

# Contemporary Chinese Political Economy and Strategic Relations: An International Journal

Volume 7 Number 2 August 2021 ISSN 2410-9681

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# Contemporary Chinese Political Economy and Strategic Relations: An International Journal

Volume 7 Number 2 August 2021 ISSN 2410-9681

**Special Issue**

## **China's Presence in Europe: From Cultural Aspects and the Digital Presence to Foreign Policy Concerns**

*Guest Editor*

**Csaba Moldicz**

Contemporary Chinese Political Economy and Strategic Relations:  
An International Journal

Volume 7, Number 2  
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# Contemporary Chinese Political Economy and Strategic Relations: An International Journal

## Notes for Contributors

### Submission Notes

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Special Issue – *China's Presence in Europe: From Cultural Aspects and the Digital Presence to Foreign Policy Concerns*

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*Special Issue*

**China's Presence in Europe:  
*From Cultural Aspects and the Digital Presence  
to Foreign Policy Concerns***

*Guest Editor*

**Csaba Moldicz**

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## **Guest Editor's Introduction**

The special edition of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal (CCPS) – China's Presence in Europe: From Cultural Aspects and the Digital Presence to Foreign Policy Concerns* – covers a selection of papers presented at the International Conference: “Megatrends in Asia: Digitalization Security and Foreign Policy Implications”, duly revised by incorporating critical peer feedback received at the conference and from reviewers. The conference was organized by the Oriental Business and Innovation Center at the Budapest Business School – University of Applied Sciences, Hungary.

The Oriental Business and Innovation Center (OBIC) was established by the Budapest Business School (University of Applied Sciences) and the Central Bank of Hungary in 2016. OBIC's overall goal is to improve the competitiveness of the Hungarian economy by contributing to a better understanding of the East Asian region. To achieve its objective, OBIC aspires to become a leading institution in Oriental business studies – not only in Hungary, but in the broader Central European region as well – by the application of its cutting-edge knowledge and efficient operation. As such, OBIC also plays a major role in the implementation of the international strategy of BBS. In its work OBIC concentrates on the following target countries: India, Indonesia, Japan, Malaysia, the People's Republic of China,

the Philippines, the Republic of Korea, Singapore, Thailand, Vietnam and many others in the Asia-Pacific region.

By joint collaboration, OBIC was established due to various factors. The 2008-2009 economic crisis in Europe brought about a need to diversify trade and investment relations in Hungary. In principle, this need for international diversification, coupled with the evolving international economic and political environment, has opened up new prospects for economic relations and knowledge-sharing between Southeast Asia and Hungary – despite the geographical distance – and increased the demand for open-minded, culturally skilled and experienced specialists. The “Eastward Opening” policy of the Hungarian government since 2010 has been just one governmental initiative to which OBIC can provide significant feedback by broadening the economic, political and cultural knowledge base through strengthening the exchange of ideas, scholars and students.

To achieve its objectives, OBIC uses a variety of tools and instruments along the following lines. OBIC offers free courses in Oriental languages (Chinese, Japanese, Korean, Indonesian and Vietnamese) as well as East Asian intercultural management trainings at the Budapest Business School. Through its student mobility program OBIC provides scholarships for BBS students to travel to East Asian countries and gather first-hand experience in the form of student exchanges and summer school. OBIC also supports the inbound and outbound mobility of researchers, thereby contributing to academic collaboration and the circulation of skills and ideas. OBIC is dedicated to promoting advanced and focused research in order to provide wider knowledge. Last but not least, OBIC regularly organizes various events (conferences, workshops) related to the region in fields such as international business management, international relations, finance and

commerce in order to educate and offer platforms for intellectual and academic exchange.

After having to postpone the OBIC International Conference 2020, the OBIC organizes its annual conference in 2021 online, through live-stream with real-time presence according to the following topic: *“Megatrends in Asia”: Digitalization Security and Foreign Policy Implications.*

The term “megatrend” was coined by John Naisbitt in 1982. Back then he defined ten global megatrends that he viewed as important, seemingly unstoppable long-term shifts in the progress of societies. The goal of the OBIC conference is to discuss key, long-term challenges—megatrends—of the Asian region, with a special focus on digitalization in countries’ security and foreign policies. In recent years, Asian societies have been confronted by the rise of China transforming the Asia-Pacific region, particularly in economy- and security-related areas. At the same time, India and Indonesia are also rising economic powers that are substantially changing the shape of Asian economic power relations. The rapid growth of markets in the region has become more and more important as an element of global growth, however, challenges such as migration, urbanization, severe environmental problems (the climate challenge, air pollution, etc.) must be dealt with too. Over the course of the last decade, these tensions have often turned into local political disputes (i.e. in the South China Sea) and new initiatives (such as the Belt and Road Initiative) have come under fire and have also been fiercely debated in some countries too.

One of the megatrends, to which special attention ought to be paid at the conference, is digitalization and its significance in countries’ security and foreign policies. Recent technological developments have allowed observers to realize that a new wave of the technology revolution is about to transform the global economy and politics as well.

Digitalization, 5G networks, the Internet of Things, artificial intelligence, and their profound impact are already here, however the way we are doing business, implementing our economic policies, and pursuing foreign policies is about to change more significantly than we could ever have imagined.

The OBIC welcomed papers related to Asian megatrends at its conference in 2021, including the following research areas, and it arranged the panels accordingly: digitalization, demographics, economic interconnectedness, economic power shift, climate change, urbanization, migration.

In this special edition of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* (CCPS) – *China's Presence in Europe: From Cultural Aspects and the Digital Presence to Foreign Policy Concerns*, you can enjoy the China-related articles.

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## **European Union's Digital Integration amidst the Diverging Interests of Its Member States: China's Involvement in EU's Digital Infrastructure**

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### **Abstract**

The technological competition between the United States and China cannot be interpreted as a fight for technological dominance without oversimplifying the case. Digital technology is universal, and it eliminates all boundaries; therefore, its advancement strongly depends on interstate cooperation. In this context the rivals need to rely on each other; furthermore, the contribution of the consumers is indispensable because they provide the data necessary for further developments, innovations. Although the European Union strives toward a unified digital strategy, and it has elaborated the strictest regulation so far, the member states hold different views regarding their reliance on foreign technology. The development of digital technology cannot be isolated, and in this process, China seems to offer better alternatives to many European countries than the U.S. The question is whether the EU, despite the frictions among its members regarding their China policies, can diminish its dependence on the two tech superpowers, and emerge as the third greatest actor on the territory of digital technology.

**Keywords:** *digital technology, digital competition, the European Union's China policy, cybersecurity*

## 1. A Controversial Fight for Digital Supremacy

The paradigm shift entailed by the digital revolution leaves an imprint on our interpretation of foreign policy. When speaking about one of the central issues of international affairs, i.e., the technological competition between the United States and China, one cannot interpret it as a rivalry, as a fight for technological dominance, where the two adversaries are isolated entities, without oversimplifying the case. There are at least two reasons why this kind of approach would not be sufficient: the economic interdependence triggered by the globalisation and the nature of digital technology. The controversial fact regarding the latter is that although it is universal and eliminates all boundaries, its advancement strongly depends on interstate cooperation since researchers often resort to technologies developed in other countries. In this context the rivals need to rely on each other. Furthermore, the contribution of the consumers is indispensable because they provide the data necessary for further developments, innovations.

The case of the European Union also contributes to the complexity of the power relations. If it is considered as a single entity, it can be viewed as the third greatest actor on the territory – or battlefield – of digital technology. Although it strives toward a unified digital strategy, and it has elaborated the strictest regulation so far, the member states hold different views regarding their reliance on foreign technology. As it has already been pointed out, the development of digital technology cannot be isolated, and in this process, China seems to offer better alternatives to many European countries than the U.S. These alternatives include technological solutions, and less expensive products and services

offered by Chinese IT companies, e-commerce, finance, logistics and data companies (Shi-Kupfer and Ohlberg, 2019).

On the other hand, more and more countries are concerned about China's intrusion in their high-tech sector, which includes investing in companies with technologies or products that have both civilian and military applications. Besides, the Chinese government also supports cross-border R&D collaborations with Western companies or research institutes but in both cases the EU member states follow their own policies, and measure risks individually (Wang, 2019). The Trump administration considered this opposition as a fight between good and evil where the American users must be protected against "malign actors" such as the Chinese state. The Clean Network program was created to identify "untrusted apps" from China and hinder Internet traffic and data storage that involve "untrusted" Chinese carriers, cables, and clouds. But, again, the case is not so simple, since the U.S. government also practiced mass-surveillance, American tech companies exploited people's data, furthermore, the intelligence coalition named Five Eyes (including the United States, Canada, Australia, New Zealand and the United Kingdom) pressured companies to give backdoor access to all digital communications (Wang, 2021). Washington's warnings of Chinese spying look cynical after Edward Snowden's revelations on U.S. surveillance programs; therefore, it is obvious that consumers prioritize the economic considerations, and exploit the lower price of Chinese technology. Another reason why many countries prefer Chinese products and services is that so far Washington's alternative to European countries was limited to persuading them to abandon Chinese products and technologies instead of offering them efficient solutions at competent price and looking for means to lead joint research projects (Segal, 2019).

## 2. The Case of Huawei in the EU

The controversial nature of this fight on the digital battlefield can be best demonstrated by the case of Huawei. Although the U.S. tends to view the Chinese involvement in the EU's digital infrastructure as the intrusion of an evil power which must be eliminated, European countries consider the case on different grounds. For instance, countries like France, Germany, and the United Kingdom cannot afford a prompt ban of the company. The French cybersecurity agency, ANSSI allows operators to use Huawei's equipment until 2028. During informal conversations French authorities told operators that licenses granted for Huawei equipment will not be renewed. The French market leader, Orange, which does not use Huawei for its domestic network but relies on the company only in Spain and Poland, uses Nokia and/or Ericsson equipment for its mobile network, similarly to the other major operator, Iliad. On the other hand, Bouygues Telecom and Altice Europe will be affected strongly since they use Huawei (Reuters, 22nd July 2020). In Germany, despite the fact that the car industry might expect trade retaliations from China, moreover, it would cost companies like Deutsche Telekom, Vodafone, and Telefónica billions of euros if they decided to replace the biggest 5G supplier, tougher 5G legislation has been passed. The new IT Security Law 2.0 restricts the role of "untrustworthy" suppliers, and the government must be informed by telecoms operators if they sign contracts for critical 5G components. The United Kingdom imposed strict measures which banned buying new Huawei 5G equipment after 31 December 2020. Besides, all Huawei equipment must be removed from 5G networks by 2027. On the other hand, Huawei is still investing heavily in the UK, creating jobs and funding university research. The number of Chinese students at universities is still growing steadily, the UK-China research partnerships

have grown from 750 to 16,000 in the past 20 years, therefore the UK's complete decoupling from China seems dubious (*BBC News*, 17th May 2021).

