of engagement associated with the use of soft power, this paper aims to identify the critical dimensions of China's soft power dynamics in Latin America, considering the legacy of past scenarios, contemporary developments, and possible future trends.

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## Introduction

In the past, the capacity of one or another country to achieve its goals in the international arena was measured by evaluating its “hard power,” understood as the use of force or coercion, including military force, economic sanctions, or other forms of overt pressure. In other words, “hard power” has been the more traditional and explicit exercise of power. As Russia's war in Ukraine demonstrated, some states still use hard power, particularly when short of other tools of influence. However, in contemporary international relations, wars are exceptions to the established rules of the game, and states that initiate wars are condemned by the international community and have to be prepared to assume high costs related to their behavior.

From the above perspective, China's rise as a global economic and political powerhouse has been accompanied not by the use of hard power but by a strategic push to increase its soft power worldwide. Soft power, a concept coined by the US scholar Joseph Nye, refers to a nation's ability to influence others through attraction and persuasion rather than coercion

or force. From this perspective, today's Chinese soft power strategy is multifaceted, encompassing various elements such as culture, education, diplomacy, and economic engagement. Latin America, a diverse and resource-rich region with a growing international presence, has become a crucial arena for China's soft power initiatives.

In addition, the evidence suggests that China is using its soft power as a “sharp power” tool to reach its specific objectives in the region. Sharp power is a concept introduced to describe a more subtle and indirect form of influence than traditional “soft” and “hard power” (Walker, 2018). Sharp power blurs the line between traditional statecraft and activities carried out by non-state actors, making it challenging to attribute responsibilities to a particular state. Hence, sharp power represents a nuanced and indirect approach to influencing other nations, distinct from the overt force of hard power and the attraction of soft power. It often involves tactics that operate in the gray areas of international relations and can be difficult to counter or attribute.

Against the above background, this paper examines China's soft and sharp power

strategies in Latin America, focusing on its motivations, mechanisms, and implications for the Latin American countries involved. By analyzing the cultural diplomacy, economic engagement, and political influence that China deploys in the region, the aim is to provide an overview of China's multidimensional soft and sharp power dynamics in Latin America, considering the legacy of past engagement, contemporary developments, and possible future trends.

## Soft Power and China's Global Ambitions

Joseph Nye suggested (Nye, 2021) that soft power consists of three primary components: culture, political values, and foreign policies. These elements collectively contribute to a nation's ability to shape perceptions and influence other countries without military or economic coercion. Additionally, while elements of "sharp power" related to "soft power" vary, they typically include the following elements: propaganda to shape public opinion, economic incentives to friendly countries, cultural exchange programs, state-funded media outlets, and educational initiatives to advance a specific political agenda or worldview. Besides, using "soft power" as a "sharp power" tool may involve efforts to influence think tanks, academics, journalists, and other opinion leaders in target countries through financial incentives, partnerships, or other means.

To better understand the use of soft power tools by Beijing today, it is necessary to take a closer look at the evolution of China's presence in key international scenarios since the proclamation

of the People's Republic (PRC) in 1949. In this context, during most of the second part of the 20th century, the major tasks for the People's Republic of China's successive governments were getting international recognition as the legitimate government of China (the claim disputed with the Republic of China's government based in Taipei) and catching up in terms of economic development with the world leading powers. While legitimizing Beijing as the only representative of the Chinese nation in the international arena – "one China policy" – was achieved mainly by the end of the 1980s, China's rapid economic growth has propelled it into a prominent global position over the past few decades. China has articulated its global ambitions as a rising superpower through initiatives like the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), the BRICS block, and others, including vast foreign direct investments (FDI), which have had a significant impact on the perception of the People's Republic by the elites and public opinion everywhere in the world, including Latin America, where PRC was viewed in the past as the supporter of leftist "Maoist" rebel movements and a threat to democracy and the established political order (Rothwell, 2013).

The shift from perceiving China as a "threat" to a "partner in economic development" paved the way to acceptance by other nations of the types of engagement generally associated with using soft power: educational cooperation and cultural diplomacy, strategic communication, and growing presence of media outlets in communication space inside various regions around the world. These endeavors are integral to China's quest for more



Monument to the Chinese philosopher Confucius at the National Polytechnic University in Kyiv, Ukraine.

significant influence and the wide-reaching promotion of its soft power.

### China's Soft Power Strategy in Latin America: Cultural Diplomacy

Cultural diplomacy promotes a nation's culture, values, language, and heritage to build and strengthen relationships with other countries and people. It is potent in fostering mutual understanding by building bridges between nations and is also a tool to foster the soft power of one or another state. As such, it is used by many nations. Not surprisingly, China has recognized the importance of cultural diplomacy for fomenting Beijing's soft power as one of the ways to strengthen

its global reach. As such, in recent years, China has been actively engaged in cultural diplomacy efforts in Latin America, a region rich in cultural diversity and historical significance, but also gradually becoming more open to extra-regional influence as one of the results of globalization manifested in trade liberalization, increased tourism and easiness of traveling to and from the region.

Since cultural diplomacy is a critical component of China's soft power strategy in Latin America, it receives priority as far as specific measures by the government in Beijing are concerned. The Confucius Institutes, which have proliferated throughout the region, are central to this effort. According to the list published by the Fundacion Andres Bello, there are 44

» The learning materials used in the Confucius Institutes are tools of sharp power representing only the “bright” side of today’s China, silencing the lack of fundamental human rights such as individual liberty, freedom of opinion and expression. «

Confucius Institutes in Latin America and the Caribbean and several so-called “Language Education Cooperation Centers” supported by the PRC (Fundacion Andres Bello, n. d.). These institutes promote Chinese language learning, cultural exchanges, and academic collaboration by offering language courses, cultural events, and educational exchanges, providing Latin American students and scholars with firsthand opportunities to learn about China in a positive light.

Examining the activities carried out by the Confucius Institutes in Latin America allows some scholars to confirm that the institutes serve as platforms for China to disseminate not only knowledge about Chinese culture, history, and language but also to promote political values different to liberal democracy, fostering a more profound division in Latin American societies (Hartig, 2015). This is because being funded -even if only partially in some cases- by the Chinese state, the learning materials used in the Confucius Institutes are tools of sharp power representing only the “bright” side of today’s China, silencing the lack of fundamental human rights such as individual liberty,

freedom of opinion and expression, other civil and political rights enjoyed by people in democratic countries, in addition to the growing inequalities among ordinary people in that country. As a result, for many people who attend the Confucius Institutes in Latin America, China is emerging as a “successful” alternative to liberal democracy, which has been a long-standing political choice of most American countries.

China also leverages media and entertainment to enhance its cultural influence. Chinese films, television programs, and music have gained popularity in Latin American markets, contributing to a positive image of China. Co-productions between Chinese and Latin American filmmakers have further facilitated cross-cultural exchanges. Besides, Chinese art exhibitions and museum collaborations have gained prominence in Latin America. These exhibitions display Chinese art and serve as a means of cultural diplomacy, fostering a deeper appreciation for Chinese history and artistic traditions. At the same time, however, these events do not offer opportunities to discuss the current developments and the strengthening of autocratic tendencies in China since their format does not allow such debates. Still, the opening of exhibitions is usually attended by China’s ambassadors or other officials, who do not miss the opportunity to praise today’s economic successes of this nation that they link to the political system established back in 1949. In this sense, in Latin America, China enjoys a more expansive maneuvering space than, for example, in Europe or the United States, where public opinion is much better aware of the nature of the political regime in Beijing.

## Diaspora's Engagement as a Soft Power Tool in Latin America

Knowing the exact number of Chinese descendants in Latin America is challenging. Still, scholars agree that millions of people of Chinese heritage live permanently in the region (Tan, 2013). Moreover, lately, Beijing has been showing a keen interest in engaging the diaspora globally, including Latin America, hoping the Chinese of Latin America can serve as a soft power tool for the Chinese government (Denardi, 2019). There are several reasons behind this interest. Firstly, the Chinese diaspora in Latin America often maintains strong ties with their homeland, which can lead to cultural exchanges between China and Latin American countries. This can include traditional Chinese festivals, cuisine, language classes, and cultural events that foster a deeper appreciation of Chinese culture. Besides, many members of the Chinese diaspora in Latin America are involved in business and trade. Their economic activities can help strengthen trade relations between China and Latin American nations. China can leverage these connections to expand its economic influence in the region. In addition, Chinese diaspora members involved in academia can facilitate educational and research collaborations between Chinese and Latin American institutions. This enhances China's image as a center for learning and innovation.

At the same time, those Chinese who reside in Latin America but maintain personal and commercial ties with their homeland have severe limitations when speaking openly about things Beijing does not want to be spoken out. They are aware that criticizing China's authorities, partic-

ularly the way the Communist Party governs the country, or pointing out the lack in China of many of the freedoms the members of the Diaspora enjoy in Latin America may result in sudden difficulties in doing business with China or even the risk of detention while visiting the homeland. Therefore, for Beijing, the diaspora serves as a perfect permanent soft power resource, which is used to shape a positive image of contemporary China, especially taking into account the fact that many members of the diaspora are well integrated into local communities and things they say are more trusted by locals than the one coming directly from China's official communications. In this context, members of the Chinese diaspora can represent Chinese interests in Latin American politics, either being elected as political representatives or forming pressure groups advocating for policies that align with China's objectives.

## Will All Roads Lead to Beijing in the Future?

What is behind China's cultural diplomacy and diaspora's engagement in Latin America? One of the primary motivations behind China's efforts to advance its cultural diplomacy and work more extensively with the diaspora in Latin America is its ever-expanding regional economic presence. China has become a significant trade partner for many Latin American countries. Investments in infrastructure, energy, and natural resources accompany this trend. By fostering cultural ties, China aims to create a more favorable environment for its economic activities, thus ensuring the stability of its investments and



Chinese new year lantern in Chinatown area.

access to resources. Nevertheless, while the aim of improving the reception of China as a trade partner and a major foreign investor via soft power can be considered legitimate, China's cultural diplomacy in Latin America can also be seen as a challenge to the democratic traditions in the region. Latin Americans share these traditions with Western countries, but the West does not own them. These traditions are Latin American to the same degree as they are European or of the United States. In this sense, it would be wrong to view the use of soft power by China as an attempt to counterbalance the historical influence of Western countries in the region only. By counter-positioning non-democratic values to liberal democracy as an alternative path to economic success, China seeks not only to diminish the dominance of Western institutions and liberal world order but

also to recruit governments and people of Latin America to support its new global initiatives that aim at redesigning the architecture of future world order.

China seeks [...] to recruit governments and people of Latin America to support its new global initiatives that aim at redesigning the architecture of future world order.

As China's influence in Latin America continues to grow, Beijing is convinced that projecting a positive image of the country among the elites and public opinion must accompany this process. Cultural diplomacy and diaspora engagement allow China to present itself as a cultural and intellectual powerhouse, not just an economic one. This contributes to a more appealing image of China in the eyes of Latin American nations and diminishes the value of the fact-based critique by

the Western countries of human rights violations by China and the lack of fundamental freedoms, transparency, and accountability of the Chinese authorities. In the context of the decline of the support for democracy as the preferred form of government in many parts of the world, China has emerged as a new solid reference for another way of “doing politics” thanks to the successful use of soft power.

Judging by the latest developments, including the expansion of the BRICS by inclusion- among others- of new members from Latin America and the absence of China’s leaders at the 2023 G-20 meeting, there is little doubt that the struggle to establish new rules in the international arena has intensified. Hence, given the geopolitical and geoeconomic importance of Latin America in the Western hemisphere, it is likely that from China’s perspective, in the future, all major political and economic roads from the region should lead to Beijing. The success of this endeavor depends on many factors, and it is too early to insist on one or another definite outcome of China’s policies toward Latin America. What is certain is that it is an ongoing process in which Beijing does rely on the use of its soft power. Besides, it is already possible to evaluate the current impact of China’s soft power in the region.

### **Impact of China’s Soft Power in Latin America**

In recent years, China’s cultural diplomacy efforts have contributed to the emergence of a view that Latin Americans today understand Chinese culture, values, and society much better than at

**» China seeks [...] to recruit governments and people of Latin America to support its new global initiatives that aim at redesigning the architecture of future world order.«**

the beginning of the 21st century. Nevertheless, while it is true that there is an increased awareness that has reduced cultural misunderstandings and stereotypes, China remains an enigma for the majority of the region’s elites and public opinion, at least if compared with the level of cultural awareness of Latin Americans regarding the United States and Europe.

The proliferation of Confucius Institutes and Chinese language courses did result in an increased number of Latin Americans learning Mandarin. Even so, the number of people who have mastered Mandarin to the degree that it now serves as the linguistic bridge facilitating communication and strengthening ties between the two regions remains low. Similarly, although cultural exchanges created a two-way flow of ideas and creativity, and Latin American culture -including music, dance, and cuisine- has found its place in China, enriching the cultural landscape in both regions, the impact of these developments on overall cultural ties between the two regions is small.