Other EU member states also have various attitudes towards the Chinese telecommunications giant. Many of them strive for stricter measures, provided they find any evidence that will prove the U.S. warnings. The toughest actions were taken by Scandinavian and, surprisingly, Eastern European countries. Slovenia, Poland, Czechia, Romania, Estonia, Latvia, Slovakia, and Bulgaria joined the US-led coalition against Huawei in 2020. The Romanian president has recently signed a bill into law which bars China and Huawei from participating in the development of its 5G networks. On the other hand, Italy (just like France which gives the president the power to veto the acquisition of 5G parts from high-risk sources) did not ban Huawei straight away. The Italian government can veto 5G supply deals that threaten the country's national security, nevertheless, it has recently approved Vodafone's Italian unit to use Huawei for its 5G radio access network (*Euractiv*, 19th May 2021). Spain is in a difficult position, since it has strong economic ties with the U.S., whose military presence is also growing in the country, while it also has a long-standing partnership with Huawei. Despite being China's best friend in Europe – choosing a soft approach on political issues, at the same time asking China to open further its huge markets to Spanish goods and services – Spanish politicians and economists are increasingly considering China as a systemic rival due to concerns about its state capitalist model, its geopolitical ambitions, and its human rights record. Besides, the Chinese cyberattacks on Spanish public agencies and companies can further contribute to this loss of confidence (Esteban and Otero-Iglesias, 2020). Notwithstanding these concerns, Spain takes a neutral approach, delegating the assessment of risks to experts. Obligations for 5G providers and suppliers will be

specified in the forthcoming Spanish Cyber Security Act. Luxembourg, Austria, Portugal, and the Netherlands have not passed any laws yet, but telecom providers in the latter two countries announced not to resort to Huawei gear in their 5G rollout (*Euractiv*, 19th May 2021).

At this point it is worth taking a closer look at the rivalry between Huawei and its European counterparts, and the numbers behind their 5G-related patents. If the Chinese company is shut out, most probably Ericsson and Nokia will become the main suppliers in Europe. As early as 2018 Ericsson provided preliminary evidence that it was ahead of its competitors regarding the number of publicly available patent families associated with 5G declarations. (A distinction should be made between the patent applications and their approval, which can take years, therefore, the future 5G patent landscape can only be estimated.) According to the numbers released by Ericsson, in 2018 the company had nearly 700 publicly available patent families, while Huawei came out only as second with less than 500 patent families. These numbers would have been higher provided all declarations had been taken into consideration. The reason behind inflating Huawei's technological capacity is that Ericsson would be too dominant without Chinese competition, furthermore, "if Chinese companies are excluded, the only players in the 5G game are European" (Otero-Iglesias, 2019). The situation is the same in the U.S. because Huawei is among those Chinese telecommunications companies that offer "the most inexpensive, and what some European and Asian officials consider some of the best, equipment to provide the technical backbone of 5G networks" (*The New York Times*, 12th April 2019). Surprising as it may seem, there are no American suppliers for the main switching networks, which means that if Huawei is excluded, the American systems will largely be built by European firms like Nokia and Ericsson.



### 3. Diverging Interests of the EU Member States

The diverse attitudes of the EU member states toward China are not only reflected in their treatment of Huawei. There are many other contexts in which dealing with the EU (or Europe) as a single entity would lead only to excessive generalizations or misinterpretations. Moldicz (2019) draws our attention to the inappropriate use of the term Europe when referring only to Germany and France, adding that German and French interests should not be identified with European interests in general, either. Each EU member and non-member state assesses its relationship with China on different grounds and measures the gains and losses at various levels. In this case, the dichotomy of Western and Eastern Europe becomes irrelevant, as in most instances the economic interests determine the single states' China policy (Moldicz, 2019). On the other hand, these relations cannot be defined as static since many states keep changing their China policies according to their interests. Nevertheless, security issues should always be of priority, and each state should be able to measure the risks imposed by any kind of cooperation. Finally, it should be noted that China – despite the 17+1 initiative, where 17 states are considered as a single unit – is seemingly more aware of the sovereignty of European states than the U.S., which tends to treat Europe as a single entity (especially when it comes to trade issues), often neglecting the peculiar attributes of its states.

The EU cannot be considered as a single entity, either, regarding the issue of technology transfer, which should be considered in both directions, i.e., it can be inward and outward, functioning differently in Western and Central European contexts (*ibid.*). While the number of Western European companies complaining about being forced to hand over technology to Chinese business partners (in exchange for market access) grew considerably in 2019, many Central European countries are

interested in capital and technology transfer from China. The diverging interests of member states make it impossible to give a unanimous response to China's technological emergence.

On the whole, China's technological development impacts European trade and security interests as well. To diminish China's technological influence and the security risks, Europe must implement its own digital strategy and find those solutions that can be applicable to each member state. For this purpose, the EU must take into consideration the unique traits, the assets, and the comparative advantages of its members, and exploit this diversity. It should also keep and appreciate its talent, which is often attracted by its rivals both in the East and the West.

#### **4. The EU's Digital Strategy and the Digital Single Market**

Ursula von der Leyen presented the EU's Digital Strategy in the Communication "Shaping Europe's Digital Future". The strategic plan, which includes data, artificial intelligence, and platform regulation, intends to develop a unified Single Market for digital services to boost AI progress in Europe. It relies on the European technological success and innovation, its strong industry, and the European values. The President of the European Commission emphasised the necessity to find European solutions to global challenges, moreover, this digital transition "must protect and empower citizens, businesses and society as a whole" (von der Leyen, 2020). The strategic plan is of key importance to the EU to achieve technological sovereignty; however, it is feared that the slow legislative process will hinder the implementation of the plan.

The EU's Digital Strategy was introduced on February 19, 2020 with the aim to diminish Europe's dependence on foreign-owned technological companies, and to increase its competitiveness in a fight

for technological supremacy, where the U.S. and China are the dominant players. In her op-ed written on this occasion, Ursula von der Leyen covers all domains involved in the new strategy. First of all, she mentions the benefits of technological advancement in medical sciences, where technology contributed to a great extent to the detection and treatment of illnesses. The President expresses her wish that technology will become dominant in other fields, too: “I want it to become the norm right across our society: from farming to finance, from culture to construction, from fighting climate change to combatting terrorism”. The digital transformation should be beneficial to the whole society, therefore, “Europe needs to have its own digital capacities – be it quantum computing, 5G, cybersecurity or artificial intelligence (AI)”.

The core of the strategy is to help big businesses as well as small start-ups to benefit from the full potential of AI by investing in a network of local digital innovation hubs and in centres of excellence for advanced research and education. To this end, the access to big (non-personal) data pools is required, therefore, industrial players should share their data with smaller enterprises. Ursula von der Leyen argues as follows: “These types of non-personal data can underpin the design and development of new, more efficient and more sustainable products and services. And they can be reproduced at virtually no cost. Yet today, 85% of the information we produce is left unused. This needs to change”. The strategy lays heavy emphasis on cybersecurity. Along with the digital transformation personal protection must be ensured, which is already provided by strict rules; however, a legislative framework and operating standards should be developed for European data spaces, which allow businesses, governments, and researchers to store their own data, as well as access data shared by others. In the European Commission’s *Press Corner*, the President mentions the necessity of a unified digital single market to overcome fragmentation on the digital

ground. By creating a genuine single market for data, the strategy enables “businesses and the public sector have easy access to huge amounts of high-quality data to create and innovate”. Moreover, it ensures that the data will remain secure, and data-driven products and services will respect EU rules and values.

The spectrum of the strategy is wide, it covers “everything from cybersecurity to critical infrastructures, digital education to skills, democracy to media”. Besides, it is in accordance with the European Green Deal, since it promotes the climate neutrality of data centres by 2030. On the whole, the aim of the European Digital Strategy is to achieve ‘tech sovereignty’, which involves “the capability that Europe must have to make its own choices, based on its own values, respecting its own rules” (von der Leyen, 2020).

## **5. European Data Strategy and the White Paper on Artificial Intelligence**

The first pillars of the European Commission’s digital strategy are the Data Strategy and the White Paper on Artificial Intelligence. They are based on the defence and promotion of European values and rights, prioritizing people in the process of developing technology, and its deployment in the real economy. Creating a single market for data will ensure data availability in the economy as well as society. Data driven applications will benefit citizens and businesses in various ways, “they can improve health care, create safer and cleaner transport systems, generate new products and services, reduce the costs of public services, improve the sustainability and energy efficiency”.

The European Data Strategy Factsheet provides the following examples of industrial and commercial data use:

Jet engines filled with **thousands of sensors** collect and transmit data back to ensure **efficient operation**.

Wind farms use industrial data to **reduce visual impact and optimise wind power**.

Real-time traffic avoidance navigation can save up to **730 million hours**. This represents up to **€20 billion** in labour costs.

Real-time notification of delayed trains can save **27 million working hours**. This amounts to **€740 million** in labour costs.

Better allocation of resources to fight malaria could save up to **€5 billion in healthcare costs globally**.

The data flow, which will be provided across sectors, too, will contribute to the development of new products and services. Developing personalised medicine for patients or improved mobility for commuters are also among its numerous benefits. Besides, it will lead to productivity gains and resource efficiency. As the examples above indicate, efficient operation leads to a decrease in working hours and labour costs. According to the projections included in the Factsheet, global data volume will grow from 33 zettabytes (2018) to 175 zettabytes until 2025. The proportions of data processing will be the reverse, i.e., the centralised computing facilities will be reduced from 80% to 20% between 2018 and 2025; on the other hand, the number of smart connected objects will increase from 20% to 80% during the same period. The total investment in common European data spaces and a European federation of cloud infrastructure and services ranges between €4-6 billion. The value of the data economy of the 27 member states is expected to almost triple in these 7 years, from €301 billion to €829 billion, while the number of data professionals is expected to double, which means that their number will increase from 5.7 million in 2018 to

10.8 million in 2025. The percentage of EU population with basic digital skills would rise from 57% to 65%.

The other element of Europe's digital transformation is the White Paper on Artificial Intelligence. It provides the framework of safe AI technology development and deployment. According to the white paper entitled "Excellence and Trust in Artificial Intelligence", citizens, businesses, and governments are all among the beneficiaries of AI applications. The following benefits are mentioned in the document:

### **Citizens**

Better healthcare, safer and cleaner transport and improved public services.

### **Businesses**

Innovative products and services, for example in energy, security, healthcare; higher productivity and more efficient manufacturing.

### **Governments**

Cheaper and more sustainable services such as transport, energy and waste management.

The paper outlines the ways in which excellence may be achieved in this field, for instance, by strengthening and connecting AI research excellence centres, or by requiring at least one digital innovation hub per Member State specialised in AI. Building trust is of equal importance in the document, which requires "high-risk AI systems to be transparent, traceable and under human control". Moreover, "[a]uthorities must be able to check AI systems, just as they check cosmetics, cars or toys", and an EU-wide debate should be launched regarding the use of remote biometric identification (e.g. facial recognition). The white paper defines high-risk AI application as its critical use in a critical sector such as

healthcare, transport, police or legal system. However, high-risk AI will be subject to strict rules and regulations. The aims of AI research and innovation can only be achieved if the EU provides the necessary funding. Although it has risen by 3% (to €1.5 billion) over the past 3 years, the aim is to attract more than €20 billion of investment per year.

## **6. Regulations and New Possibilities**

The President of the European Commission promised to come up with legislation within the first 100 days in her office. Although the delay must be primarily due to the (at that time) unforeseen spread of the COVID-19 pandemic, some critics had already predicted the failure of accomplishing this goal on other grounds, saying that none of the documents above were legally binding, and that they were rather “an over-arching roadmap for how the EU intends to develop a single market for digital services, foster access to data and move toward hard rules for AI technology” (*Politico*, 19th February 2020). They added that although the EU planned to draft hard law on artificial intelligence in the same year, much of its details would depend on the feedback it received from industry, civil society, and national governments. At the same time, the decision was made that there would be no ban on facial recognition (partly because Brussels has limited intervention in the national governments’ law enforcement, besides, the General Data Protection Regulation already includes strict rules regarding this issue). Despite the critical voices and all the difficulties posed by the pandemic, the European Commission presented its Digital Services Act package on December 15, 2020, which includes the Digital Services Act and the Digital Markets Act. These legislative initiatives have two main goals: to create a safer digital space in which the fundamental rights of all users of digital services are protected, and to establish a level playing field to

foster innovation, growth, and competitiveness, both in the European Single Market and globally. The rules of the first one concern primarily online marketplaces, social networks, content-sharing platforms, app stores, and online travel and accommodation platforms.

The European Digital Strategy was endorsed by the most high-profile officials, including Margrethe Vestager, the Executive Vice-President of the European Commission (who is also referred to as the woman the Silicon Valley fears most) and Internal Market Commissioner Thierry Breton, former chairman and CEO of France Télécom, and the IT services company, Atos. When the new strategy was presented Vestager claimed that the reason why Europe could not produce a rival to Facebook or Tencent was that European businesses had never been given a full single market to expand. She added that industrial data would offer Europe a second chance to become a world leader in technology (*Politico*, 17th February 2020). The EU adopted a more pragmatic approach after it had realised that GAFA (Google, Apple, Facebook, Amazon) were too powerful to be constrained. Instead of imposing restrictions, it proposes a protectionist policy for European companies, supporting their emergence. According to this view, GAFA can be considered as the mutual enemy of European companies, and the member states should give their unanimous support in this fight. However, it is dubious whether this mutual enemy has the power to unite the supporters of a stronger, more united Europe and the countries that prefer the autonomy of nation-states (Yazdani, 2021).

As far as regulation is concerned, the EU is ahead of the two great rivals. The United States has often been criticized for the lack of any legal framework, a coherent plan to shape technology standards or ensure widespread privacy protections (Slaughter and McCormick, 2021). But China has already taken major steps: the Data Security Law (DSL), a supplement of the PRC's Cybersecurity Law, will come into



force on 1 September 2021. It applies to all data processing activities carried out within the territory of China. One of the most essential elements of the law is the one that prohibits providing any data stored in China to law enforcement authorities or judicial bodies outside the countries unless they are approved by the Chinese government. On top of that, China revealed its ambitious plan, China Standards 2035, to set global standards in emerging technologies such as 5G internet, the Internet of Things (IoT), or artificial intelligence (AI). If this plan is accomplished, China will have the opportunity to influence standards for its own benefit, moreover, it would become a recipient of licensing fees (instead of remaining one of the biggest payers). Although the Chinese put great effort in regulation, these decisions point in a different direction than the European proposals which – beside giving European companies the opportunity to emerge – focus on protecting the rights of the EU citizens.

Indeed, the EU has the most elaborate system of technological regulation. As far as cybersecurity is concerned, the role of ENISA and the Cybersecurity Act should be mentioned. The European Union Agency for Cybersecurity was founded in 2004 under the name of European Network and Information Security Agency. It works together with member states and the private sector “to deliver advice and solutions as well as improving their capabilities”. The agency is also responsible for supporting the development and implementation of the European Union’s policy and law on matters concerning network and information security, and for giving assistance to EU institutions, bodies, agencies, and member states. The European Cybersecurity Act (CSA), which entered into force in June 2019 and aimed to centralise and harmonise the issuing of cybersecurity certificates at the EU level, granted permanent mandate and several new tasks to ENISA. They are summarised as follows:

- Recommendations on cybersecurity and independent advice
- Activities that support policy making and implementation
- ‘Hands On’ work, where ENISA collaborates directly with operational teams throughout the EU
- Bringing together EU Communities and coordinating the response to large scale cross-border cybersecurity incidents
- Drawing up cybersecurity certification schemes.

The EU pays special attention to the security of its future 5G technology networks. It created a toolbox on 5G Cybersecurity, a framework of security measures “which will ensure an adequate level of cybersecurity of 5G networks across the EU, through coordinated approaches among Member States”. This should be based on a common set of measures, aimed at mitigating the main cybersecurity risks of 5G networks. Besides, the toolbox also intends “to provide guidance in the selection and prioritisation of measures that should be part of national and EU risk mitigation plans”. A coordinated approach needs to be applied at national and EU level, too, since network security is of strategic importance for the whole community. Among the key actions recommended for the member states and the Commission are: strengthening security requirements for mobile network operators, assessing the risk profile of suppliers, ensuring that each operator has an appropriate multi-vendor strategy, contributing to the maintaining a diverse and sustainable 5G supply chain, or further strengthening EU capacities in the 5G and post-5G, etc. It should be emphasized, however, that these are only recommendations because national governments have their own security policies.

On the whole, cybersecurity plays a major role in the EU’s digital transformation. With its Cybersecurity Act, the European Union offers a

new alternative, an approach that is fundamentally different from the American liberal or the Chinese authoritarian model. Bendiek and Schallbruck (2019) claim that the Act, which is “[e]mbedded in a policy that combines digital sovereignty with strategic interdependence” could be “the gateway to a third European pathway in cyberspace, something in between the US model of a liberal market economy and the Chinese model of authoritarian state capitalism”. To some extent, the digital strategy of a country reflects the country’s values and priorities. At the same time, it is one of the most essential tools in the fight for global dominance. But digital technologies are interrelated, therefore, they reach beyond the borders of single states. This also means that controlling them is an increasingly demanding task.

## **7. FDI Screening and Security Policy in the EU**

There is one more issue that needs to be mentioned in relation with the EU’s China policy. It concerns foreign direct investments in general, however, the elements including new technologies can be mainly related to China. The new EU framework for the screening of foreign direct investments entered into force in April 2019. The European Commission proposed this framework to safeguard “Europe’s security and public order in relation to foreign direct investments into the Union”. The list of the member states’ screening mechanisms is publicly available, and it is regularly updated by the Commission. Although they vary considerably, the security dimensions of the new technologies are prominent in nearly all of them.

The list of EU screening mechanisms includes the screening mechanisms (and their amendments) of the following states: the Czech Republic, Denmark, Germany, Spain, France, Italy, Latvia, Lithuania, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania,

Slovenia, Slovakia, and Finland. A thorough analysis of all these states' relevant laws and their amendments would far exceed the limits of this paper; however, a representative choice of several points would suffice to have an overview of some EU countries' FDI screening.

In France, the order of 31 December 2019 relating to foreign investments entered into force. According to Article L. 151-3 of the Legislative Section of the "Monetary and Financial Code" "[f]oreign investment in any activity in France which, even if only occasionally, is part of the exercise of public authority or pertains to one of the following domains is subject to prior approval from the Minister in charge of Economy". The areas specified in the document are the following:

- a) Activities likely to jeopardise public order, public safety or national defence interests.
- b) Research in, and production or marketing of, arms, munitions, or explosive powders or substances.

The Regulatory Section specifies the activities relating to the exercise of public authority, and places them in the following categories: I. activities that "are likely to jeopardise national defence interests or the maintenance of public order and public safety", II. activities "that are likely to jeopardise national defence interests or the maintenance of public order and public safety, insofar as they concern infrastructure, goods or services" which have a vital role in guaranteeing the integrity, security and continuity of the energy, or water supply, or of the operation of transport networks and services, etc. The third category concerns activities "that are likely to jeopardise national defence interests, public order and public safety, when they are intended to be carried out in connection with one of the activities referred to in section I or II". These include "research and development activities relating to

critical technologies” and “research and development activities relating to the dual-use goods and technologies”. The critical technologies are listed in Article 6 of the order, and they include: cybersecurity, artificial intelligence, robotics, additive manufacturing, semiconductors, quantum technologies, and energy storage.

Regarding Italy, the decree law of 15 March 2012 was complemented with “the regulation on special powers in sectors of strategic importance set forth in Articles 3 and 4-bis of the decree-law 21 September 2019, n. 105”, and was converted with amendments by law November 18, 2019, n. 133. The original decree law consists of “Rules on special powers on corporate assets in the defence and national security sectors, as well as for activities of strategic importance in the energy, transport and communications sectors”. The amendments available in the *Gazzetta Ufficiale* include urgent provisions concerning national cybersecurity. Most of the modifications consider the harms inflicted on national security that may derive from the malfunction, the (even partial) interruption, or the improper use of networks, information systems, and IT services. The Centre of National Assessment and Certification (CVCN), established in the Ministry of Economic Development, should be notified by the risks imposed by the supply of ICT goods, systems, or services; moreover, CVCN can carry out preliminary checks and hardware or software tests. It would be impossible to include all modifications mentioned in the document; however, there is one point that cannot be left unmentioned. It claims that international standards, i.e., the standards of the European Union were considered, referring to the EU regulation (2019/452) of the Council of Ministers.