China did achieve something else, however. Thanks to the skillful use of soft power tools, it has built a quite positive image of this country in Latin America, which -despite having a political system that differs from a liberal democracy- has managed to become a true superpower that

rivals the United States and the developed countries of Western Europe. The ambiguity of the image of China, which for current Latin America is neither a complete stranger nor a thoroughly familiar acquaintance, perfectly serves the strategic interests of the Asian giant. In particular, cultural diplomacy initiatives will likely indirectly bolster economic ties. At the same time, a more positive perception of China has encouraged business partnerships, trade agreements, and investments between China and Latin American nations.

Many more people hold a favorable view of China in Latin America than in Europe and the United States (Silver et al., 2023) since here there is no solid public discussion of the gray areas of China's development and political models, which are often praised by the governments of the new pink tide who view Beijing's role in the region as the answer to their aspirations to cut ties with the United States and other Western powers. A positive image of China facilitates those leaders to avoid any noteworthy public questioning of the policies that seek to establish dependency links to Beijing.

### **China's Soft Power in Latin America: Challenges and Opportunities**

China's soft power initiatives in Latin America represent a multifaceted approach to strengthening cultural ties, enhancing mutual understanding, and expanding its regional influence. These efforts have yielded positive results since political and economic collaboration can partly be attributed to the success of cultural diplomacy, diaspora engagement, positive media coverage, and strategic

**» China's soft power efforts in Latin America can be seen as a way to counterbalance the influence of the United States and other Western powers in the region.«**

communication. However, China's soft power is facing several challenges.

Firstly, as China continues to engage in cultural diplomacy and advance its strategic communication in Latin America, it must balance between the efforts to advance its cultural and political values in the region and respecting the political openness of Latin American societies and their commitment to human rights. As a result, to a large extent, Beijing has managed to avoid the emergence of broad public debates on the pros and cons of doing business with China. In this way, China is building enduring bridges of cooperation with its Latin American counterparts, fostering a more sustainable *modus operandi* suitable to accommodate uncertain future scenarios in which it aspires to play a decisive role.

At the same time, China's soft power strategy in Latin America does include political influence, both at the bilateral and regional levels. China engages in diplomatic efforts, including high-level visits, to strengthen its relationships with Latin American governments. In particular, China fosters diplomatic alliances with individual countries and regional organizations like the Community of Latin American and Caribbean States (CELAC). These alliances often involve discussions on global issues, such as climate change and inter-



national governance, in which China seeks to present itself as a responsible global actor whose policies are based on values different from the ones promoted by the West but “suitable” –according to Beijing– to build “mutually beneficial relations.” Similarly, China provides political support to many developing countries (including Latin America) in international forums like the United Nations, positioning itself as a non-intervening power guided by a traditional Confucian approach and “millennium-old” values (Song et al., 2023).

Last but not least, China’s soft power efforts in Latin America can be seen as a way to counterbalance the influence of the United States and other Western powers in the region. By presenting political values different from liberal democracy as a viable alternative to political organization, China challenges not only the Democratic Charter of the Americas but also the security in the region since the prevalence of like-minded democracies is the key to the stability in the Western Hemisphere: democracies do not go into war with each other. Hence, expanding China’s soft power in Latin America has added a new dimension to China’s competition with the West. The tensions are rising, and there is a call for responsible actors from inside and outside Latin America to understand better the impact of China’s soft power in this part of the world.

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# China's FTA Competitiveness in Latin America

AYA ADACHI

China's ascent as a prominent FTA partner is sparking concerns over trade asymmetry. Still, development opportunities remain of key interest for Latin American governments. Compared to initiatives by other major players, China's FTA track record aligns with Latin American countries seeking quick economic boosts.

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Over the past few decades, China has rapidly ascended to the status of a major trade partner for Latin America, fundamentally reshaping the economic dynamics of the region. In the year 2000, Latin America's exports to China were a mere fraction, comprising less than 2%. However, in the eight subsequent years, trade between China and Latin America experienced remarkable growth, with an average annual rate of 31%, culminating in a substantial value of USD 180 billion by 2010. As of 2022, the trade volume reached a historic high of USD 482.6 billion. Some economists even estimate this number could surge beyond USD 700 billion by 2035.

China's rise as an economic powerhouse fueled its appetite for natural resources, agricultural products, and manufactured goods. Latin American nations, endowed with abundant commodities and resources, found a lucrative market in China's growing demand. This synergy led to the establishment of extensive trade relationships, with countries like Brazil, Chile, Peru, and Argentina becoming prominent exporters of minerals, soybeans, oil, and other raw materials to China. Simultaneously, Chinese manu-

**» Latin American nations, endowed with abundant commodities and resources, found a lucrative market in China's growing demand.«**

facturers flooded Latin American markets with affordable consumer goods, electronics, and machinery.

As a result, trade imbalances between China and Latin America have become a salient aspect of their economic relationship. This trade asymmetry has led to concerns about the long-term sustainability of the Latin American region's economies, as heavy reliance on exports of raw materials can leave them vulnerable to fluctuations in commodity prices. The influx of higher-value-added Chinese goods, which are often competitively priced, can also pose challenges to local industries and hinder the growth of domestic manufacturing.

At the same time, China's activities in the region continue to offer economic opportunities. Investments in infrastructure, energy, and telecommunications projects have become instrumental in supporting

the region's development aspirations. Countries in the region are seeking Chinese financing, lending and investments, and preferential access for their exports to China.

Encouraged by the dynamic ties that have undoubtedly brought economic benefits, China has emerged as a compelling partner for engaging in trade agreement negotiations. The enthusiasm for trade agreements underscores a strategic pivot towards attempting to harness China's growing appetite for commodities and products. China swiftly sealed an accord with Ecuador in early 2023 after only ten months of negotiations and has engaged in talks with Uruguay, illustrating its dynamic approach to bolstering ties in Latin America. This interest in concluding agreements is not exclusive to China but aligns with an apparent increase in general demand for trade agreements across the region under the leadership of current Latin American governments. For example, Uruguay, Costa Rica, and Ecuador have formally applied to join the CPTPP. Moreover, despite longstanding difficulties, the negotiations of the EU-Mercosur agreement have gained renewed momentum and seem more likely to be concluded.

### China's FTAs as a Key Instrument of Foreign Economic Policy

For states worldwide, Free Trade Agreements (FTAs) remain a key instrument to frame and shape economic ties with partners. With the World Trade Organization (WTO) in crisis, given stalled multilateral negotiations, criticism of its judicial activism, and de facto rulemaking, China – like most other countries

– uses FTAs to promote trade and trade regulation. In contrast to other Chinese instruments of foreign economic policy, such as the Belt and Road Initiative (BRI) or the more recent Global Development Initiative (GDI), FTAs are more formal binding agreements negotiated and tailored to bilateral economic relations. As a result, Chinese trade agreements can vary significantly in scope and depth depending on the partner.

China's FTAs are characterized by a scope that predominantly emphasizes trade in goods while displaying limited liberalization and regulatory coverage in the investments and services domains. These agreements primarily concentrate on reducing tariffs and facilitating merchandise exchange between China and its trade partners. In contrast to US, EU, or Japanese agreements, Chinese FTAs include neither substantial coverage, procurement, or competition provisions nor labor and environmental regulation.

### China's Evolving Presence in Latin America

China's prominence in the region has been notably amplified by its strategic outreach in recent years. Employing a charm offensive, Beijing has elevated its diplomatic involvement, exemplified by initiatives like the China-CELAC (Comunidad de Estados Latinoamericanos y Caribeños) Forum. Not only has this effort strengthened relationships, but it has also fostered collaboration and investments across diverse industries. Furthermore, China has extended its attention to Latin America in the context of the BRI, emphasizing its evolving priorities and



engagement in the region. With 21 Latin American countries participating in the BRI and Argentina signing a memorandum of understanding on Belt and Road cooperation, China continues to make inroads in the region.

The landscape of FTAs between China and Latin American countries has undergone significant development in recent years. Chile was the first Latin American country that China signed an agreement with. The FTA was signed in 2005 and entered into force in October 2006. Since then, China has finalized agreements with Peru in 2009 and Costa Rica in 2010. Following the recent conclusion of the agreement with Ecuador, China has moved on

with its current bilateral talks with Uruguay. Negotiations with the latter are seen as a potential obstacle not only to a multilateral deal between China and Mercosur – which comprises four countries, including Argentina, Brazil, Paraguay, and Uruguay – but also as a factor that could exacerbate regional fragmentation. This new momentum of initiating and concluding agreements between Latin American countries and China signals government commitment to creating a stable environment for conducting business.

According to data released by the General Administration of Customs in the People's Republic of China, the estimated total value of trade between China and

the LAC region – Latin America and the Caribbean – reached USD 482.6 billion in 2022. That same year, China’s imports from the LAC region accounted for USD 231.1 billion, with ores (32%), oil seeds (18%), and mineral fuels and oil (12%) constituting the primary imports. On the other hand, China’s exports to the region amounted to USD 251.5 billion, with key exports encompassing electrical machinery and equipment (23%), machinery and mechanical appliances (14%), and motor vehicles and parts (8%).

Notably, China stands as the largest trading partner for Brazil, Chile, Peru, and Uruguay, and holds the second-largest trading partner position for numerous other countries within the region. While China’s foreseen deceleration in economic growth in the near future might lead to reduced demand for Latin American and Caribbean exports and decreased capital flows from China to the region, its continued economic engagement remains significant.

The economic relationship between China and Latin America presents a complex interplay of opportunities and challenges. Latin American countries benefit from expanded markets for their commodities, which fuels economic growth. Simultaneously, they face competition from Chinese products that can strain local industries. China, on the other hand, secures resources crucial for its rapid industrialization while risking to exacerbate trade imbalances. Moreover, as investment grows, concerns over debt sustainability and environmental impact emerge. Chinese financing in the region has come with strings attached, requiring borrowing countries to pay back part of their loans with oil, to purchase Chinese equip-

ment, and to provide Chinese firms with market access to telecommunications and energy. A report delivered to the UN Committee on Economic, Social and Cultural Rights included 14 cases from nine Latin American countries noting some examples of environmental hazards or human rights violations. This intricate web of economic effects requires nuanced policy decisions to maximize gains and address potential drawbacks as China and Latin America navigate their evolving economic relationship.

## Geoeconomic Competition in Latin America

The rising influence of China in Latin America poses a multifaceted challenge to players like the EU and the US, impacting both commercial and geopolitical interests. China’s robust engagement through trade, investments, and infrastructure projects positions it in direct rivalry with the EU and the US for resource access and market presence. Moreover, China’s ability to offer a vast alternative export market and substantial funding has allowed it to secure major infrastructure contracts and cast itself as a compelling partner for Latin American countries.

Simultaneously, countries within the region can capitalize on this competition as an opportunity to enhance their economic position. By diversifying exports, fostering value-added industries, and engaging in balanced negotiations for trade agreements with other major global players, these partners can provide a pathway toward countering China’s dominant influence and addressing trade imbalances more effectively. To do

so, countries in the region are turning to deals such as the EU-Mercosur Agreement, the Americas Partnerships for Economic Prosperity (APEP), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The initiatives, however, differ significantly in terms of scope, depth, and platform and the circumstances under which they are being negotiated. In comparing EU-Mercosur, CPTPP, and APEP, it becomes evident that these trade initiatives exhibit distinct characteristics, each with its own set of challenges and potential benefits in shaping the economic landscape of their respective regions.

### The Momentum of Trade Deals: A Comparison Between EU-Mercosur, CPTPP, and APEP

The EU-Mercosur negotiations, spanning nearly two decades, have continued to grapple with core issues. The most salient debates revolve around the EU's demands for expanding the Mercosur market to industrial goods, which are in part protected by high import duties, and the opening of public procurement for European companies. In turn, Mercosur demands better access for their competitive agricultural exports to the highly protected European agricultural market. Both parties reached an agreement in principle in 2019. But since then, the preliminary agreement has been reevaluated. Since the 2019 EU Parliament election and the shift towards the EU Green Deal, the agreement has faced strong criticism from the European agricultural lobby, green parties, and environmental activists. A broad "Stop EU-Mercosur" coalition of 450 civil soci-

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ety organizations and social movements both from Europe and South America has been organized against the agreement. Nonetheless, negotiations have resumed recently, and it remains to be seen whether the agreement will be implemented.