Germany is an attractive destination for investment, therefore, the country’s security risks should be regularly measured and prevented. It is the task of the Federal Ministry for Economic Affairs and Energy to

review the acquisition of German firms on a case-by-case basis. The legal framework is provided by the Foreign Trade and Payments Act and the Foreign Trade and Payments Ordinance, which include special rules that apply to the acquisitions of certain defence and IT security companies. Section 4 of the Foreign Trade and Payments Act includes the restrictions and obligations required to protect public security and external interests. Similar to their Italian counterparts, the restrictions of legal transactions and actions, and the obligations to act can be imposed “in order to implement decisions of the Council of the European Union on economic sanctions in the field of Common Foreign and Security Policy”, or to implement obligations of the Member States of the European Union, UN Security Council resolutions or international agreements. Section 5 of the act specifies the subjects of restrictions, and adds that these regulations “can particularly be imposed with reference to the acquisition of domestic companies or shares in such companies by foreigners in order to guarantee essential security interests of the Federal Republic of Germany if the domestic companies: 1. manufacture or develop war weapons or other military equipment or 2. manufacture products with IT security functions to process classified state material or components essential to the IT security function of such products”. These rules also apply provided these companies “have manufactured such products and still dispose of the technology if the overall product was licensed with the knowledge of the company by the Federal IT Security Agency”.

So far, most EU member states have such or similar control mechanisms for foreign direct investment. As these examples show, there are tremendous differences between the different countries’ acts dealing with screening FDI. The acts of several other countries which are on the list made available by the European Commission have not been amended for years, thus they do not fit exactly into the framework

provided by the EU. It is an acceptable argument that each member state has its own peculiarities concerning its security policy, still, a complete list and a more united stance on this matter would be required. Although the member states have the authority to decide whether a foreign direct investment affects their national security or public order, they should take into consideration the recommendations of the European Commission before making a final decision. None of the documents makes any specific references to China, still, the European screening framework also affects considerably Chinese investments, which already halved between 2016 and 2018 in the EU.

Rasmussen (2018) considers the EU's decision to monitor foreign investments as an important step forward, which does not obstruct trade but makes it clear that "trade and investment must be based on values and freedom, and not simply the interests of state-backed monopolies". Although he agrees with the necessity of a common position, he criticizes the European approach that only seeks to negotiate standards and rules, as opposed to the United States, which prefers crude action to discussion. On the whole, Rasmussen claims that "the proposal shows clearly that the EU is bringing a rule book where China brings a cheque book", therefore, the EU should move beyond this values-based approach to pursue its interests by forming "a stronger political and economic alliance with the leading Asian liberal economies". The EU published its Connectivity Strategy for Europe and Asia in September 2018, which was considered as an answer to China's Belt and Road Initiative. Among the Asian partners the relations with Japan are of particular importance, as reflected by the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure launched in September 2019. Nevertheless, this partnership does not hinder many EU member states in pursuing their interests and continuing to favour Chinese investments.

## 8. Europe and the Two Technological Superpowers

Although the first steps towards developing a strong digital Europe have been taken, the EU is still far from becoming the rival of any of the two technological superpowers. On the other hand, as Bremmer (2020) observes, it has become a true regulatory superpower, which “wants to boost its own capabilities in AI while turning its strong tech regulation into a competitive advantage”, since consumers trust European AI products, besides, the General Data Protection Regulation (GDPR) is “the most extensive data privacy framework in the world”. He adds: “Europe doesn’t have the Silicon Valley tech titans in its corner and doesn’t have the state-control of capitalism to grow its own tech champions the way that Beijing has done in recent years. It also increasingly finds itself caught between Washington and Beijing’s will-they-or-won’t-they Cold War. Tech regulation represents Europe’s best hope for resuscitating its geopolitical relevance in the 21st century” (Bremmer, 2020). This statement is acceptable; however, it should be added that even if the European Union, as a supranational organisation, has its own values, each of its member states has its own standards, too, regarding regulations and national security. Still, only a unified standpoint among members concerning technological regulation (based on European values and standards) along with joint IT research projects (coordinated at EU level) would lead to the technological emergence of the EU.

## 9. Conclusion

The European Digital Strategy is built on European values and individual rights. It emphasizes that Europe should have its own digital capacities, which include the protection of its citizens and businesses,



too. Security issues are of primary relevance for the EU, hence, after the implementation of the General Data Protection Regulation and the provision of a common framework for the screening of foreign direct investments, it accepted the Cybersecurity Act, which further strengthens the EU's security policy. The latter also granted new tasks to ENISA, which is enabled to prepare European cybersecurity certification schemes.

On the one hand, these developments are remarkable, moreover, they are praised by other countries, too. Countries like Japan, India, and Brazil intend to align themselves with European law because it makes more sense for globally active corporations to apply demanding EU regulations everywhere instead of operating with different standards required by different markets. On the other hand, regulations are overemphasized in the European Digital Strategy in comparison with innovation, or research and development, despite the necessity to defend European values and rights, as reflected by the first pillars of the European Commission's digital strategy, i.e., the Data Strategy and the White Paper on Artificial Intelligence. The notion of creating a single market for data will ensure data availability in the economy, and citizens as well as businesses will benefit from data driven applications. But as a common framework has been provided concerning the screening of FDI, cybersecurity, GDPR, or certification schemes, the EU should also attribute greater importance to common research initiatives, including transnational cooperation. At the same time, the organization should also rely more heavily on its talent pool, which is often lured by the two big rivals.

The steps the EU has taken so far concerning regulations and the plans to develop operating standards for European data spaces are promising. They will allow businesses, governments, and researchers to store their own data, as well as access data shared by others, which is of

crucial importance for innovation. Besides, the unified digital single market is necessary to overcome fragmentation on the digital ground.

The EU, with the diversity of knowledge and expertise represented by its member states can emerge as a technological superpower, provided these attributes are coordinated in a more effective way. Countries aspiring for membership may contribute to this common knowledge to a great extent. Only with a unified standpoint among present and future members regarding technological regulation, and with joint research projects, which are based on European values and standards, would the European Union be able to break the bipolar technological world order.

## Note

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## **Fragmenting Cyberspace and Constructing Cyber Norms: China's Efforts to Reshape Global Cyber Governance<sup>+</sup>**

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### **Abstract**

Digitalisation has been an essential element behind the process of globalization, proposing new ways of interacting among nations and states. With its rise in the digital domain, China has increased its involvement in the global dialogue regarding cyber governance. China has sought to achieve a position from which it is capable of reshaping the global digital domain as dictated by its interests. This endeavour into cyberspace leadership entails not only technological but also political transitions. Hence, this article explores China's attempts to dictate the future direction of cyber norms and investigates this process of discursive production in an effort to understand how China may expand its influence, reshape the expectations of international audiences, and establish a favourable strategic environment by "telling China's stories well". The investigation concludes by discussing the implications for the international community and cyberspace.

**Keywords:** *discourse power, global cyber governance, cyber norms, data governance, cyber sovereignty*

## 1. Introduction

Since the first email was sent from China on the 20th September 1987, containing the message “Beyond the Great Wall, joining the world” (Qiu, 2003), China has developed a considerable presence in cyberspace. After decades of digitalisation, in 2016, China became the country with the largest population of Internet users and a quickly expanding cyber market (*Internet Live Stats*, 2016). In addition, Chinese homegrown technology now occupies a sizeable share of the global technology market, and various domestic companies such as Baidu, Youku, Taobao, Alipay, Weibo, and Renren are capable of rivalling Google, Youtube, eBay, PayPal, Twitter, and Facebook (Yau, 2019: 277). In sum, China has invested substantially to become a formidable cyber power in the 21st century.

Nevertheless, China’s aspirations in cyberspace are both materialistic and ideological. Existing research often placed their focus on understanding the roles of the tech sector in China’s growth of power in cyberspace, but they sometimes ignored the contested relations between the state and the private sector and simplified them as a coherent group. As exemplified by China’s interventions on the Alibaba Ant Group’s expansion in the market and removal of Chinese DiDi from the domestic app store in 2021 (*Taiwan News*, 6th July 2021; *Financial Times*, 23rd April 2021), the Chinese Communist Party (CCP) would rein the direction of technology whenever the party feels the interest of the private sector is incompatible with its domestic policy of cyber governance. Likewise, internationally China would also seek not only the enhancement of technology but a new strategic position in which it



can make the rules rather than a subordinate position in which it must accept rules made by others. This observation has become increasingly evident since Xi Jinping assumed the presidency of China and the position of General Secretary of the CCP in 2012. In July 2014, President Xi Jinping officially called for countries to respect each other's cyber sovereignty during a visit to Brazil (*China Daily USA*, 17th July 2014 ), reiterating the point at China's 2015 World Internet Conference (Xinhua, 16th December 2015). By the end of 2019, what is also noticeable is that China and its close ally, Russia, had successfully mobilised sufficient international support to establish a new United Nations (UN) working group, the Open-Ended Working Group (OEWG), with a stated goal to "enrich and elaborate" how the principle of sovereignty applies in cyberspace (United Nations, 2019: 2). China contends that cyberspace requires strict order and promotes a state-centric view of the digital domain, which is at odds with the conventional Western idea of a borderless cyberspace.

Based on this context, this article explores China's efforts to intervene in global digitalisation with respect to ideology. In particular, the investigation focuses on how China has reshaped the existing discussions and focuses on cyber governance. The study is structured as follows. First, it explains the division between the East and West in regard to cyber governance through a brief review of the main points of contention. Second, the paper highlights how its analytical approach is distinct from previous research. Third, it explains how discourse is meaningful and why narratives are crucial to the development of cyber norms. Fourth, it revisits the historical use of discourse in the shaping of cyber norms. Fifth, the study presents the evidence of Xi's focus on creating a strategy to guide cyber norms. Sixth, the article delves into how China has exerted power within UN discussions and debates and the dynamics of its participation. Finally, the paper describes the

implications of the analysis and how China's carefully crafted cyber vision may have broader security ramifications for the world.

## **2. The Debate on Cyber Governance**

China's narratives concerning cyber sovereignty reflect a long-standing dispute between the East and the West regarding cyber governance, or how to regulate behaviour in cyberspace. They both acknowledge the need to develop agreeable new cyber norms to regulate conduct in cyberspace and prevent the World Wide Web from becoming a "Wild West Web" (Arquilla and Ronfeldt (eds.), 1997: 242); however, due to differences in their political systems and cultures, East and West have arrived at distinct interpretations of the state's role in cyberspace (Lu, 2014). As promoted by the United States, the West supports a model of "multi-stakeholder governance". Western countries argue that because cyberspace infrastructure is constructed, managed, operated, and supported by the private sector, no government may act alone to address cyberspace issues. Instead, individuals, the Internet community, enterprises, nongovernmental organizations, and governments should all be involved in cyber governance through proper coordination and cooperation. However, led by China and Russia, the East insists on a model of "multilateral governance". They argue that cyber "governance" is not distinct from cyber "government", And that that the international community should follow the UN's state-centric tradition to regulate this new domain, and that the International Telecommunication Union under the UN should steer cyber governance affairs. For China, the discourse on "multilateral governance" should be repackaged as "cyber sovereignty". According to China's official announcement upon the establishment of the OEWG in 2019, states should "exercise jurisdiction" over information and communication technology (ICT)

infrastructure and ICT-related activities within their territories and states “have the right to make ICTs-related public policies” to manage their own ICT affairs and protect their citizens in cyberspace (United Nations, 2019: 3). From this perspective, cyber governance encompasses not only technological responsibility but also social and policy aspects relating to ICT infrastructure; China is determined to make cyber sovereignty a legitimate cyber norm.

### 3. The Research Question

The context presented above indicated that cyber norms are still agreements yet to come, and it would be too early to say, in Marxism terminologies, whether China’s waging of a *war of position* would enable it to complete in a *passive revolution* in changing our view of cyber governance under Xi Jinping’s leadership. However, the research question presented here is that, technically speaking since China was a relative latecomer in the ICT area at the beginning of the 21st century, how has the country been able to transform itself from a position of dependency towards potentially having a dominant status, by overcoming the West’s past technological superiority in the tech sector?

To answer this question, this paper adopts the premise that the future of cyber governance will not be decided by who has more technology but by who tells a more compelling story. In an example of such storytelling, CCP Director of the Office of the Central Commission for Foreign Affairs, Yang Jiechi, in March 2021 during the first Sino-US talks opined, “The United States itself does not represent international public opinion, and neither does the Western world. Whether judged by population-scale or the trend of the world, the Western world does not represent the global public opinion” (*Nikkei Asia*, 2021). Rhetoric will play a key role setting policy for the future direction of global cyber

governance, and both Eastern and Western powers will presumably aim to spin compelling narratives to win allies in their bids for policy wins. Diplomacy certainly has a role in shaping and contesting the rules and practices of cyber governance, and contemporary international power struggles are rhetoric driven to some extent. Through the following investigation, this article further proposes that China has adopted the terminology of “multilateral”, “democracy”, and “sovereignty” in its diplomatic narrative to challenge existing power structures in the cyber domain.

#### **4. Theoretical Foundation: Discourse as Power**

Conventional international relations literature often focuses on a nation state’s physical assets, namely territory, technology, and population. However, what brings to this article’s attention is that this traditional view cannot explain how the technologically advanced West has not successfully leveraged its material resources to maintain its dominance in the discussion of cyber norms, as witnessed by the growing discussion of China’s cyber sovereignty in the international arena. Historically speaking, the US was the creator of the Internet, and many of its technology companies still dominate essential functions within cyberspace (Mueller, 2009: 74-75). However, despite the US’s advanced technology and abundant resources in the cyber domain, they seem to fail to dictate the future direction of cyberspace in their favour.

Narrative plays an important role to drive the outcome of discussions on cyber governance, and China’s discursive practice is to create a social reality or worldview through narrative and inspire audiences to act upon it. This approach reflects Alexander Wendt’s argument that theories literally construct the world and regulate our behaviour (Wendt, 1999: 49). Constructivist approaches emphasise the

critical role of discourse in international relations and examine how the prevailing discourse can result in public consensus (Adler, 1997). Likewise, Foucault argues that discourse is a means of constituting knowledge, together with social practices, forms of subjectivity, and power relations (Weedon, 1987: 108). Hence, discourse and narrative can legitimate an ideological construction, and actions are derived and justified through this given structure. According to Chinese international relations scholar, Qin Yaqing, this type of power “determines the action, position, and identity of every unit inside through its meaning system” (Qin, 2018: 271). However, despite China’s focus on the use of diplomatic rhetoric in different issue domains (Zhao, 2016), relatively few studies have attempted to consider the effect of nonmaterial factors in cyber competition.

The international establishment of China’s cyber sovereignty discourse can be taken as evidence of China’s discursive production. Since Xi Jinping took office, he has emphasised the need to establish international “discourse power” (*huayuquan*). In 2013, he specifically spoke to the CCP Politburo standing committee members and emphasised the need to “tell China’s story well” (*jianghao Zhongguo gushi*) (Xinhua, 31st December 2013). In his visit to Brazil during the 2014 BRICS summit, he also highlighted China’s intention to ally with developing countries to participate in global governance and create more discourse power (Xinhua, 17th July 2014). Chinese scholar Sun Jisheng, the vice president of the China Foreign Affairs University, has vividly described this strategy as “turning China’s words into global words” (*ba Zhongguo huayu zhuanwei shijie huayu*) (Sun, 2019: 36). It is a strategy not about “letting China have a say in international affairs” but about “China’s embodiment of power through the use of language” (Rolland, 2020: 10). This study focuses on understanding how the process of

discursive practice has resulted in a new cyber norm for cyberspace and what the implications could be.

## **5. The Discursive Origin of Cyber Norms**

In retrospect, the development of cyber governance has been marked by competing narratives. In 1966, one of the famous Internet pioneers, John Perry Barlow, claimed that “governments of the industrial world ... have no sovereignty to cyberspace” (Barlow, 1996). This idea is also reflected in the US’s establishment of the earliest cyber governance organization, the Internet Corporation for Assigned Names and Numbers (ICANN), which is a decentralised entity in charge of technical matters and nonjudicial issues. However, with the integration of ICT into the daily life of many, along with the rise of cybercrime and cyberattacks, the international community has quickly discovered the need to regulate activities in cyberspace. The Budapest Convention in 2001 was an early attempt by the European Union to “harmonize” domestic laws across territories to establish a common standard for law enforcement, and it was later ratified by 64 UN member states (Council of Europe, 2021). However, because of a controversial article authorising cross-border investigations (Article 32b), the convention has not been accepted by China and Russia. In addition, the UN hosted the World Summit on Information Security in 2003 and later established the Internet Governance Forum in 2005 to promote discussions regarding global cyber governance. Furthermore, after the massive cyberattacks on Estonia in 2007, the NATO Cooperative Cyber Defence Centre of Excellence initiated a project to prepare the Tallinn Manual on the International Law Applicable to Cyber Warfare, commonly known as Tallinn 1.0, but its revised version from 2017, Tallinn 2.0, has thus far remained purely academic research.

International entities have also been considering the future direction of cyber behaviours, with the West's idea of multi-stakeholder governance looming large in such considerations, but many state and nonstate actors have also proposed initiatives to create common cyber norms. For example, in 2017, Microsoft unsuccessfully proposed the Digital Geneva Convention to ensure private infrastructure could not be exploited by state actors (Jeutner, 2019). France put forth the Paris Call for Trust and Security in Cyberspace without receiving endorsements from China or Russia (Ministry for Europe and Foreign Affairs, France, 2021). Since 2018, the Global Commission on the Stability of Cyberspace has endeavoured to establish general guidelines for states in regard to responsible cyber behaviour but has not achieved a clear consensus.

In short, this review illustrates that the development of cyber norms is still in a volatile stage and achieving a shared understanding of cyber norms is poised to be a contested process that is subject to the influence of myriad discourses by international actors (Niemann and Schillinger, 2017). Nevertheless, given that discourse has keen power to reshape worldviews and influence the global order, whether discourse can be leveraged by China to dominate future discourse is a key question, which is in need of careful investigation and answer in this article.

## **6. Xi Jinping's Determination to Shape Cyber Norms**

China's official statements have repeatedly displayed its strategic intent to increase its leverage in the international discursive space. In 2014, China released a document titled *Directives Regarding the Total Fulfilment of Rule by Laws*, which specified the need to increase its discourse power and influence (Xinhua, 28th October 2014).

Later that year, the Cyberspace Administration of China was established to coordinate the country's overall policy development and international strategy regarding cyberspace (Central Government, PRC, 27th February 2014). In 2015, Xi called for the international community to follow the principle of state sovereignty enshrined within the UN Charter in efforts to regulate behaviours in cyberspace in his opening remarks at the 2nd World Internet Conference in Wuzhen, China (Xinhua, 16th December 2015). State sovereignty was further elaborated in the CCP's 13th Five-Year Plan, which stated the goals of "the establishment of multilateral, democratic, and transparent international internet governance systems, and [taking] an active part in international cooperation on the formulation of international rules relating to cyberspace security" (National People's Congress, 2016). In 2016, China released its National Cyberspace Security Strategy, in which it restated its ambition to "award its deserved international status" (*guoji diwei xiangcheng*) by establishing its leadership in governance and technological capabilities (CAC, 27th December 2016). In 2017, China's International Strategy of Cooperation on Cyberspace also called for nation states to build "[an] orderly cyberspace and a multilateral, democratic and transparent global Internet governance system" (Ministry of Foreign Affairs, China, 2017). In the first Belt and Road Forum for International Cooperation in 2017, Xi announced the Digital Silk Road and pledged to increase China's influence in cyberspace with further international cooperation (Shen, 2018). As indicated in this context, China has clear strategic intention and sufficient resources, and the next section will investigate how China exercises its discourse power in the international arena.



## 7. The Discursive Practice of Reshaping International Cyber Governance

Chinese domestic and diplomatic announcements already contain numerous references of cyber sovereignty. In particular, Xi Jinping elaborated on the concept in China's 2nd World Internet Conference in 2015, stating that

“the principle of sovereignty *equality* enshrined in the Charter of the United Nations is one of the basic norms in contemporary international relations ... We shall *respect* the right of individual countries to independently choose their own path of cyber development, model of cyber regulation and internet public policies, and participate in international cyberspace governance on an equal footing.” [emphasis added]

(Xinhua, 16th December 2015)

China's International Strategy of Cooperation in Cyberspace in 2017 also stated, “China supports formulating universally accepted international rules and norms of state behavior in cyberspace with the framework of the United Nations ... Relevant efforts should reflect broad participation, sound management[,] and democratic decision making ...” (Ministry of Foreign Affairs, China, 2017)

China's strategic narrative has been very evident on various occasions. The earliest apparent effort was in 2011, when the Shanghai Cooperation Organisation (SCO), an regional organization led by China, initiated a motion in the UN called the International Code of Conduct for Information Security; the proposal reaffirmed that “policy authority for Internet-related public issues is the *sovereign right* of States” [emphasis added] and “all the rights and responsibilities of States to protect ... their information space” (UN General Assembly, 2011). In 2012, China

further proposed modifying the International Telecommunication Regulations to enforce a government-controlled Internet; the suggested amendment did not espouse multistakeholder governance. Although the proposal was not well-received internationally at the time, the concept drew substantial attention (McCarthy, 2011).