The APEP stands as the US economic initiative directed towards Latin America. Following the withdrawal from the Transpacific Partnership under President Trump and in an era of strong domestic opposition against trade agreements, APEP is the US solution to effectively foster engagement with the region and counteract Chinese influence without committing substantial political capital or relying on the US Congress for ratifying the deal. Thus, APEP allows circumventing a legislative process and will not result in a binding agreement in the near future. It will include little to no concrete instruments, as it lacks any dispute settlement process or treaty interpretation mechanism. With these limitations, APEP is unlikely to move beyond existing international obligations—such as the ones posed by the WTO or the International Labor Organization (ILO). Thus, APEP mainly serves as a transparency, information-sharing, and coordination mechanism.



In contrast, the CPTPP, involving eleven members in the Asia-Pacific region, including New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Vietnam, stands out as an agreement characterized by its emphasis on high-level standards and comprehensive scope. The pact already includes three Latin American members. Designed to be both dynamic and progressive, the CPTPP allows for adjustments in response to evolving circumstances while remaining open for potential candidates and offering a future re-entry option for the United States. The allure of CPTPP membership has garnered interest from a diverse range of contenders, among them South Korea, China, Tai-

wan, Ecuador, Costa Rica, Uruguay, and Ukraine. The conclusion of negotiations with the United Kingdom in July 2023 marks a significant milestone, indicating the inaugural accession case and setting a noteworthy precedent for subsequent candidates, with implications for China's aspirations. While several Latin American candidates have applied, it will likely take a long time to go through negotiations and formally join the agreement.

To sum up, long-standing EU-Mercosur negotiations face renewed challenges; APEP focuses on engagement but lacks binding agreements; and the dynamic CPTPP gains traction with global interest and an eye on China's role. While all initiatives, if and when implemented, could



contribute to diversifying Latin American members' trade and investment relations vis-à-vis China, their slow progress shows that China is much more effective and faster in concluding such agreements. Whereas the EU and the US are facing domestic constraints in finalizing their initiatives with Latin America, and the CPTPP application process will likely take several years, China's offer is much more tangible in comparison, making it a more compelling partner to conclude an agreement with in the short-to-medium term.

### Reevaluation of China's Engagements in Latin America: Strengths and Limitations

With formidable strengths such as robust trade relations, strategic investments, and ambitious infrastructure projects, China has emerged as a driving force behind economic growth and development in several Latin American countries. However, this ascent is not without limitations, including concerns over trade imbalances, dependency risks, and potential environmental and labor issues.

### China's Dominance in Infrastructure and Finance

Chinese companies have significantly enhanced their competitiveness in Latin America, particularly in infrastructure development, dam construction, and electricity grids installation. Chinese firms have gained recognition for their ability to execute large-scale projects efficiently, bringing modern infrastructure and energy solutions to the region. Their activ-

» **China's offer is much more tangible in comparison, making it a more compelling partner to conclude an agreement with in the short-to-medium term.** «

ities span from the construction of refineries and processing facilities for various resources like coal, copper, gas, oil, uranium, and lithium, to substantial participation by state-owned Chinese entities in over 50 energy development initiatives across 15 Latin American nations. Furthermore, Chinese involvement extends to expanding ports, airports, highways, and railways.

Additionally, Chinese banks have become pivotal providers of alternative funding sources, injecting fresh momentum into projects that might have otherwise faced financial constraints. China's approach to lending and funding has introduced an appealing alternative that frequently offers more flexible terms and expedited decision-making processes compared to traditional financial institutions by multilateral banks or banks from OECD countries. Over the past two decades, Chinese state-owned policy banks, specifically the China Development Bank and the Export-Import Bank of China, have committed multiple loans to the LAC region. As reported by the Inter-American Dialogue, between 2005 and 2022, LAC countries accumulated a combined Chinese borrowing of USD 136.5 billion. These funds have been primarily allocated to the energy sector (66%) and infrastructure initiatives (19%).

This strategic combination of technical expertise, reliable execution, and innovative financing has propelled Chinese companies and banks to the forefront of infrastructure and energy endeavors in Latin America, fostering development and reshaping the region's economic landscape.

### Unveiling China's Competitive Shortcomings in Latin America: Environmental Sustainability, Services, and Investments

As China's influence continues to grow, Latin American nations are tasked with striking a delicate balance between reaping the rewards of this partnership and safeguarding their long-term interests. It is therefore essential to evaluate China's limitations and gaps in the region.

China's presence in Latin America is still relatively minor in some spheres. Regarding the services trade area, China remains a subordinate partner, scarcely quantifiable. In comparison, the EU holds a much more substantial position as a trading partner in services, with services exports to Mercosur amounting to EUR 17.2 billion and imports from Mercosur reaching EUR 7.7 billion in 2020. This exchange yielded a services trade surplus of EUR 9.5 billion.

While China has only recently emerged as an investor in the region, the EU remains a primary investor in Latin America. In the Mercosur region alone, the EU's accumulated stock of investment has gone up from EUR 130 billion in 2000 to EUR 330 billion in 2020. Between 2005 and 2022, Chinese entities directed investments totaling USD 148.9 billion into the LAC countries. Notably, Brazil stood out

» The flip side of Chinese loans is that they typically diverge from the policy conditions and environmental safeguards commonly associated with major international financial institutions. «

as the recipient of USD 66 billion (44% of this investment), followed by Peru with USD 25.5 billion (17%). The majority of these investments, comprising USD 62 billion, were allocated to energy projects, while metals/mining secured a significant share of USD 21 billion. Additionally, the database illustrates that construction projects by the People's Republic of China within LAC during the same period reached a valuation of USD 68.6 billion. This allocation benefited predominantly the energy sector (50%) and the transportation sector (30%). Given the focus on resources and energy-related investment, along with scarce manufacturing investment, China's activities in the region provide limited value-added production and contribute little to the local economy.

While Chinese lending has emerged as an important alternative source to OECD countries, the flip side of Chinese loans is that they typically diverge from the policy conditions and environmental safeguards commonly associated with major international financial institutions. Instead, they often present a blend of preferential and commercial terms, frequently accompanied by stringent confidentiality clauses. In recent years, Chinese lending in LAC has declined, a phenomenon attributed to factors such as diminished demand

for Chinese financing, shifts in Beijing's management of its foreign exchange reserves — a source of loan funding —, and increased risk aversion among Chinese lenders.

## Seizing Opportunities and Balancing Acts: China's Strategic Window in Latin America

The current landscape presents China with a strategic window of opportunity to forge agreements with Latin American nations. The region's growing interest in cooperating with China, its inclination towards trade liberalization and FTAs, and the alignment of China's commercial interests with Latin American development aspirations expedite this process. These factors make China appealing as a partner, especially when contrasted with the potential complexities of other initiatives.

In the broader context, prospects for tangible outcomes from initiatives like APEP remain uncertain, the EU-Mercosur agreement advances at a slow pace, and the accession to the CPTPP could entail a protracted timeline. In light of these challenges, Latin American countries might find it easier and faster to conclude agreements with China, given the favorable conditions of swift negotiations and barrier removal to access the vast Chinese market.

However, it is essential to acknowledge the potential imbalances that could arise from China's typically trade-focused agreements. As these agreements predominantly emphasize trade in goods, they risk of exacerbating existing asymmetries rather than diversifying the region's economic ties more evenly. As Chi-

na continues to solidify its role in the Latin American economic landscape, it becomes paramount for both parties to seek mechanisms that address and mitigate these trade imbalances.

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# China's Uncertain Trail in Latin America

JUAN PABLO CARDENAL

More than two decades have passed since China's landing in Latin America. This span provides a field of vision that makes one thing evident: the socio-environmental impact and other pernicious effects have overshadowed the benefits of Chinese presence in the region. Contrary to the elite's optimistic discourse, Latin America risks falling into economic dependence and political subordination to China.

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The new world that emerged from the pandemic brought nothing less than the end of globalization as we knew it and the rise of two ideologically and geopolitically opposing blocs, namely the United States and the free world versus the world autocracies led by China. A third bloc, which includes most Latin American countries, has shown discomfort at the prospect of being forced to choose sides. Still, the geopolitical realignment seems unstoppable and occurs in an era of economic fallback, questionable leadership, and future uncertainty. It is a dangerous mix.

In this turbulent context, the ongoing question of how far to take relations with China resurfaces in Latin America. A logical response is to analyze how beneficial this partnership is for Latin America and whether it is a win-win relationship, as Beijing's rhetoric claims. Due to its complexity and nuances, it is not easy to delve into this phenomenon. But in 2023, we can count on a factor that we did not have until recently to support an accurate analysis: more than two decades of field of vision in the region. Today, the imprint of the Asian giant is altogether discernible.

The kick-off for Chinese internationalization took place at the turn of the cen-

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tury. Since the 1980s, China offered various incentives for foreign investment, including an endless supply of cheap labor. In 2001, when the country accessed the World Trade Organization (WTO), prompting a tariff reduction, many companies relocated their production to China. Becoming the factory of the world and urbanizing the country – two enterprises highly dependent on raw materials – became the driving forces of the Chinese economy. That was when Beijing decided to “head outside” to ensure supply.

China used all the ammunition of its state capitalism to serve this strategic need. Large state-owned companies led the economic offensive in Latin America and other regions with abundant resources – as they do today. Moreover, the

two leading Chinese development banks opened the sluices of easy and cheap money. And so the show began: million-dollar investments to exploit deposits throughout the continent; on-demand loans, most of them confidential; ‘turnkey’ infrastructure projects, unbeatable in terms of financing, speed, and price; and a growing Chinese demand that skyrocketed trade, exports, and royalties. It was a winning bid.

## Honeymoon and Dependencies

It was also a very seductive bid for Latin American governments and elites. Everything went smoothly for the first decade: there was a financial open bar, commodity prices went through the roof, and Chinese demand pulled robustly on the GDP of many countries. Politics reached where economics could not. Estranged from the United States, the Kirchners, Chávez, Correa, and the like threw themselves into the arms of the new messiah. It was not evident then, but during that honeymoon, Argentina, Venezuela, Ecuador, and other countries shaped their current financial and commercial dependence on the Asian giant.

The figures resulting from the Chinese presence in Latin America – even if fragmented and not fully transparent – speak for themselves. Bilateral trade went from USD 14.6 billion in 2001 to USD 450 billion twenty years later. During that period, China invested USD 172 billion in the region, built some 200 infrastructure projects, and granted loans worth USD 209 billion (including those by commercial banks), a quarter of the total credit granted globally by Chinese financial entities. Such power, seasoned with the myth of the “Chinese miracle,” planted the idea in the

social imaginary that China’s contribution to the development and prosperity of Latin America was decisive.

However, reality is much more confusing. It is plain that a landing of such magnitude brings benefits and opportunities to the region: infrastructure that would otherwise not exist, employment (albeit of low quality), and tax revenues linked to exports. But China is not all that decisive in all countries. In Mexico, the Caribbean, and Central America – excluding Panama – Chinese presence is relatively modest. Then again, in South America, where it is transversal, not everyone profits. Some countries benefit, others gain less revenue than they declare, and others have small gains.

Furthermore, China has typically allocated most of its investments and loans in Latin America to extractive and infrastructure projects. These two sectors are not only problematic by nature – combined with the *modus operandi* of the Chinese development model, they form an explosive cocktail so far-reaching in terms of environmental, social, or labor impact that everything else China can offer remains largely overshadowed. Evidence of this impact lies in a report by various Latin American civil organizations. In 2023, they denounced the “serious human rights abuses” and the environmental impact of 14 large-scale Chinese projects in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, and Venezuela (ISHR, 2022).

## Low Standards and Malpractice

Labor abuse, dispossession, and the destruction of nature have terrible effects on local populations. In these rights violations, one may distinguish the hallmark



Cranes in the port of Valparaíso, Chile.

of China's internationalization – corporate low standards and malpractice. After 20 years of Chinese activity in Latin America, one can conclude that these are not unusual or exceptional but rather repeated and transversal. The decline of institutions in some countries contributes to the perpetuation of this scheme. The best example illustrating this situation is Peru, where China is the leading actor in mining, but conflict and violence are recurrent in its projects.

The absence of checks and balances fuels excess. China does not oversee its companies' operations overseas nor subject them to public scrutiny. Since Chinese investors do not receive social, economic, or legal punishment for their abusive behavior, they have no incentives to introduce responsible guidelines that minimize the impact of their projects. Western corporations, by comparison, even with their

own history of wreckage, are much more closely monitored nowadays and theoretically cannot ignore good practices without paying a price.

The above is not the only harmful outcome of this relationship based on natural resources. Another consequence is the reinforcement of Latin America's position as a mere supplier of raw materials, which is not necessarily a bad business but does not generate wealth in the long term. With 61% of the world's lithium reserves in Argentina, Chile, and Bolivia, a new opportunity arises – maybe in electric car production – for Latin American governments to demand from China just what this Asian country has required from its investors for the last 35 years: to invest in value-added industries. A demand of this nature is not something alien to Beijing.