Since 2010, amid concerns about states' exploitation of cyberspace, the UN has convened the Group of Government Experts (UNGGE), in which emerging cyber norms have been discussed by the international community (UN General Assembly, 2010). However, in 2015, the SCO submitted an updated version of the International Code of Conduct for Information Security and quoted the UNGGE 2013 report: "State **sovereignty** and the international norms and principles that flow from it apply to States' conduct of ICTs-related activities" [emphasis added] (UN General Assembly, 2015b). The SCO's proposal further stated that the state actors shall promote "the establishment of **multilateral, transparent** and **democratic** international Internet governance" [emphasis added] to ensure equal access to the international discussion of cyber norms. China's strategic intention regarding states' sovereignty has been repackaged using the lexicon of "multilateral", "democracy", and "transparency". This communication strategy has given China the diplomatic high ground to establish much-needed support based on the legacy of the Treaty of Westphalia (Meyer, 2015). However, this does not mean that China agrees with the UNGGE's conclusion entirely. A close examination of the UNGGE discussions reveals that, in 2010, the UNGGE actually agreed with China, but on the additional need to involve nonstate actors in the dialogue, stating in its consensus report that "Collaboration among States, and between States, the private sector and civil society, is important and measures to improve information security require broad international cooperation to be effective" (UN General Assembly, 2010). Furthermore, in 2013, the UNGGE seemed to

suggest that states should play important roles in the effort to reduce ICT risks and increase global security, but “effective cooperation would benefit from the appropriate participation of the private sector and civil society” (UN General Assembly, 2013). Instead of borrowing directly from the existing norms in the conventional domains, the 2013 UNGGE report also clearly stated that “Given the unique attributes of ICTs, the report notes that additional norms could be developed over time”. However, China’s cherry-picking from UN discussions reflects its strategic calculation to shape cyber norms by emphasising the need for state involvement but downplaying the role of the private sector. As part of this ongoing dispute, in 2015, the UNGGE was mandated to discuss the extent to which the existing norms would be applicable in cyberspace (Osula and Roigas, 2016: 119).

China’s pick-and-choose approach was more obvious in the 2015 UNGGE discussion. The 2015 UNGGE report stated that “Existing obligations under international law are applicable to State use of ICTs” (UN General Assembly, 2015a). Although China believes that Westphalian sovereignty is applicable in cyberspace, the country disagreed with directly borrowing the existing laws on armed conflicts for the cyber domain (Segal, 2017: 7). China worries that military and civilian infrastructure are difficult to differentiate in cyberspace (Huang and Ying, 2019). The US and China have disputed the origins of various cyberattacks since the US FBI’s indictment of five People’s Liberation Army hackers in 2014 (Nakashima, 2014), and China worries that accepting the legacy norms of armed conflict in cyberspace presents concerns about escalation amid Sino–US disputes on numerous cyber-incidents (Huang, 2015). The disagreement between the West and China regarding the future of cyber norms runs deep, and no consensus report was drafted pursuant to the 2017 UNGGE discussion (Korzak, 2017).

China eventually established a new UN working group with Russia in 2019 known as the OEWG (UN General Assembly, 2019b). A well-known Chinese cybersecurity expert, Huang Zhixiong, believes that the OEWG is *open* (*kaifang*), *inclusive* (*baorong*), and *transparent* (*touming*) and is open to all UN members to participate in the discussion, which is distinct from the UNGGE's past conduct of secret meetings and closed dialogue (Huang and Liu, 2020). In tandem with this continuous effort to reshape the cyber world, on the 5th November 2019, the UN passed a resolution entitled Countering the Use of Information and Communications Technologies for Criminal Purposes with the backing of China and Russia. The resolution was designed to create a draft working group exclusively for states' participation in the creation of "a new cybercrime treaty" without consulting nonstate actors (UN General Assembly, 2019a). The controversy over enforcing authoritarian states' political online censorship led to 36 human right groups voicing complaints against the resolution, citing its potential to "give wide-ranging power to governments to block websites deemed critical of the authorities, or even entire networks, applications and services that facilitate online exchange of and access to information" (Association for Progressive Communications, 2021).

Thus far, this investigation has indicated that what has contributed to China's initial influence in shaping cyber norms in the UN has relied on the exercise of words, namely power of discourse, instead of material resources or military alliance. The analysis has also highlighted how the lexicon of "democracy", "sovereignty", and "multilateral", terms originating in the West, have been usurped by China and become a "weapon of the weak" to create a counter-hegemonic discourse (Lee, 2012, 85). In the end, China's exercise of discourse power, as orchestrated by Xi Jinping and many Chinese scholars, has entailed it challenging and resisting the existing cyber order defined by the West.

## **8. Fragmenting Cyberspace and Security Implications**

China seeks a leadership position in global cyber governance, and its initial achievement in establishing its own voice can be seen as a product of Xi Jinping's strategy of "improv[ing] our capacity for engaging in international communication so as to tell China's stories well" (Xi Jinping, 2017). Although influencing the discourse of cyber sovereignty represents China's initial success in diluting Western domination of the discussion of cyber norms, it also entails the following implications.

First, China's conceptualization of cyber sovereignty ignores the fact that modern concept of state sovereignty, based on the Treaty of Westphalia, is actually a human invention that is subject to new interpretations. As evidenced by the discussion of the Responsibility to Protect (Badescu, 2011), which argues that the notion that state sovereignty should not just be the protection from outside interference but is a matter of state actors having responsibilities for population's welfare, state sovereignty is conditional and infringeable under specific situations. This comparison indicates that China's state-centric worldview regarding cyberspace may be regarded as anachronistic due to adherence to a definition from 1648. If the conventional concept of sovereignty is already arguable in physical domains, this raises the question of whether the legacy of sovereignty is still appropriate for a brand-new domain created in the late 20th century. This is also to highlight that, when some may interpret China's strategy for cyberspace as grounded primarily in the enhancement of technology and the growth of material resources, this investigation suggests that the competition is also discursive and ideological.

Second, at the international level, were China's narrative of cyber sovereignty to be adopted, the result could be a world with fragmented parts of cyberspace, with each regulated under different domestic laws.

In May 2021, the OEWG released its first consensus report, but so far, it has reaffirmed the agreement achieved in the 2015 UNGGE without delivering any meaningful new achievements (UN General Assembly, 2021). This situation may be due to the international attention primarily occupied by COVID-19, and none of the agreements are groundbreaking, and they may represent the beginning of a slow process of long-term diplomacy (Gold, 2021). However, if China's efforts to rewrite the cyber order prove successful in the future, new cyber norms would partition cyberspace and fundamentally contradict the international community's past efforts, such as the Budapest Convention, to promote agreeable cyber behaviour by harmonizing cyber laws across borders. This assertion of unique territorial jurisdiction may also hinder the advancement of economic activity in cyberspace, as suggested by private enterprises, due to "inconsistent or conflicting national laws and regulations" (Mueller, Mathiason and Klein, 2007: 238-239).

Finally, such a development would also suggest that as China's diplomats and scholars continue to promote cyber sovereignty in the name of protecting the interests of other countries (Cai, 2018: 67; Li, 2019: 109-114), the gradually accepted norm of data localisation or data sovereignty (Streinz, 2021), namely storing domestic data on devices that are physically present within the borders of a country, would allow China to continuously tighten its control over its domestic cyberspace. From this view, championing cyber sovereignty may be aimed at securing China's self-interest in terms of defending its domestic legitimacy.

## **9. Conclusion**

China seeks to reshape cyberspace in a manner that reflects its values and interests, with its efforts depending on discourse power rather than material power. Hence, this article offers an alternative explanation to the conventional focus on technological advancement in the ICT domain. This investigation focuses not on how China's robust tech sector could be a formidable force impacting the international system but rather on how China uses discourse power in its strategic attempt to counter Western dominance. As illustrated by the saying, "Whoever rules the words rules the world" (Rolland, 2020: 7), China's narrative of cyber sovereignty represents utterances with conscious strategic resolve and is not benign communicative discourse. China intends to impose "its preference" through nonviolent means instead of arriving at a consensus with the international community. This analysis also suggests that the international community needs to take a more prudent stance in approaching any claimed knowledge. Language can drive social change in human society, and thus, individuals must be aware of the danger of submitting to unexamined rhetoric without exercising critical reflection.

In summary, cyberspace is a world of human making (Yau, 2018). When the Internet was created, unprecedented connectivity was believed to be a positive development in human society, and it has increased shared understanding and promoted innovation. Nonetheless, many individuals and states no longer believe that cyberspace is a global common that is not subject to state manipulations. Without being overly pessimistic, this trajectory suggests that the future of cyberspace inevitably rests on social agency and individuals' capacity to act independently and make more informed choices.

## Notes

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## **The Position of the New Security Concept in China's Foreign Policy – Case Study on the Shanghai Cooperation Organization**

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### **Abstract**

This paper analyzes the position of the New Security Concept (NSC) in China's foreign policy. The Shanghai Cooperation Organization (SCO) has been selected as a case study, because in the *China's Position Paper on the New Security Concept* the SCO has been announced as the best implementation practice of the NSC. This paper is made of three parts. The first part represents theoretical platform for explaining the NSC and the reasons why it was introduced by policy-makers of the Chinese Communist Party. The research relies on concepts offered by moral realism, relational theory and theory of institutional balancing. The second part tackles the institutional development of the SCO, as the framework for exploring by which manners and in which areas SCO's member states/partners deepen and strengthen their cooperation and in which areas the cooperation is lacking. The third part of the paper

tackles the practical nexus between the NSC and the SCO, focusing on *Peace Missions*, *Xiamen* and *Solidarity* – the SCO joint antiterrorist and military drills for countering geographical and cyber terrorism, separatism and religious extremism (“three evils”).

**Keywords:** *relational theory, strategic credibility, “non-other”, Shanghai Cooperation Organization, cyber security*

## 1. Introduction

We are witnessing that the contemporary world order is under great changes within which China is ambitiously striving to obtain the “role of partner” within the global governance. For decades China has not been an autarkic state in terms of what China understands as more equitable geoeconomic distribution of wealth and more secure geopolitical order. This shift in China’s foreign policy has been brought by economic, political, military and social results, ecological, and nationalistic challenges and further requirements of the policy of “reforms and opening-up”. Thus, through the policy of “reforms and opening up” China abandoned the concept of self-sufficiency while understanding global order as a revolutionary space. It started to pursue more pragmatic course towards the international order and multilateralism. In that context one of the many Chinese ambitious aims is to create the atmosphere within which it will not be understood as “Other”, that is, it will be perceived as “Non-Other” state that is not challenging and jeopardizing the international society. Following the logic and nature of this kind of objectives, China is using the tools offered by structural power (Mitrović, 2012: 21-25). Structural power is one of the tools that one country can use with the aim to create new or reshape the existing structures of the interstate (economic, political, security and

technological) relations. From the same perspective, China understands the new interstate relations as the platform for making global partnership network. Further, the global partnership network is the framework within which China will be in a position to use the other states' social power. Social power is defined as a power of creating legitimate norms, standards and values (Stefanović-Štambuk, 2010: 665). As the end of the Cold War brought the dismantling of the Soviet Union, bipolar world order structure has been replaced by U.S. undisputed power. Legitimately, USA acted from the position of power of the unique global super power creating international security, political and financial structure that will be in accordance with American strategic ambitions and plans abstracted in "Manifest Destiny". As one of the steps in the process of creating the "New World Order", USA selected the homogenization of the states. States which did not want to be homogenized under the Washington Consensus or did not support militaristic export of democracy were defined as "Other" – challengers and rogue states. Facing the unquestioned American power, China as a promising developing country that was affected by many internal turmoils, was pushed once again to change its understanding of domestic and international security. Besides losing its "balancing position" between the two blocks, Western and Eastern, China faced vacuum of power in Central Asia. The vacuum of power triggered competition for controlling Central Asian strategic assets such as oil, gas, rare earths minerals, and religion. With controlling strategic assets, external factor is in position to dictate institutional development, political and economic reforms of the Central Asian states. Regarding Chinese national interests, this was a great challenge. Namely, after the dissolution of the Soviet Union, for the very first time Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan had to face domestic and international challenges as independent states. The geopolitical map

of Eurasia was redrawn and, thus, unfamiliar for the international community. China had to act towards this newly formed geographical and security map, if it wanted to preserve/defend its territorial sovereignty and sustain economic development. Namely, China's Xinjiang autonomous region is bordering with those newly formed states. But, the problem lays in the fact that Central Asian states could be the (additional) driving and (de)stabilizing force regarding the Uyghur's separatist ambitions in creating the so-called state of "East Turkestan". Having in mind that Central Asian states are linguistically and religiously more familiar with and biased towards Uyghur than the Han population, China considered this as a potentially great support of Uyghur's separatist ambitions. Parallel with securing its western borders, China was creating the position to reinforce and provide international legitimacy to its vertical and horizontal control over Xinjiang. Hence, China initiated and Russia, Kazakhstan, Kyrgyzstan and Tajikistan accepted the Shanghai Five mechanism. The involved states realized that by resolving and preventing future territorial disputes and by reducing the military forces in the common bordering regions, they will be able to employ their resources for economic development and enhancing the people's living standards. Thus, instead on arm race the budget spending could be directed towards non-military services and sustainable development (Mitrovic, 2011, 2019c). By establishing multilateral, besides bilateral cooperation, China made the very first step in presenting itself as "Non-Other" and integral part of the Central Asian economic, institutional, political and security transformation. Thus, Chinese ideas, values and norms would not be excluded as challenging elements. The Shanghai Five was created in 1996, and it was the germ of the SCO flourished in 2001, when Uzbekistan accessed as a full member state. As years were passing by, the Organization demonstrated its capacities in securing security in Eurasia and providing economic

development, by nurturing and making harmony in diversity. This SCO approach towards regulating interstate security and economic relations is defined as the “Shanghai spirit”. Thus, China is insisting that the work of the SCO is not based on imposing the homogenization, but on creating the atmosphere within which the sustainability of the Organization and its member states will be grounded on finding the resolutions by respecting difference of national interests and finding harmony in diversity. On the other side, (colloquial speech) as for the Chinese core national interests, China behaves in the way that there is no room (there is no scope) for offering different perspectives, but Chinese, on resolving the issues. This was the factor that made public policy makers and representatives of academia to question the power, sustainability, openness and strength of the SCO. However, there is a list of countries that are waiting to become its member state (Mitrovic, 2019a).

## **2. Development of the New Security Concept in China's Foreign Policy**

Introducing the New Security Concept (新安全观 – *xīn ānquán guān*) as the Chinese strategic, proactive, constructive, for some states assertive, choice and approach for pursuing multilateralism and joint securitization of security and economic development cannot be considered as a kind of *ad hoc*, short-term reaction to outside stimulus. It also reflects its overall assessment of the nature and trends of the international system and the international environment, its evolving concepts of national security, and its deepening understanding of the function of multilateral diplomacy under new circumstances (Wang, 2005: 160). In that context, the NSC is mirroring the evolution of China's identity positioning, strategic interests and relations with the

international community. Thus, the NSC not only came from practice but also reflects the steering of practice (Zhong, 2014: 142). By introducing the NSC, China started to gather the partners that will support its idea that the zero-sum way of thinking in international relations and Cold War mentality are obsolete and non-feasible tools in securing not just regional, but global security too. According to Qian Qichen we [international society] have to abandon the “Cold War mentality” and to develop global security order that is based “neither on military build-up nor on military alliances”, but it is grounded on [constant searching for and building] “mutual trust and common interests” (Wang, 2005: 175). For the Chinese side, the security is relational concept. Relational theory is seen in the fact that China through the NSC is striving to harmonize national interests, and not to make homogenized military or security alliances. In that kind of international society, the relations between A and non-A will not be based on zero-sum game, instead it will be based on constant searching for new synthesis and symbiosis between different national interests, business praxis and security understandings (Qin, 2010). Understanding refers to both to mutual security relations and security context within which those relations are positioned. Having in mind, that China defines Western security concept as non-feasible and obsolete, it still to be seen whether Beijing is creating the atmosphere of harmonization of differences or create the harmonization that will be suitable for “wolf-warrior” diplomacy? This kind of thinking made some authors claim that by introducing this concept, China is diminishing the positive impact of the military alliances on the global stability on purpose (Shambaugh, 2005).

The NSC was accepted by the third Communist generation led by Jiang Zemin and it was incorporated in the *White Paper on China National Defense* from 1998 – within The International Security

Situation (Ministry of Foreign Affairs of the People's Republic of China, 1998). After that, in 2002, China published document *China's Position Paper on the New Security Concept*. Namely, in China's view, the core of such new security concept should include mutual trust, mutual benefit, equality and coordination (Ministry of Foreign Affairs of the People's Republic of China, 2002). Regarding the abovementioned features of the NSC, the attention of our research will be focused on the methods China is using to implement those concepts in the Central Asian states. We hereby question whether China's perception of interest could be harmonized with neighbors' perception? Whether the harmonization is conditioned with Chinese capital and surplus in foreign exchange reserves, labor in the cement and glass industry and contemporary arms? Does NSC represent Chinese efforts for creating security architecture based on the logic of complementarity or a charming offensive in creating its "Greater China Zone" sphere of influence? Xi Jinping in the "Diplomacy with Neighboring Countries Characterized by Friendship, Sincerity, Reciprocity and Inclusiveness" speech accentuated that "China's diplomacy in this area [neighborhood] is driven by and must serve the Two Centenary Goals and our national rejuvenation [*Chinese Dream*]. To achieve these strategic aims, we must maintain and make best use of the strategic opportunities we now enjoy, and safeguard China's state sovereignty, national security, and development interests." (Xi, 2013a) Besides that, Xi Jinping, during the Peripheral Working Diplomacy Conference, underlined, once again, the strategic importance of Chinese neighboring states. Hence, one of the Beijing's strategic goals is to raise the cooperation with neighboring states on the level that will reinforce China's position and enhance the achievement of national interests (China Council for International Cooperation on Environment and Development, 2013). Analyzing the speeches, it can be presupposed that stable and suitable environment has

tremendous importance for China's national interests and ambitions to develop the strategic credibility as the prerequisite in obtaining international authority. Such conclusion serves us as a helpful tool in making the distinction between power and authority, because it is possible for a state to increase its international power by promoting its material capability, but such promoted material capability cannot automatically promote its international authority when other states do not accept its leadership (Yan, 2019: 17). In that regard, Chinese neighborhood possesses two main characteristics. First, the neighborhood is the platform from which China can promote and wide the spectra of its global ambitions. Second, strategically stable and practical relations with neighboring states are prerequisites if China wants to be recognized and accepted as a legitimate world super power. Thus China is using neighborhood to expand its network of international partners hence its strategic interests' borders. Having in mind that China is facing China Threat Theory, China Collapse Theory, "wolf-warrior" diplomacy and many other discourses that are (un)objectively emphasizing negative impacts of Chinese development, was additional impetus for China to improve its international image and status and "partnership diplomacy" with the international society. A significant part in this process is given to the dominant and creative personality of Xi Jinping, the current Chinese president and CCP Central Committee's general secretary (Mitrovic, 2018: 19). Since Chinese diplomatic/communicational/relational proactivity has not been the part of the homogenized Western community, Chinese security ambitions in Central Asia, particularly when the SCO was founded, were understood as Chinese assertive or even aggressive challenging the American efforts in spreading democracy supported by NATO military forces. American strategies of ideational, institutional or geographic spreading the NATO towards the East, Beijing perceives as an American ambition to create



the “Asian NATO” (亚洲版的北约 – *Yàzhōu bǎn de běiyuē*). The “Asian NATO” concept is “occasionally used in the context of PRC media and academic discussion suggesting that a U.S. goal is to link its allies and partners together into a NATO-like structure targeted at China” (Mitrović, 2001: 1; Wuthnow, 2018; Dai Xu, 2010; Wang, 2011; *Global Times*, 31st October 2013). Obviously, in such structure of interstate relations, Chinese space for maneuvering or manipulation of Central Asian strategic interests and assets will be contained. Apart from signing Partnerships for Peace with Turkmenistan, Kyrgyzstan, Kazakhstan and Uzbekistan in 1994, the very first result of the American-NATO ambitions in the Central Asia was achieved after September 11, 2001. Namely, USA, after declaring the War on terror, deployed NATO forces in Central Asia, all up to the Chinese borders. According to Professor Dragana Mitrovic, NATO is one of security threats (whose expansion to the East and to the borders with Afghanistan and China follows carefully) that makes China unhappy, but also pragmatic and flexible enough to adapt these changes. They think that the NATO expansion expresses the continuation of the Cold War mentality and the application of traditional security concepts that are dominated by the mentality of containment and balance of influence. Just before September 11, George W. Bush's administration, under the motto of fighting terrorism and preventing the proliferation of weapons of mass destruction, strengthened strategic control over the belt from Southeast to Central Asia, directly entering the security zone of China, India, Japan and Russia (Mitrovic, 2019d). Xing Guangcheng, has emphasized four reasons for China's opposing NATO geopolitical and military infiltration and penetration of region, beginning with emphasis that NATO's increased presence will generate an arms race. Second, closer military ties between NATO and the Central Asian states will not promote the elimination of “hot spots” in the region, but rather

aggravate military confrontation. Third, NATO's constant military exercises cannot help but cause concern and alarm in China. Fourth, some NATO members have provided secret support to nationalist separatist activities in the Chinese region of Xinjiang, which directly threatens China's security and stability (Xing, 2003: 110-111).