More than 80% of South American exports are natural resources and commod-

ities whose primary buyer is China, with 37% of the total acquisitions, more than the combined sum of the United States and the European Union (EU).<sup>1</sup> China is also the principal seller of finished goods and high-tech manufactures in the Latin American region, which positively points to a classic neocolonialist pattern. Even though China is the first or second trading partner of most South American countries, for most of them, the expectation of diversifying the export basket and adding value to their economy has been largely frustrated.

### Trade without Added Value

Such is the case of Costa Rica and Peru, two of the three countries on the continent having free trade agreements (FTA) in force with Beijing. A decade after enforcing its FTA, San José recognizes that “it has not been commercially successful.” After losing this opportunity with China, disenchantment reigns in the Central American country, which broke diplomatic relations with Taiwan in 2007. Regarding Peru, 96% of its exports to China are mining and fishing products, a trade that hardly adds any value. Conversely, 48% of its sales to the US and 43% to the EU are value-added products.

Furthermore, it is unclear whether the drop in tariffs produced by FTAs will pass on to consumers. “In highly concentrated markets, such as monopolies and oligopolies, tariff reduction does not necessarily translate into lower prices for consumers, since intermediaries have no incentive to

lower them. And Latin America is plagued by monopolies and oligopolies,” says Julio Guzmán, economist and former Peruvian presidential candidate. The fact that an FTA with China does not *per se* guarantee a healthier commercial relationship should serve as a navigation warning for Ecuador and Nicaragua, whose treaties are signed and pending entry into force. It should also raise red flags for Honduras, El Salvador, Panama, and Colombia, who have begun negotiations or shown interest in doing so.

Amid this scene, dependencies are generated that tie Latin America to China. Of the USD 90 billion that Brazil exported to the Chinese market, 56% were agro-foods, mainly meat and soy. This pattern echoes that of Argentina, where one should add a worrying financial dependence. Ecuador – forced to restructure its debt with Beijing a few months ago – and Venezuela share the same scheme: financing and discounts in hydrocarbons. The position of Chile and Peru is not very different since more than 80% of their sales to China are mining resources. In these two countries, the giant has acquired assets in the strategic electricity sector.

No matter how vital Latin America is for China’s supply of strategic natural resources and food security, it may not be the best idea to have so much exposure to a country whose macroeconomic situation is deteriorating and does not hesitate to retaliate against its trade partners for political reasons. There are indeed more reliable alternatives. Data dismantles the notion that the US and Europe have abandoned the region or are retreating: their volume of trade with Latin America doubles that of China and, in terms of investment, the Asian country represents only 3.5% of the total stock of the three blocs in the continent.

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<sup>1</sup> The figure does not include exports from Central America to China, whose volume in absolute terms is minor (Malamud et al., 2023: 94-100).





Chinatown in Lima, Perú

## The Responsibility of the Elites

Latin American elites bear responsibility in this entire picture. Until the pandemic, their view of China was optimistic. A mixture of myth and ignorance about the Asian country, economic necessity, and wishful thinking led to the general belief that the Asian giant had a fundamental role in the development and prosperity of the subcontinent. One can sense that Chinese efforts to spread a friendly story about their country and its intentions in Latin America contributed to this idea. To succeed in this enterprise, China invested enormous financial and human resources in *sharp* power, the authoritarian version of soft power. This commitment prevails today.

Rooted in this strategy, all sorts of Chinese entities have signed agreements with

the academic world and the media to influence those who should independently review Chinese activities in the region. To get close to decision-makers, the Chinese Communist Party (CCP) has deployed its silent diplomacy with Latin American parties of all ideologies. And a local elite recruitment program has attracted a network of influential allies. China has seduced journalists, academics, political representatives, and former diplomats with paid trips to the country. No matter how much they disguise these trips as training, their goal is to expose all these people to the regime's propaganda.

The intent is clear: to monopolize a discourse highlighting the benefits of cooperation with China and silencing its most controversial aspects. This strategy may account for the absence of critical analysis by some governments about

the course the relationship with the Asian power should take. Honduras is the latest example. A few months after breaking relations with Taiwan, it seems to have succumbed to Beijing's mermaid song – an FTA is under negotiation, Huawei is willing to enter the telecommunications sector, and several infrastructures are on the table, including a Chinese-financed inter-oceanic railway corridor. How the critical situation of 20 countries in debt with China will impact the Honduran Executive remains a mystery.

### The Silk Road: The Debt and the Noose

Global debt to China is impressive: it is nearly a trillion dollars and dates back to the beginning of its internationalization. Beijing is not the only creditor, of course, but it is the most noteworthy. And it bears responsibility because, in securing its access to markets and resources, it offered a financial open bar to low-income countries whose solvency would sooner or later be compromised. This snowball, combined with a teetering domestic economy and an unfavorable geopolitical context for Beijing, have compromised Xi Jinping's diplomatic star project: the Belt and Road Initiative (BRI) – a project that Joe Biden calls “the debt and the noose.”

Now what? Beyond any reasonable doubt, Latin America will continue to be a strategic territory for China to furnish itself with food and raw materials. However, after the end of the credit euphoria, it is foreseeable that Beijing will be much more selective in its participation in infrastructure projects, especially those of

great magnitude. Such is the case of the deep-water mega-port of Chancay, in Peru. Currently under construction, this port facility – paramount in the South Pacific – will be managed by its owner, the shipping company COSCO, a staunch associate of the Chinese regime. But unless they serve Chinese geopolitical interests, projects like this will be the exception and not the rule.

Ten years after Xi unveiled BRI, its economic aspect seems to have lost steam, which may be a setback for regions – such as Latin America – yearning for investment to alleviate their infrastructure deficit. Coincidence or not, amid economic uncertainty, Latin American governments of all ideological stripes, and very notably those of the radical left, except for Cuba, Venezuela, and Nicaragua, have opted for pragmatism, avoiding taking sides in the arm-wrestling dispute that Washington and Beijing are settling. At the crossroads of choosing a partner for 5G networks, only Costa Rica has officially refused to become allies with Chinese operators.

All in all, for Beijing and Xi Jinping, BRI continues to be a most valuable diplomatic tool, especially in the current context of geopolitical and ideological rivalry with the United States and the rest of the Western world. This initiative always projected the idea of an implicit exchange with the accessing countries, especially those in the developing world: the promise of economic opportunities in exchange for political and diplomatic loyalty to Beijing. However, the Belt and Road Initiative has now acquired special relevance as one of the global initiatives that Beijing promotes to attract the so-called Global South into its orbit.

## Undermining Western Democracies

To fulfill its objective, China seduces Latin America with the lure of its economic power and perfectly calculated slogans that sponsor “a shared future for humanity.” Because it is anti-Western, this narrative will always be well-received in some Latin American circles. Yet, it seeks to undermine liberal democracies and the whole system of alliances that, with the United States at its epicenter, cemented the world order that emerged after World War II. From its conception, BRI created two financial institutions akin to those of Bretton Woods, intent on laying the institutional foundations of a new international order dominated by Beijing.

Other global initiatives promoted by China, along with its highly malleable diplomacy in existing global and regional international organizations (from the UN and the WTO to the Shanghai Cooperation Organization) and its interest in expanding the BRICS club (with Argentina and, eventually, Venezuela joining in) share the same goal: to influence the rules that govern the world. Beijing seeks to spread the superiority of the Chinese development model and political system, which it considers more effective and superior in values to those of the West. But in the Global South, the magic word to expand its sphere of authority and influence global governance is “multilateralism.”

Xi Jinping aspires to change the current international order, which, in his view, grants hegemony to the US and excludes China. But this change does not necessarily seek to make the world more fair, as official propaganda broadcasts, but to make it safer for Chinese interests. This approach involves a perverse conse-

quence of which Latin America must be aware: an international order of this nature, based on a unity of nations economically dependent and, therefore, subordinate to China, is probably not the best path to prosperity and freedom in the region.

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HUAWEI



# China's Technological Power – Implications and Risks

TIM RÜHLIG

Technological competition is a central field of us-China power rivalry. Semi-protectionism, technical learning, targeted knowledge acquisition, party-state guidance without control and competition have made China an innovation powerhouse. This has increased China's influence on standardization. As a result, China's economic, political, security and ideational power has grown with risks for supply chain resilience, national security, liberal values and technological competitiveness.

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## Introduction

The United States and the People's Republic of China (PRC) have entered an era of competition for global power. At the heart of this power rivalry is a struggle over technology leadership in several strategic technologies, notably wireless infrastructure, semiconductors, Artificial Intelligence (AI), the Internet of Things (IoT), and quantum technologies among others. The underlying assumption is that command of these technologies is vital to national competitiveness, national security and the ability to shape global affairs. In 2016, the Central Committee of the Chinese Communist Party (CCP) and the State Council openly stated that “the emergence of disruptive technologies is reshaping global competition and the balance of power. [...] Our nation has a rare historic opportunity to catch up and leapfrog ahead, but is also confronting the severe challenge of a widening technological gap” (Central Committee of the CCP and State Council, 2016).

The idea that technological advancement is central to power rivalry is not new. Throughout history, technical knowledge has been a source of state power. Power,

« Throughout history, technical knowledge has been a source of state power. »

defined as the ability to force or persuade others to follow a preferred course of action they would not have otherwise chosen, is influenced by national capabilities. Technological advancement, in turn, can foster national capabilities ranging from economic strength to military capabilities and political reputation.

This is not to say that advanced technology automatically confers power. Intervening variables are multiple, ranging from political strategy to organizational structure, market power or leadership skill set (Lewis, 2022). However, to the extent that research and development of new technology (as well as their application) create real economic returns and accelerate military capabilities, innovation correlates with state power.

This is all the more the case that the digital transformation is penetrating all spheres of political, military, economic and societal life. Digital technologies and

connectivity alongside a new industrial revolution are driving the societal transformation.

This paper focuses on China's technology power. It starts by discussing how the PRC's technology power evolved and what China has achieved. Exploring a concrete example, China's ability to shape technical standards, is the subject of the following section. The paper closes by outlining a heuristic how China's technological capabilities translate into power and why this is considered problematic in large parts of Europe.

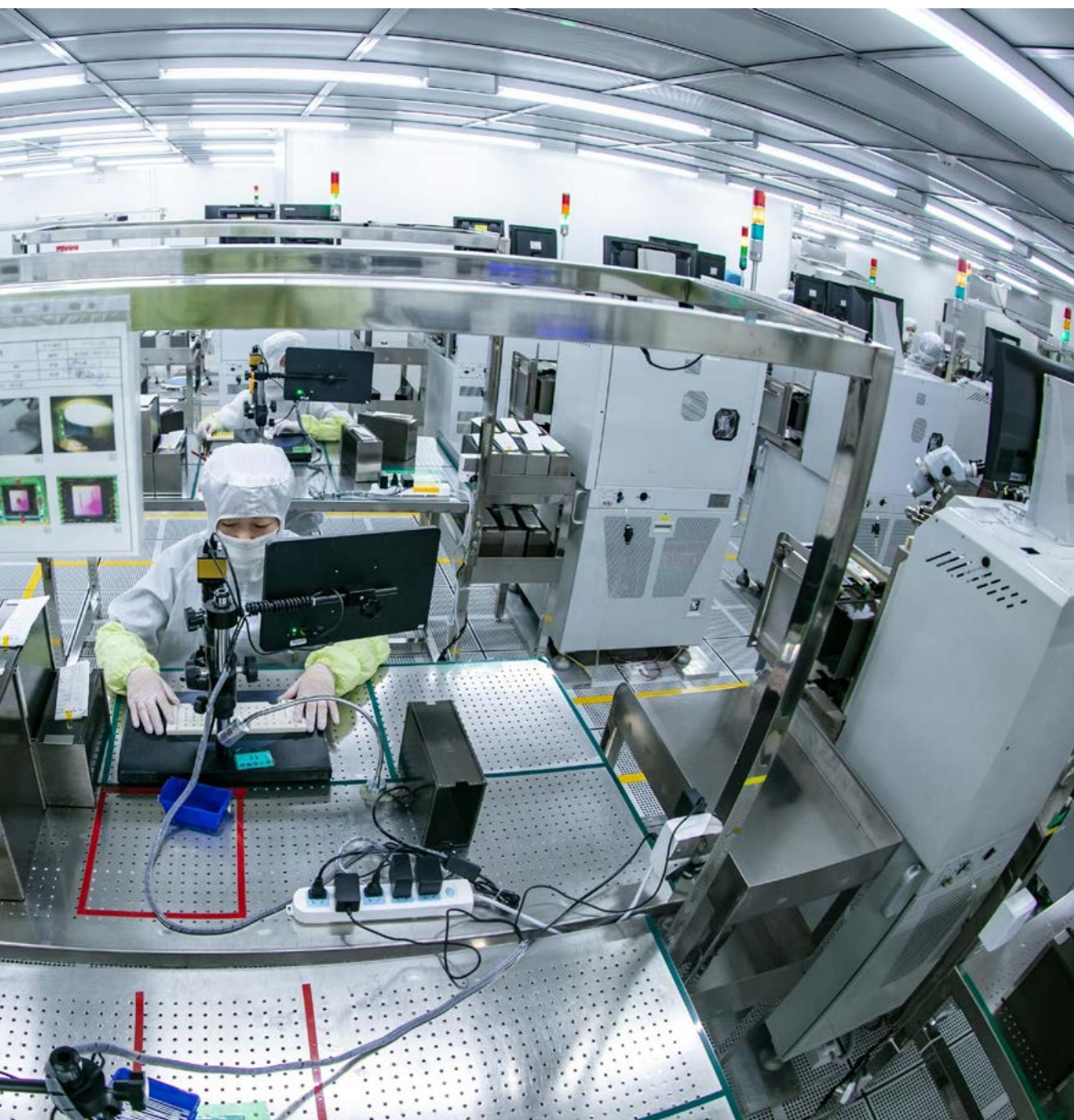
## China – an Unlikely Technology Power

China's emergence as a technology power presents many countries in the West with a reality they did not expect. For decades, Western digital prowess was largely ascribed to the beneficial combination of liberal democracy and free market capitalism. This combination alone provided the environment for inquiry, openness, and enterprise deemed necessary for technological success. Obviously, as a non-democratic, non-free-market state, China would be unable to emulate this success. As recently as 2014, journals such as the *Harvard Business Review* could get away with publishing articles on "Why China Can't Innovate" (Abrami et al., 2021).

This view turned out to have been misguided. Not only do Chinese capabilities now rival those of the EU and the US, but we have also underestimated the skills base that China has rapidly developed as a manufacturer of electronic goods designed or developed elsewhere. For at least the past decade, China has been an



integral and irreplaceable part of the global digital ecosystem, with considerable competitive advantages of its own. We therefore need to develop ideas and concepts that can account for China's competence in the field of technology and, more



broadly, for its growing global footprint. This may be difficult, as it removes the centrality of a western narrative that lies at the core of the self-perceptions of states and societies. However, as China has already profoundly reshaped the global dig-

ital order, the less time spent on coming to terms with the consequences, the better (Rühlig, 2022).

Today, almost no one continues to hold to the illusion that China is not innovative. Quite to the contrary, many

observers assume that China is on an inevitable path to success. The underlying argument is that if China was able to acquire significant technological influence under the unfavorable conditions of authoritarianism, it is hard to see any factor to stop the PRC.

Among many other assessments, the critical technology tracker of the Australian Strategic Policy Institute (ASPI) finds China to be a technology leader. Measuring research contributions, ASPI identifies the PRC to lead in 37 out of 44 critical technologies (Gaida et al., 2023).

### Neither Doomed to Fail nor Inevitably Successful

In contrast to such perspectives, I argue that the PRC is likely neither on an inevitable path of success nor doomed to fail. For a proper assessment, one needs to consider the conditions that led to the PRC's innovativeness. Five elements can be considered decisive:

*First*, partial protection of its markets for foundational and emerging technologies allowed China to absorb new trends from the West while protecting Chinese firms. The most prominent example is the Great Firewall that shields China's internet. Mostly seen as a tool of censorship and discourse control, the Great Firewall also has a commercial function, selectively protecting China's internet companies from foreign competition. While the internet is not freely accessible, the Great Firewall is easy to circumvent by means of virtual private networks. In other words, the Great Firewall is porous enough to allow innovation in without opening the Chinese internet sector.

*Second*, learning from the Western ecosystems has played an enormous role in China's innovation. Through means such as the Thousand Talents program, China has systematically aimed to attract ethnic Chinese talents back from Western universities and innovative companies to go back to China (Lewis, 2023). Engineers returning to China brought to the PRC not only specific expertise but also experience how innovation ecosystems function in the West.

*Third*, targeted acquisition of know how has been important to complement a lack of Chinese innovation capabilities. The PRC has used both legal and illegal means to do so. China's practices range from knowledge transfer as a condition of market access (Holmes et al., 2015:1154-1193) and acquisitions of high-tech companies by Chinese firms (Braw, 2020) to IP theft by means of espionage operations.

*Fourth*, China's party-state has made use of relicts of China's past as a planned economy without replicating detailed planning. For example, the PRC's Five-Year Plans signal party-state priorities to domestic actors (Heilmann, 2018). The state-dominated financial sector is unleashing enormous financial resources to serve the central leadership's policy priorities. Equally, local party-state feels encouraged to allow experimentation in fields of technology priorities – not least allowing for targeted deregulation that favors innovation in specific technology fields.

*Fifth*, China's market is characterized by severe competition. The PRC may not be a free-market economy, but the strong engagement of the party-state does not imply there is no competition. Instead, different regions strongly compete over market shares. An innovation-savvy



society further incentives companies to satisfy high consumer demands.

This implies that central party-state guidance is combined with commercial competition among companies. Europeans tend to discuss the role of US corporations in a critical way, but China is not a monolithic actor either. The public-private divide merits attention. While there is a considerable degree of proximity between Chinese corporations and the party-state, the recent regulatory wave targeting the digital sector demonstrates that it is incorrect to see Chinese corporations as a mere manifestation of CCP interests (Creemers, 2023). Even within government, security bodies have different interests to the military, or to the technological bureaucracy.

These “ingredients” have made the PRC an innovation powerhouse that cannot compete on efficiency but on scale. As a result, China has a strong position in the supply chains of emerging and foundational technologies and in this, some argue, may have surpassed that of the West (Allison et al., 2021).

When one considers more recent developments, however, the conditions favoring China’s innovativeness are put into question. New data regulations are an example of tighter control over of the semi-protected market (Tong & Xintong, 2023). Learning from the West gets more difficult as export controls also explicitly target cooperation in research and development (Kleinhans et al., 2023). Similarly, investment screening complicates foreign acquisitions and China’s market is rather closing at a time of decreasing growth rates. Hence, market access become a less efficient tool to incentivize technology transfer. Finally, newly creat-

» Learning from the Western ecosystems has played an enormous role in China’s innovation. «

ed institutions such as the Central Science and Technology Commission rather signal tighter party-state oversight instead of light signaling (Mok, 2023). The crack-down on private companies such as Alibaba in recent years has also put into question the confidence of private entrepreneurs.

Despite these unfavorable conditions to China’s innovativeness, the PRC is anything but doomed to fail. The five “ingredients” of Chinese innovativeness continue to generally persist despite gradual challenges. Only time will tell to what extent the changing conditions are negatively impacting China’s capabilities to innovate. Furthermore, one should not underestimate China’s abilities to adapt.

### China’s Standardization Power – Strong but not Dominating

One example of China’s growing influence in technology is its ability to shape technical standards. A number of documents and statements provide evidence of the strategic importance that the PRC political leadership attributes to technical standardization. Setting the technological rules, including on technical standards, is explicitly integrated into political ambitions to shape international affairs (Jinhong, 2018). In 2020, for example, Shu Yinbiao, a leading Chinese technical standardization official, argued that

the ability to shape international technical standard-setting is a reflection of a nation's power and competitiveness (China Huaneng Group, 2020). Similarly, technical standardization has been an integral part of macroeconomic planning in the PRC for quite some time.<sup>2</sup>

To enhance its standardization ability, China has carefully studied Western approaches, selectively amended these practices to serve its own state-permeated economy. The result is a strategic presence of Chinese party-state institutions and a politicization of technical standard-setting (Rühlig & Brink, 2021:1196-1221).

China's efforts to increase its influence over international standardization have yielded divergent degrees of success. In terms of technical leadership positions that are crucial to setting the agenda and shaping the standardization process, the PRC has gained influence in the International Standardization Organization (ISO) and the International Electrotechnical Commission (IEC). While China's share of leadership positions in ISO and the IEC is still below that of leading European countries and the US, the PRC's proportion is constantly growing. The PRC is keen to lead ISO standardization work in strategic economic sectors.<sup>3</sup>

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2 In 2015, the State Council issued the National Standardization System Construction and Development Plan for the five-year planning cycle of 2016–2020. In it, the Chinese government outlines ambitious plans such as participation in at least half of all international technical standard-setting activities or the utilization of overseas construction projects to export Chinese technical standards (State Council, 2015).

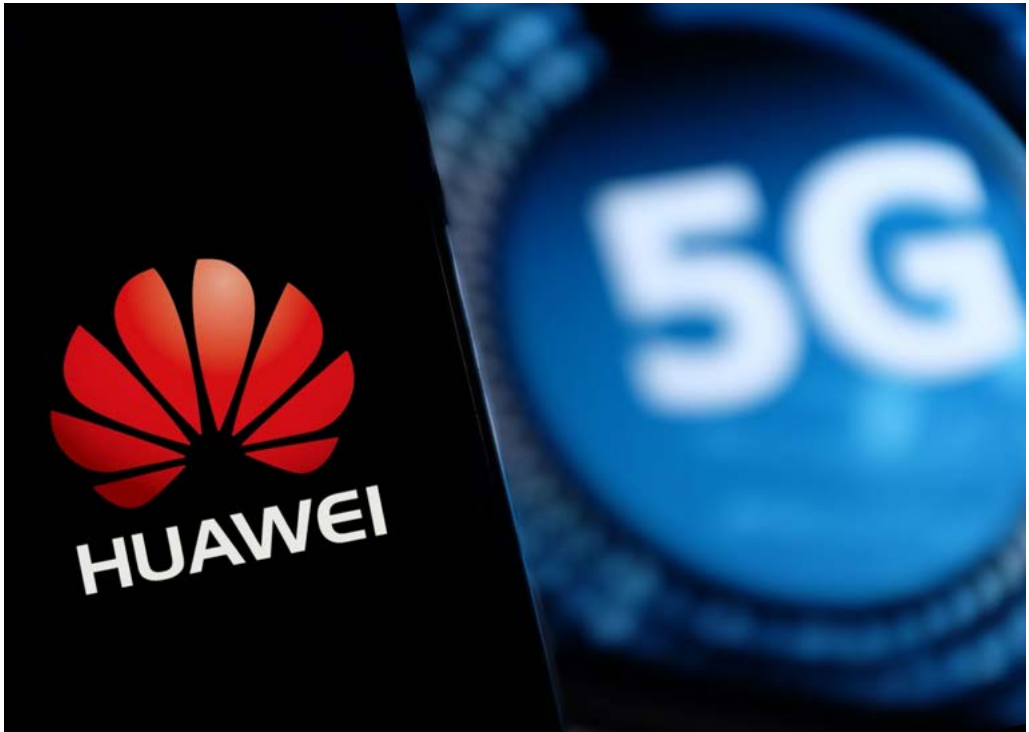
3 Between 2015 and 2020, China gained ISO and IEC secretariats for standardization of rare earths, foundry machinery, karst, transaction assurance in e-commerce, smart grid user interface, high voltage direct current transmission for DC voltages above 100 kV, low-voltage auxiliary power systems for electric power plants and substations and equipment for elec-

» China has carefully studied Western approaches, selectively amended these practices to serve its own state-permeated economy. «

Although China has increased its presence in ISO and the IEC, the PRC is far from dominating the two organizations. In the International Telecommunications Union's (ITU) Standardization Sector (ITU-T), China's influence is more apparent. In terms of technical leadership positions, China has gained a strong role in ITU-T. Study Group chair positions are almost equally distributed among leading ITU-T members. In the study period 2022–2024, the PRC fills one of 11 chair positions. Only Japan and South Korea have gained two seats each. Of the much higher number of study group vice-chairs, China secured 8.7%, ahead of South Korea (7.7%), Argentina, Japan, and India (5.8% each) in the current study period. China's share of leadership positions in the ITU-T working groups (including the Conformity Assessment Steering Committee) is even higher. In the study period 2022–2024, China has the largest share of chairmanships (24.2%), followed by Japan (15.2%) and South Korea (12.1%). If the vice-chairs are taken into account, China's lead becomes even clearer. While China's share amounts to 23.5%, the UK (9.8%), as well as Argentina and Tunisia (7.8% each) follow at a great distance.

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trical and electromagnetic quantities. In 2022, China obtained five out of nine new technical leadership positions namely those on brain-computer interfaces, enhanced oil recovery, heat supply networks, management consultancy and small hydropower plants.



If contributions to and work items submitted to ITU-T study groups are considered, China's engagement appears dominant. In 2021, Chinese entities submitted 54.4% of all contributions to ITU-T Study Groups (CIRA, 2022:22-23).

Just like in ISO and IEC, China's influence on ITU standardization varies across technology sectors. As a relative latecomer to international standardization, China is focusing its efforts on strategic sectors and new technologies that are yet to be standardized (Rühlig, 2023a).

Despite all these Chinese successes, the PRC is not dominant in all technical standardization within the ITU. For example, China was a latecomer to the standardization of quantum technologies and failed with its "New IP" proposal in the ITU. Similarly, it took the Standardization

Administration of China (SAC) until May 2020 to propose the establishment of a national blockchain standardization Technical Committee that mirrors the work of ISO at national level. The respective international Technical Committee was established in 2016.

This exemplarily demonstrates that China has gained enormous influence over the rules and standards that shape new technologies, but it is far from dominant.

### **China's Digital Technology Power: a Heuristic**

China's technological capabilities and abilities to shape technical standards has increased. This is the result of at least four

sets of influence factors that strengthen the PRC's power more broadly (Rühlig, 2022).

*Economically*, China's party-state sponsorship for Chinese companies has tilted the playing field and distorted competition. Chinese tech firms benefit from preferential treatment and lower data protection and environmental standards. Patents and deployment of new technology has massive distributary effects. As a result, China's state-centric standardization policy to enhance its digital industrial competitiveness through standard-essential patents undermines the competitiveness of market economies.

*Politically*, China – just like other countries in the past – can leverage political concessions from technologically (over-)dependent third countries. For example, if a given critical infrastructure in a third country is based on Chinese technical standards that are not in conformity with other standards, the country relies on Chinese suppliers to maintain and further build out the critical infrastructure for decades to come.

In the *security* field, Chinese growing global deployment comes with risks resulting from espionage to technical hacking and social media-based influencing operations, and the security concerns that result from China-based hardware vendors or manufacturing chains. Furthermore, the incorporation of Chinese digital equipment could be accompanied by cyber-insecurities that enable espionage and sabotage by the PRC.

*Ideationally*, technology is not value neutral. Hence, China's technological stronghold calls into question whether the governance principles of the digital technologies that are increasingly penetrating

» Technological competitiveness therefore creates geopolitical leverage. «

entire societies reflect liberal and democratic values.

This has induced concern in Europe and beyond. At least four sets or risks need to be distinguished (Rühlig, 2023b):

*Risks to global supply chain resilience:* The global value chains of many, if not all, emerging and foundational technologies are characterized by a transnational division of labor. No region is in control of all production steps or its supplier markets. Thus, to strengthen security of supply, it will be necessary to strengthen the resilience of global value chains in order to reduce second- and third-order negative impacts in case of supply disruptions. Strategies to strengthen resilience vary greatly between specific global value chains, such as semiconductors, batteries or quantum computing, depending on their individual characteristics.

*Risks to national security:* Failure to reduce strategic dependency or loss of strategic capacity might have (in)direct negative impacts on national security. Strategic dependencies in foundational technologies, such as semiconductors, or general-purpose technologies, such as AI, might have an indirect impact on national security. The national security risks that stem from dependence on Chinese mobile network equipment vendors are different from the national security risks to member states that rely heavily on drones, surveillance cameras or AI chips from Chinese vendors. Some of these risks can

be mitigated at the technical level, while others come down to the trustworthiness of the technology provider.

*Risks to normative aspirations:* Strategic dependency or technology cooperation can also conflict with values. Like implementation of export restrictions to protect human rights, strategic dependency can also be scrutinized according to the human rights violations that such technology would enable. One example is the increased scrutiny of Hikvision surveillance cameras and the company's involvement in human rights violations against Uyghurs in the PRC. Similarly, sustainability is a growing concern, in which emerging and foundational technologies play an increasingly important role. While all sides emphasize its importance, the priority attributed and approaches to sustainability vary.

*Risks to competitiveness:* Countries around the globe might invest in strategic capacities or try to reduce strategic dependencies to be able to compete internationally in the long term if a certain technology or market is deemed highly important in the future. Current examples from Europe include investments in quantum computing and photonics. In light of the intensifying US-China technological rivalry, government incentives to support the technological competitiveness of a specific domestic industry or technology provider can also be motivated by maintaining "strategic indispensability"; that is, ensuring that a company continues to play an indispensable role in the global value chains in the long term. Technological competitiveness therefore creates geopolitical leverage.

These sets of influence mechanisms and associated risks are not necessarily

China-specific. Western companies and countries have long profited from their technological advance and exploited its dominance for political purposes. What is particular about the PRC's technical power is the close alignment of the party-state and Chinese companies, even those that are privately-owned. This blurs the distinction between commercial and strategic political interests of the party-state and enhance the PRC's power far beyond the narrow field of technology.

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**DP** ENFOQUE

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**DP** ENFOQUE *Número 12*

**El mundo no es suficiente**

Redes de políticos y luchas por la democracia en América Latina

Fernando Pedrosa

Número 12



# China and its Military Ambitions – More than Just Taiwan?

MEIA NOUWENS



Under President Xi Jinping’s leadership, the People’s Liberation Army (PLA) has pursued an ambitious modernization effort. By 2049, Xi has instructed the PLA to be a world-class military, and by 2027 the PLA requires the capability to forcefully reunify Taiwan with China if required. Though China’s global reach is not yet permanent or a political priority, China’s military rise and far-reaching presence already has global implications today.

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## Introduction

Under President Xi Jinping’s leadership, the People’s Liberation Army (PLA) has pursued an ambitious modernisation effort. The PLA’s transformation is one from a predominantly land-based force with legacy platforms and systems and a siloed approach to military operations, towards a military force that prioritizes the sea, air, space, cyber and electromagnetic domains and is capable of integrated joint operations. By 2049, Xi has instructed the PLA to be a world-class military, and by 2027 the PLA requires the capability to forcefully reunify Taiwan with China if required. In order to achieve this, the PLA has undergone numerous leadership changes, force organisational changes below the neck, extensive procurement of modern platforms and systems, and a re-orientation of strategy. While reunification with Taiwan remains one of, if not the most important task bestowed on the PLA, the Chinese military is also active globally. The PLA’s role in the longer-term thus spans beyond a conflict across the Taiwan Strait. Though China’s global reach is not

» The People’s Liberation Army is the armed wing of a political party rather than a country’s military «

yet permanent or a political priority, China’s military rise and far-reaching presence already has global implications today.

## PLA under Xi Jinping – PLA for a New Era

The PLA is a unique military. Outside observers should keep in mind two points about the PLA: firstly, it is the armed wing of a political party rather than a country’s military. Secondly, military reforms aim to turn the PLA into a force that serves the larger goal of achieving national rejuvenation rather than simply responding to a particular threat.

Xi highlighted in the 18<sup>th</sup> Party Congress work report that the PLA required reforms to construct a “strong national defence and powerful armed forces that are commensurate with China’s

✧ **A modern, strong and world-class military can provide ‘strategic support’ to China’s national rejuvenation.** ✧

international standing and meet the needs of its security and development interests” (The Eighteenth National Congress..., 2012). For any observers of the PLA and China, it should be noted that the PLA remains the armed wing of the Communist Party of China (CCP). Indeed, Xi is driven by a Mao-era belief that “political power grows out of the barrel of a gun” (Mao, 1966, p. 224). Over the years, Xi has repeatedly called for the PLA’s political loyalty. Early in his term, he acted on this belief by conducting a wide-spread anti-corruption campaign that resulted in the purging of high-ranking PLA officials among other CCP members. In 2014 at a military political work conference held in Gutian, Xi reflected that ideological and political development are vital to building the military and key to safeguarding the CCP’s absolute command of the troops (Xinhua, 2014). This year, the PLA is undergoing another purge of high-ranking officials. The PLA’s Rocket Force commander and political commissar, as well as the Chinese Defence Minister, have reportedly been implicated in a corruption investigation (Kuo et al., 2023; El Departamento de Desarrollo de Equipos..., 2023). Nevertheless, Xi remains in command of the Party and the PLA, and as such the PLA continues to serve CCP (and increasingly Xi’s own) ambitions and priorities.

Reunification with Taiwan is considered a core issue by Xi and the CCP. Indeed, in 2013 at a meeting with Taiwanese pres-

ident Ma Ying-jeou’s envoy Vincent Siew said that “the issue of political disagreements that exist between the two sides must reach a final resolution, step by step, and these issues cannot be passed on from generation to generation” (Reuters, 2013). This was reiterated in Xi’s speech in 2019 when he addressed a meeting in Beijing on the 40<sup>th</sup> anniversary of the Chinese mainland’s Message to Compatriots in Taiwan (Xi says..., 2019).

However, Xi’s concept of military reforms and pursuing national rejuvenation indicate that the goals for the PLA go beyond resolving the Taiwan issue. The linkage of China’s military capability within a discussion of China’s international relations in the 19<sup>th</sup> Party Congress work report was new. This signalled that China’s military not only required reform, but that military reform was necessary to match China’s rise. In subsequent years, this linkage between China’s global standing as a great power and its need to have an equally great military signals China’s view that this is both its right and a logical requirement. Xi emphasized that building a modern, strong and world-class military can provide ‘strategic support’ to China’s national rejuvenation. China’s 2015 Defence White Paper states that “without a strong military, a country cannot be safe nor strong. China’s armed forces take their dream of making the military strong as part of the Chinese Dream [to make China strong]” (China’s Military Strategy, 2015). This line has often been repeated since (Xi Jinping on strengthening military, 2020). However, by linking the PLA with the achievement of the China Dream, Xi articulated a vision for the PLA that includes greater power projection capabilities and serves to solidify China’s status as a great power in a reshaped international order.



## PLA Strategy and Doctrinal Shifts under Xi

To achieve this goal, the PLA required reform. In the 2015 Defence White Paper that updated China's military strategy, China's leadership laid out the drivers for Chinese military modernisation, the PLA's core tasks and the direction of change through reforms. The new strategic guidelines focused on winning informationized local wars. This reflected the PLA's observation that it had fallen behind the trends of modern warfare. According to the PLA, modern warfare is exemplified by the use of sophisticated long-range, precise, smart, stealthy and unmanned weapons and equipment, the strategic significance of cyber and outer space as domains and

tools of warfare, force restructuring, and the importance of the information domain in military operations. Local wars reflect the belief that conflict is likely to occur in China's periphery, particularly in its Southeast. Additionally, the concept of local wars also reflects that warfare would remain limited and contained, and would not progress to large scale global wars.

In 2016, the PLA had undergone significant structural and organisational reforms (Garafola, 2016). The PLA had reformed into five theatre commands that were specifically mission-focussed. As an example, the Eastern Theatre Command is primarily responsible for preparing for and leading in a Taiwan Strait conflict. Xi had also reorganised and streamlined the Central Military Commission's functional

organs, centralising his power by placing his allies in key decision-making roles and streamlining decision-making structures. He established the PLA Army as a service branch, created the PLA Strategic Support Force in charge of cyber and space capabilities across the military, renamed the branch responsible for PLA's ICBM capabilities as the PLA Rocket Force, established a Joint Logistics Support Force to integrate strategic and campaign level forces, and implemented a new management and command system through the theatre commands and a joint operations command structure. The PLA was also significantly downsized, particularly in the PLA Army, while the PLAN and PLARF force numbers increased (Decoding China's vision..., 2020). Military education and research institutes were also restructured. Lastly, China's Coast Guard and maritime militia now fall under the CMC's command, as part of the People's Armed Police.

The PLA's tasks in the 'new era' emphasize the national, peripheral and global roles that the military is expected to play, as outlined in the 2019 Defence White Paper (China's National Defense in the New Era, 2019). These include safeguarding national territorial sovereignty and maritime rights and interests, with a large focus on China's 22,000 km land border, 18,000 km coastline and "China's waters" in the East China Sea, South China Sea and Yellow Sea (*ibid*). Taiwan is included in this goal, as the paper states: "by sailing ships and flying aircraft around Taiwan, the armed forces send a stern warning to the 'Taiwan independence' separatist forces" (*ibid*).

The PLA is also tasked with improving its war fighting capabilities and combat readiness, along with carrying out military training in more realistic com-



bat conditions. This includes maintaining strengths in new domains of cyber and outer space, as well as continuing to protect China against the three evils of terrorism, separatism, and extremism.

However, the White Paper also states that the PLA is tasked with "protecting China's overseas interests", described as a crucial part of China's national interest (*ibid*). The White Paper acknowledges the PLA's deficiencies in its ability to operate overseas. However, the PLA is building far-seas forces, overseas logistical bases and enhancing its 'capabilities in accomplishing diversified military tasks'. This activity is in the White Paper framed as China's contribution to global security goods, such as through peacekeeping, anti-piracy operations, and humanitarian assistance and disaster relief efforts.



### Modernisation for a Taiwan Conflict

The structure of the reforms, and the types of capabilities that China has focussed on building through reforms and procurement, point towards building a force that can achieve reunification by force if so required by China's leadership. The PLA's air, maritime, cyber, outer space and electromagnetic and missile capabilities point towards a military that firstly seeks to deter the US or other countries from participating in a Taiwan contingency. It hopes to do so by changing adversaries' calculus in the event of a crisis or conflict by holding their military assets at risk. Secondly, the PLA has built a force that significantly outmatches that of Taiwan. Regardless of Taiwan's own military modernisation and stockpiling ef-

forts, it will inevitably be outmatched by the large quantity of resources that the PLA can draw on. This, however, doesn't mean that a potential conflict with Taiwan will be easy for the PLA. The PLA also cannot guarantee that the US won't intervene in a Taiwan contingency – the result of the US's policy of strategic ambiguity. It is therefore unclear whether Beijing has a timeline for reunification and what decisions might lead it to decide that the potential success of a military conflict over Taiwan is worth the risk of its failure.

Only Xi will determine when to reunify by force. However, Xi's statements have provided a timeline for the PLA's military modernisation and give an indication of when China seeks to have built the capabilities to attack Taiwan, even if this does not provide any further information on

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Xi's political will to do so. In Xi's 19<sup>th</sup> Party Congress work report speech, he outlined a timeline by which the PLA is required to reach three goals, and in 2020, another goal was added (Xi Jinping's report..., 2017; Nouwens, 2020). By 2020, the PLA needed to have achieved basic mechanization and made progress towards informatization. IISS estimates that this goal has more or less been achieved, though the PLA's own assessments of progress in informatization reflect some lack of progress towards this goal. The PLA is currently working towards the 2027 goal of achieving the capabilities required for a Taiwan contingency, should political will require reunification by force. This includes greater emphasis on unmanned intelligent combat capabilities and the development of modern logistics, improving China's strategic deterrence, and improving training and exercises (Full text of the Report..., 2022). By 2035, the PLA needs to have become a fully modernised military and achieved informatization while progressing towards intelligentization. And by mid-century (2049) the PLA is required to be a global top-tier military capable of fighting and winning wars.

It is important that although reunification with Taiwan remains a 'core interest' for Xi and the CCP, China is increasingly concerned about other potential flashpoints that might distract it from its priority of being able to respond to a potential Taiwan conflict. With China's deepened relationship with Russia to its North and an alliance with the DPRK to the East, China's main concerns for instability and spillover stem from its Western borders. China faces a tense relationship with India along its disputed border along the Western Theatre Command, where deadly clashes occurred in 2020 (Boyd & Nouwens, 2020). China is furthermore concerned about instability in Afghanistan following the US and NATO withdrawal from the country (China's position on the Afghan Issue, 2023). A growing area of discussion among Chinese analysts is, therefore, the possibility that the PLA may have to fight on multiple fronts in the event of a conflict.

### PLA as a Global Security Actor

While China's military reform goals can be seen through the lens of capability development, they can also be seen through geographical lenses. The nearer-term goals relate to contingencies and priorities in the Indo-Pacific region: protecting China's territory, and ensuring territorial integrity, including in China's maritime periphery and Taiwan. The later goals of 2035 and 2049 would see the PLA graduate to becoming a world-class military – one that has matched or outmatched its adversaries or rivals (Tianyou, 2018). Though one cannot directly equate the concept of 'world-class' with a



global ambition, one can assume that once the PLA is world-class and has matched or outmatched the US military as the leading military power in the Indo-Pacific, it has greater ability to use its military resources to safeguard global interests. With China's interests in the Indo-Pacific guaranteed, China's military can focus on goals further abroad.

The PLA is already a global military actor and present in a variety of ways around the world. China only has one official military base in Djibouti. However, reports indicate that the PLA could potentially make use of Chinese-owned or operate dual-use ports along the Belt and Road Initiative. Furthermore, reports also suggest that China is currently building a military base in Ream, Cambodia (Nakashima & Cadell, 2022). The PLA will require further bases globally as maintenance support and logistics hubs in the future if it intends to pursue China's global interests further afield.

The PLA is pursuing a blue water naval-deployment ambition that is capable

of operating globally. The PLAN strategy focusses on far-seas protection beyond the first island chain (Zhou, 2015). Between 2014-2018, China launched naval vessels with a total tonnage greater than the entire tonnages of the entire French, German, Indian, Italian, South Korean, Spanish, or Taiwanese navies (Childs & Waldwyn, 2018). The PLAN still lacks operational experience and the technical capabilities of Western navies, though it has learned from military operations other than war and its cooperation with Western navies in the past. Sealift for operations further afield remains an area of weakness for the PLA. The military also lacks medium and heavy air lift capabilities. Although the PLAAF is building its transport capacity, its deliveries in areas such as heavy transport and tanker fleets are slower than for other capabilities. Another weakness remains the PLA's global command and control arrangements, as single service operations are currently overseen by PLA service headquarters.



Further afield the PLA ground forces contribute to UN peacekeeping operations in Africa and the Middle East, while PLAN has participated in unilateral and ad-hoc bilateral non-combatant evacuations, as well as anti-piracy operations in the Middle East and in the Gulf of Aden (Troop and Police Contributors, 2023; Beraud-Sudreau & Nouwens, 2022: 1-23). The PLA also exercises globally with partner country militaries. However, analysts have pointed out that few of these exercises are joint in nature due to their limited nature and due to the PLA's priority operations being located in its immediate region (Wuthnow et al., 2021). Analysts point to the possibility of the PLA moving towards conducting joint operations beyond China's neighbourhood in the future as a next step in the PLA's evolution to a world-class status (*ibid*).

The PLA also increasingly contributes to achieving China's foreign policy goals.

Traditionally, this task has predominantly been the responsibility of the Chinese Ministry of Foreign Affairs. However, in 2015, President Xi Jinping presented a more prominent role for military diplomacy. According to Xi, military diplomacy should support the overall national foreign policy, protect national security, sovereignty, and development interests, and promote military construction (Zhou, 2015).

In addition to a constant drumbeat of military-to-military exchanges across the globe, the PLA is also responsive to global developments and potential opportunities to play new diplomatic roles. For example, during the COVID-19 pandemic, the PLA transported and donated medical supplies and vaccines to countries around the world. It also provided opportunities for joint learning and sharing of best practices through video conferences with partner militaries and provided in-country education and training (Nouwens, 2021).



## Conclusion

President Xi Jinping has set the course to turn the PLA into a modern military that can help China achieve great power status. This requires the PLA to be able to resolve remaining priority disputes within China's immediate neighbourhood in order to create regional stability and achieve the CCP's political goals. However, the PLA is learning to chew and walk gum at the same time. While the PLA is laser-focused on a Taiwan contingency or preparing for regional flashpoints, China's military is also slowly building up experience of operating globally in limited but varied ways. While the PLA has been tasked with the vague objective of protecting Chinese overseas interests, it is clear that greater PLA engagement and presence should be expected in the future. For that to be achieved, the PLA will require additional procurement, logistics facilities around the globe, improved and varied exercises and potentially further organisational changes at home to clarify command structures.

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**DP ENFOQUE** **Número 14**

**Asia y América Latina: vínculos democráticos en tiempos de avances autoritarios**

Asia y América Latina: vínculos democráticos en tiempos de avances autoritarios

Alejandro Portes, Mía Pardo Schumacher, Mariano Spósito

Número 14



# End of an Era? EU-China Relations in the Light of Russia's War against Ukraine

ZSUZSA ANNA FERENCZY

Russia's renewed aggression against Ukraine in February 2022 forced a realist turn in Europe. The Russia-China strategic rapprochement has advanced the EU's appetite to rebalance EU-China relations. Yet, questions remain as to whether member states have the political will to reconceptualize such ties. Is this the end of an era for EU-China relations?

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Russia's renewed aggression against Ukraine in February 2022 has forced Europe toward a more realist foreign policy. Europe is undergoing a process of strategic adjustment, one that China's political support for Russia has accelerated, increasing the bloc's appetite to rebalance cooperation with China. Beijing and Moscow openly pledged to shape a new world order, strengthening fears across the European Union (EU) that the two are rewriting the rules of the game. As one of China's most important trade partners and the world's largest trading bloc, in principle, the EU is well-positioned to play a more relevant role in upholding the rules-based order.

In practice, however, with a fragmented and often inconsistent foreign policy, the EU has failed to secure a balanced relationship with China, although China has indeed increased its footprint in Europe. This paper explores the impact of China's strategic partnership with Russia on the EU's political will to rebalance EU-China ties. It first assesses the state of EU-China relations by exploring the European discourse and the practical policy outcomes. Then, it explores the main elements of the Russia-China strategic partnership

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and how it has affected EU-China relations. The paper argues that China's support of Russia was a watershed moment in EU-China relations. Still, questions remain as to whether this momentum will secure a sustainable shift in the EU's approach to China.

### A New Geopolitical Reality

On March 10, 2023, Saudi Arabia and Iran announced the normalization of ties brokered by China, with a joint trilateral statement reflecting the intention "to resume diplomatic relations between them and re-open their embassies and missions within a period not exceeding two months." Beijing has apparently set a new precedent in Chinese foreign policy by taking on the mantle of an "international mediator," just as the international

community is looking for a solution to Russian aggression. Following the deal, China's top official for foreign affairs, Wang Yi, said the dialogue was a successful application of China's Global Security Initiative (GSI), adding that China would continue to be a constructive player in promoting the proper handling of global issues.

That same month, while on a state visit to Moscow, Xi Jinping said China was ready "to stand guard over the world order based on international law" alongside Russia. This declaration occurred just days after the International Criminal Court issued an arrest warrant against Russia's Vladimir Putin. While at the Kremlin, Xi praised Putin's "strong leadership," asserting that the two neighbors have the responsibility "to promote the building of a community with a shared future for mankind" and support each other on issues of core interest. The Chinese foreign ministry confirmed the visit was meant to "show support for Vladimir Putin."

The deepening of the China-Russia strategic partnership (as displayed through Xi's Moscow visit) has amplified fears in Europe and among its like-minded partners about the implications concerning global governance. At the 2023 NATO summit, a consensus emerged among allies that the mutually reinforcing attempts by Russia and China to undercut the rules-based international order run counter to NATO member countries' values and interests. NATO's message, echoed by the participation of leaders from Australia, Japan, New Zealand, and South Korea at the summit, was that the security of Europe and the security of Asia are intertwined. The summit communiqué pointed towards a ramping up of competition

at the expense of cooperation to address global challenges. The strengthening of the Russia-China friendship also reflects a growing opposition to the international order based on principles accepted by all, advocating instead for an order based on the will of the strongest.

## Power Shifts in the Indo-Pacific

Years before Russia and China committed to a "no limits" friendship in 2022, Europeans had already grown anxious about China's assertiveness in the Indo-Pacific – and globally. Notwithstanding differences within the EU concerning China, the EU leadership perceives Beijing's foreign policy as inconsistent with its claims of playing a constructive role in the world. China's sovereignty claims and maritime disputes in the South and East China seas, and its willingness to use military and economic coercion to intimidate its neighbors, have nourished fears that China is threatening a free and open Indo-Pacific. China has pursued militarization in the region by building bases and using them to intimidate Southeast Asian coastal states, thus undermining their right to exercise sovereignty under international law. According to the EU, Beijing's assertiveness signals an intention to impose its own will on the region at the expense of theirs.

The concept of the Indo-Pacific has spurred East and Southeast Asian allies and partners to join regional and multilateral efforts for cooperation, such as the Quad, involving the United States, India, Japan, and Australia. Despite efforts to balance security and trade considerations, such formats are now shaping the



architecture of security in the region. The EU joined international efforts to ensure regional security with its own 2021 Strategy for Cooperation in the Indo-Pacific. “The Indo-Pacific is a very important part of the world for us. It is the future, where the world’s centre of gravity is moving, both in geo-economic and geo-political terms,” said the EU High Representative Josep Borrell. The Strategy also noted tensions around contested territories and maritime zones, with a significant military build-up, “including by China.”

The document revealed a strategic awakening in the EU, indicative of the member states’ willingness to reconsider their approach to the region. The EU has started reassessing the risks of doing business with China, with de-risking as their new objective, as put forward by

the European Commission president Ursula von der Leyen in March 2023. The Strategy also stated that “the display of force and increasing tensions in regional hotspots such as in the South and East China Sea and in the Taiwan Strait may have a direct impact on European security and prosperity.” This focus has enabled framing Taiwan as a like-minded partner on its own merit rather than seeing it exclusively through the EU-China lens. Going forward, how the EU manages its relations with Beijing will shape its future in the Indo-Pacific.

### EU and China, Systemic Rivals

In navigating EU-China cooperation amid geopolitical challenges, “systemic

rivalry” has become the dominant dimension of the EU’s discourse on China. In 2019, the European Commission labeled China a “systemic rival promoting alternative models of governance.” Throughout the pandemic, Beijing used mask and vaccine diplomacy to improve its global image at the expense of democracy, intensifying fears across Europe about China’s global influence.

In June 2020, for the first time, Brussels named China, along with Russia, as a source of disinformation linked to the coronavirus and aimed at undermining Western democracies, sowing internal divisions and projecting a distorted view of China’s response to the pandemic. China has continued to use its economic and military power to advance its interests, including deepening its strategic partnership with Russia. In the words of the Commission president, “how China continues to interact with Putin’s war will be a determining factor for EU-China relations going forward.” This statement reveals the extent to which China’s unwillingness to condemn the aggression shapes European perceptions of China. EU-China relations have hit a new low point in an ongoing deterioration that has unfolded for years.

## The Long List of Grievances

The factors that have accelerated the deterioration in bilateral ties include China’s human rights abuses in Xinjiang, which resulted in Brussels imposing sanctions on Chinese officials responsible for these violations in 2021. In retaliation, China imposed countersanctions on Members of the European Parliament



(MEPs) and European scholars, which led to the European Parliament condemning the arbitrary sanctions and freezing ratification talks on the Comprehensive Agreement on Investment (CAI) with China.

European legislators urged the Commission to take the human rights situation in China – as well as in Hong Kong – into account when deciding whether to endorse the agreement or not. They also





stressed that other trade and investment agreements with regional partners, including Taiwan, should not be held hostage by the suspension of the CAI ratification, signaling the legislators' understanding of Taiwan's strategic relevance.

For the first time, Brussels promoted the issue of cross-Strait relations on its agenda while upholding its commitment to “pursue its multifaceted engagement with China.” The EU acknowledged

that China's display of force in the Taiwan Strait “may have a direct impact on European security and prosperity.” In October 2021, in their first stand-alone report on Taiwan, MEPs urged considering Taiwan “a key partner and democratic ally in the Indo-Pacific on its own merit, as a robust democracy and technologically advanced economy that could contribute to maintaining a rules-based order in the middle of an intensifying great power rivalry.”

## When Trade Becomes a Weapon

Closer to home, China's economic coercion against Lithuania was yet another wake-up call for Europe to understand its vulnerabilities. In 2021, Lithuania left the 16/17+1 cooperation framework with China and decided instead to expand cooperation with Taiwan, a decision driven by national security concerns. Vilnius allowed Taiwan to open a "Taiwanese" office in the country (breaking with the practice of naming it the "Taipei office") and opened a Lithuanian representative office in Taipei.

In response, Beijing downgraded Lithuania's ambassador in Beijing to *chargé d'affaires*. "There are so many ways China can teach Lithuania a lesson," the *Global Times*, China's state media, warned. Beijing halted cargo trains *en route* to the Baltic country and deleted – and soon after reinstated – Lithuania from its customs registry. This situation compelled the EU to act, requesting the intervention of the WTO. It also accelerated EU efforts to establish its own anti-coercion tool. Consequently, in 2021, it proposed an Anti-Coercion Instrument that allows for countermeasures against third countries that seek to use trade for political objectives, expected to work as a deterrent.

The hawkish shift in European perceptions has been noticeable not only in the narrative but also in a willingness to adopt defensive measures to protect European interests. The Commission regularly discusses the collective threats posed by China – economically, technologically, and politically. While reaching a consensus has remained challenging, Europe is reconsidering its geopolitical position in the world, and China is central to

» Europe is reconsidering its geopolitical position in the world, and China is central to these reflections.«

these reflections. Member states have converged around the need to de-risk cooperation – rather than decoupling. As the Commission president elaborated, bilateral relations have become "unbalanced and increasingly affected by distortions created by China's state capitalist system," adding that the EU doesn't want to cut economic, societal, political, or scientific ties with China, which remains a "vital trading partner." De-risking entails the EU strengthening the strategic sectors in which it is too reliant on China.

## The EU Strikes Back

The Commission has identified key assets in its critical infrastructure, including energy, transport, or digital connectivity, that remain vulnerable and face threats. Hence, since 2020, the EU has used a framework for foreign investment screening. This EU-level mechanism was designed to review incoming investment in critical areas of infrastructure on national security grounds, with the Commission playing a coordinating role. FDI screening in the EU remains the task of member states, and the regulation does not equip EU institutions with the legal competency to apply screening to any inbound investment. Instead, it enables the Commission to issue opinions to member states regarding any planned, completed,

or undergoing screening. It is up to member states to consider said opinion. The value of the mechanism lies in establishing a coordination framework rather than an EU-level screening authority.

This tool was part of the EU's response to geopolitical competition for critical resources and strategic assets. With its Critical Raw Materials Act, proposed in 2023, the EU seeks to become less reliant on Chinese refining capacities, introducing a set of actions to ensure the EU's access to a secure, diversified, affordable, and sustainable supply of critical raw materials, which are indispensable for strategic sectors, namely the net zero industry and the digital industry. Public procurement and market access are issues that have further burdened EU-China relations. The European side has for years expressed concerns that its companies face difficulties in accessing Chinese public procurement, while Chinese companies have guaranteed access to European public procurement.

With its International Public Procurement Policy (IPPI), adopted in June 2022, the EU seeks to achieve reciprocity and improve market access opportunities for its companies. This instrument aims to support a more assertive trade policy in response to trade conflicts – with China, but also with the United States. According to EU Commissioner Valdis Dombrovskis, it is designed to give the EU “extra leverage to remove barriers and promote fair competition for the benefit of all.”

## Not Choosing Sides

The increasing geostrategic tension between the US and China has forced the EU

to secure a better position while avoiding choosing sides. China's global assertiveness in reshaping global governance to benefit its interests – including its support for the Russian aggression – has accelerated Europe's geostrategic adjustment. Yet, notwithstanding strong language on China and its defensive measures, as a trade partner, China remains in fact an important consideration for the EU, making de-risking difficult.

For most member states, trade with China remains significant. Some, namely Germany, have their own China strategy. Others, such as Hungary, prefer keeping China as a close partner while ensuring that it doesn't play a prominent role in their domestic agenda. Member states are not aligned when it comes to China. Fragmentation in the European bloc persists on several levels: between member states, between EU institutions, and between Brussels and member states. Research shows that approaches towards China vary depending on the intensity of ties, the extent of economic dependence, and attitudes towards the authoritarian government in China.

At the same time, China considers Europe a crucial partner in its quest for global influence, particularly as it finds access to American technology evermore restricted. EU-China cooperation is vital for Beijing, and access to Europe's research and development will become even more relevant. Yet, China's aggressive posturing has forced EU member states to gradually converge in their perception of a threat and their support for a renewed bilateral engagement. China's strategic alignment with Russia has been a catalyst in bringing an era of business as usual with China to an end.



Conversation between Xi Jinping and Volodymyr Zelensky, president of Ukraine. March 16, 2023

## Russia and China, “no Forbidden Areas of Cooperation”

China’s political support for Russia has complicated European efforts to isolate Moscow. The EU acted fast by adopting sanctions, with eleven packages agreed since the start of the aggression. The latest round of said packages focuses on combating the circumvention of pre-existing trade sanctions rather than introducing new bans. The EU warned Beijing about this precisely at the 2022 EU-China summit: “We expect China, if not supporting the sanctions, at least to do everything not to interfere in any kind.” The Commission president declared that if China supported Russia’s ability to wage war, “it would

lead to a major reputational damage for China here in Europe.”

Regarding Russia’s war against Ukraine, the goal has remained clear: “to make sure that Putin’s war of choice will fail.” Strategic clarity has strengthened across Europe regarding the need to equip the bloc with defensive tools and show the political will to act. The EU has remained united in the face of aggression, Ukraine has strengthened its democracy, and Russia has become more isolated. NATO is more united than ever, while China has struggled to position itself strategically; by supporting Putin, Xi Jinping has deepened the tensions with the EU.

While Beijing has tried to distance itself from Russia, the latter has become

its biggest oil supplier, with Moscow selling discounted oil to Beijing amid sanctions. Russia even displaced Saudi Arabia as China's biggest oil provider. These developments convinced many in Europe that Beijing was not distancing itself from Moscow and that its neutrality claims regarding the war contradicted reality. In their "no limits" friendship, established twenty days before Russia invaded Ukraine, Moscow and Beijing claimed they would seek "true multilateralism" in a cooperation model that "surpasses an alliance."

Moscow's key security policy objective has been to secure a global role by disrupting European security architecture and forcing the negotiation of a new structure. Russia has also pushed for a strategic decoupling between Europe and the US. Closer ties with Beijing have helped Moscow to project the image of a globally connected, not isolated Russia.

## China as a Peacemaker?

The strategic coordination between China and Russia is in reality a continuing and consistent consolidation of bilateral ties, bolstered since the end of the Cold War. The relationship has gone from good neighborliness in the 1990's to a comprehensive strategic partnership in the early 2000's, upgrading into "a comprehensive strategic partnership of equality, mutual trust, mutual support, common prosperity and long-lasting friendship", and then turning into a "comprehensive strategic partnership of coordination for a new era."

In March 2023, the two sides pointed out that, regarding Ukraine, "the legiti-

**»China has struggled to position itself strategically; by supporting Putin, Xi Jinping has deepened the tensions with the EU.«**

mate security concerns of all countries must be respected." This declaration was in line with China's position paper calling for the "Political Settlement of the Ukraine Crisis", which suggested that the only viable solutions to the "crisis" were dialogue and negotiation. Russia, in exchange, committed to support China's sovereignty claims over Taiwan. China, in turn, has acknowledged that Russia had "legitimate security concerns", denouncing the United States as the main culprit. This rhetorical alignment has substantiated European doubts, even though the EU initially hoped China could play a mediating role.

China repeatedly attempted to portray itself as a peacemaker but did little to convince Europeans that it would play a constructive role in stopping the Russian aggression. The EU dismissed Beijing's 'peace plan' as a "political initiative" that applied a biased interpretation of international law: "The position paper doesn't take into account who is the aggressor and who is the victim of an illegal, unjustified war of aggression."

## Beijing's Vision of Global Governance

For China, Russian defeat in Ukraine is not a desirable outcome as this would mean a victory for the liberal international

» Beijing has big stakes in Russia not losing, which renders its claims to be a neutral mediator questionable.«

order and undermine the pursuit of an alternative governance model. It would also weaken the Chinese Communist Party's legitimacy concerning unification with Taiwan. In contrast, a victorious Russia, one that remains a junior partner for China, would serve Beijing's interests. Therefore, Beijing has big stakes in Russia not losing, which renders its claims to be a neutral mediator questionable. China has benefited from Russia's direct attack on democracy.

Beijing has been working on shaping international developments by using its economic weight strategically, undermining democracy as a viable system for economic prosperity. Through its initiatives, namely the Global Security Initiative (GSI), the Global Civilisation Initiative (GCI), and the Global Development Initiative (GDI), Beijing has aimed to amplify China's global voice. The GSI contains China's core principles of diplomacy, including the importance of state sovereignty and territorial integrity, non-interference in the internal affairs of states, and opposition to unilateral sanctions. It is an attempt to lay out Xi Jinping's vision of global governance.

GSI and GDI are closely linked, based on the Chinese Marxist belief that security is a prerequisite for development and development is a guarantee for security. GCI promotes a state-defined values system, in an attempt to eliminate universal

values, including human rights and democracy. These initiatives are ultimately designed to support "the great rejuvenation of the Chinese nation," incomplete without unification with Taiwan. Overall, China's military modernization has improved the capability of its armed forces. Right now, China has the largest navy and air force in Asia and the largest coast guard in the world, and it is a grand aid donor and lender in the Indo-Pacific. While its toolbox of incentives and coercion supported by information manipulation has had mixed results in terms of influence, there is no sign of Beijing's willingness to play a constructive global role that would protect, rather than undermine, democracy.

## Conclusion

Dealing with an aggressive Russia has united Europe. However, regarding China, EU member states are not aligned. Despite their persistent divergence, China's support for Russia has deepened European awareness of its vulnerabilities and accelerated efforts to rebalance ties with China. Europe now links the security of the Euro-Atlantic with that of the Indo-Pacific, a sentiment that resonates in the region. "The security of Europe and of the Indo-Pacific is inseparable. Russian aggression against Ukraine is not a problem for Europe alone, but instead an outrageous act that undermines the very foundation of the international order," said Japan's Prime Minister, Fumio Kishida, at the 2022 NATO summit.

In 2020, EU High Representative Borrell stated that the EU must face the question of how it should deal with China

pursuing a global influence strategy and determine its own role. These, said Borrell, are both issues of fundamental importance for Europe's future. In 2023, China's global clout remains crucial and will shape Europe's role in the twenty-first century. The question, however, remains as to whether member states will have the political will to reconceptualize ties with China with a coherent and credible EU strategy. Is this the beginning of a new era in EU-China relations?

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