In regard to the claims that SCO was founded as Chinese response and reactions to the American presence in the Central Asian region, we have to underline that the SCO was founded in June, 2001, that is, before 11 September 2001. However, it could not be guaranteed that China will not use the SCO to prevent American further geopolitical, military, ideational and economic influence within Central Asian region, as it did during the 2005 SCO Astana summit. Thus, implementing NSC through the SCO practices, China is activating the strategic tools of institutional balancing towards USA. Institutional balancing perspective offers the insights that states are making new or using the already established institutions with the aim to pursue their (realist) interests, such as power, influence and authority, in the international system (He and Feng, 2019). Having in mind the strategic importance of the institutions, during the thirty eight years China has evolved into one of the most important, and sometimes the most important, participant in the existing structures, agreements and relationships at the regional and global level, as well as initiator, re-structor and architect of many new ones, which are based on principles substantially different from the ones that had been dominant in the contemporary world order until recently (Mitrovic 2019b: 138; Mitrovic 2019e). Chinese behavior mirrored through the institutional balancing reflects not just Chinese belief that these institutions will enhance its position in global governance and enhance its acceptance as a benevolent global super power, but as the basis of legitimacy in opposing the US ambition of single super power.

Following the logic of the institutional balancing through which China nurtures differences in terms of political values; Beijing was accused of promoting the Central Asian authoritarian political systems. Pursuing this kind of approach possesses two strategic importance matters for China. First, China does not want to be homogenized into Western prism, that is, it does not want its national interests to be defined by US criteria for sanctioning or awarding trusting partners. Second, it will use it as a strategic tool in preventing other states from shaping on the Western sphere of influence. Whilst China defends its national interests it does not want to be (mis)judged as a challenger. In that sense, China is trying to represent its proactive behavior as a complementary part of the global governance which can bring new developmental possibilities on the global level. As for the accusations that Beijing promotes authoritarian political systems, in the *National Defense Strategy of USA, 2018*, we can read that China and Russia want to shape a world consistent with their authoritarian model gaining veto authority over other nations' economic, diplomatic, and security decisions (Ministry of National Defense of the USA, 2018). Hence, in their understanding, China is blocking reforms and spreading of the universal democratic values in the Central Asian countries (Ambrosio, 2008). However, China is making USA and its allies anxious, because it possesses the requested level of financial, military, political and technological capacities of the structural power to offer the countries all around the globe the alternatives in regard to their development. On the other side, there are several arguments that rise the question whether China really pursues the course of nurturing differences and common learning from them. Firstly, when China implements projects on the territories of other countries there is are no public discussions whether those projects create benefits for domestic development and society. Secondly, China by defining Western approach to international security

as an obsolete and non-feasible approach in securing international security and global development produces the misunderstood impression that there is nothing positive to learn from.

### **3. Institutional Development of the Shanghai Cooperation Organization**

As it was already mentioned, the SCO stems from the Chinese efforts to stabilize border areas with its new neighborhood countries, but as it will be seen in the institutional organization of the SCO there is no mechanism that tackles the question of unresolved territorial borders. At the very begging of the new age in Sino-Central Asian relations, China requested vast space of territory. According to Sebastian Peyrouse, China questioned 22 percent of the total surface area of Central Asia: it laid claim to a territory stretching from Semirechie to Lake Balkhash in Kazakhstan, almost all of Kyrgyzstan, and some 28,000 km<sup>2</sup> in the Pamir region of Tajikistan. However, with the opening of negotiations, the Chinese authorities toned down their claims and opted for a “good neighborhood” strategy with the new independent states. They agreed to reduce their territorial claims to “only” 34,000 km<sup>2</sup>, chiefly out of a desire to secure allies in Central Asia (Peyrouse, 2016: 14). But, guided by the strategic reasons, China softened its requests and approach in dealing with newly occurred states.<sup>1</sup> In that context, the first fruit born by the negotiation of the involved stakeholders was the multilateral arrangement which aim was to secure border areas through reduction of military troops and enhancing mutual military sincerity. In line with that China, Russia, Tajikistan, Kazakhstan and Kyrgyzstan signed, in Shanghai in 1996, the Agreement on Confidence Building in Military Sphere in the Border Areas, which was the very first multilateral security agreement that China signed since its foundation in 1949 (Yahuda, 2003:

198). By signing the agreement five countries laid the foundation of the new type of multilateral cooperation, Shanghai Five mechanism, which possesses enormous importance to the Chinese side. During the next summit which took place in Moscow on April 24 1997, representatives, i.e. presidents of five states signed the Treaty on Reduction of Military Forces in Border Regions. The 1997 Agreement was another confirmation of the involved stakeholders that all concerned states agreed to stabilize their border areas by establishing non-military zones and promising the exchange of military information (Iwashita, 2003: 262). Each subsequent summit of the Shanghai Five mechanism was dedicated to analyzing regional security situation, finding the solutions for overcoming traditional and non-traditional security challenges and improving national and regional economic conditions. Simultaneously, this means upgrading the institutional capabilities of the Mechanism. The Dushanbe summit held on July 5 2000 was the very first step in widening geopolitical and geo-economics relations of the Mechanism, because during that summit, Uzbekistan started cooperation with Mechanism from the position of the observer state (Mitrović, 2007b). Also, in July of the same year member states established the SCO Council of Ministers of Foreign Affairs. Uzbekistan accessed to the Mechanism during the Shanghai summit held in June 2001. By common decision of the member states, the Mechanism was renamed the “Shanghai Cooperation Organization”.

Institutional development of the SCO could be observed from several points of view. Firstly, it could be understood as the convergence and creation of synergy of sometimes insurmountable interests, strategies and goals of the member states. Secondly, the incremental institutional development of the SCO it could be observed as the (r)evolution of the capacities of structural and relational power of the SCO, and consequently of China. SCO strengthen its capacities of

structural and relational power by developing international cooperation with countries, institutions, forums and organizations all around the globe. This SCO empowerment is visible in the fact that it became the agenda setter and creator of some international rules. Namely, UN General Assembly by Resolution A/69/723 adopted the 2015 SCO International Code of Conduct for Information Security (UN, 13th January 2015; McKune, 2015).

The institutional and organizational structure of the SCO consists of two permanent bodies SCO Secretariat with headquarter in Beijing and Regional Antiterrorist Structure located in Tashkent. The SCO Secretariat is guided by General Secretary and five Deputy General Secretary. SCO Secretariat has thirty members. Each member state has representatives proportional to their budget giving to the Organization. In that vein, we can open the question about the “commerce of influence” and “imposing the influence” on the member states, although the decisions in the Organization are unanimous. According to the data available at the official web site of the SCO, the Secretariat coordinates the Organization’s cooperation with observer states and dialogue partners in line with SCO regulatory and legal documents, works with states and the international organizations on the issues related to the Organization’s activity and concludes agreements to that end with the consent of the member states. The Secretariat also works with non-governmental organizations within the SCO framework in accordance with the legal documents regulating their activity. In addition, it organizes and coordinates the activity of the SCO Observer Mission in presidential and/or parliamentary elections, as well as referendums (SCO Secretariat). Another Permanent body is the RATS. This SCO body, for Chinese side, represents, great victory for China. Namely, after the 11 September 2001, SCO besides fierce condemnation did not have any additional tool in appeasing situation and offering the solution. This

opened the channel for the USA to deploy its military in the bases in Central Asia. For that purposes America rented the Karshi-Khanabad Air Base located in southern Uzbekistan not far from Tajikistan and Manas Air Base situated just north of Bishkek, Kyrgyzstan. The United States began leasing both Soviet-era bases during the run-up to the U.S.-led invasion of Afghanistan in 2001. They are used primarily to station soldiers, refueling jets, and cargo planes. Each airfield houses roughly 1,000 U.S. troops and civilian contractors (Beehner, 2005). As it was already mentioned, China perceived this as a great challenge. Although China gave great contribution to the global War on terror Coalition<sup>2</sup> and recognized American role in stabilizing this part of the world, Beijing in cooperation with its SCO partners succeeded to create the structure of the interstate relations as a platform for amortizing the consequences and excluding the future American influence. Thus, RATS gives the opportunity to China to counter terrorism in accordance with its national interests and not in accordance with American blueprint.

Besides these two bodies, at the institutional level the SCO has been guided by the annual meetings of the Heads of State Council and the SCO Heads of Government Council. In such organizational and institutional structure, the Council of National Coordinators of the SCO Member States (CNC) acts as the SCO coordination mechanism. Furthermore, in the examination of the SCO's ruling platform we cannot exclude the SCO Energy Club (founded at the proposal of the Russian President Vladimir Putin), SCO Business Club and SCO Bank Consortium. Regular meetings are, also, held by the ministers of foreign affairs, defense, emergency relief, economy, transport, culture, education, and healthcare; heads of law enforcement agencies and supreme and arbitration courts; and prosecutors general, representatives of youth and women. Having all this in mind, we can presuppose that SCO participants are developing the multi-vectoral cooperation (SCO

Secretariat (n.d.)). However, in some aspects member states could not create common ground for convergence of national interests. As illustrative example, the SCO Development Bank and the SCO Free Trade Area could be pointed out. Some member states are using the postponing of the SCO Development Bank and the SCO Free Trade Area as the tools in enhancing their position in the negotiations with China. We can presuppose that, some member states perceive the possible founding of the SCO Development Bank as the additional force in Chinese economic and financial expansionism. In the context of doubts towards Chinese aims, SCO member states are striving to protect their economies which are not competitive on the level of the Chinese economy. Although the SCO stems from the committees for territorial demarcation between China and its neighbors, in the institutional structure of the Organization there is no mechanism for resolving the still ongoing territorial disputes which exert the pressure on the stability, predictability and sustainability of the SCO. Apart from that, territorial disputes between the member states produce negative impact on the SCO international image, prestige and status. When India and Pakistan became full member states of the SCO, it was expected that SCO maritime potential will be activated. However, this was not the case. We are offering several arguments, that could be useful for understanding the case of non-activating the SCO maritime power. Firstly, we can employ the argument that the SCO does not possess the potential to challenge the American Indo-Pacific strategy and American maritime potential in this particular part of the globe. After that, we offer an argument which emphasizes Indian objection activation of SCO maritime potential, because it can open additional space for greater Chinese involvement in the Indian Ocean, beside already presence in strategically important ports. It remains unclear why this type of SCO cooperation has not been activated before India and Pakistan accession,



when considered that Russian territory reaches Pacific too and India and Pakistan had different status in the organization. There is also an issue of SCO and Turkey relations from the aspect of maritime geopolitical cooperation.

#### **4. The New Security Concept in Practice – The Shanghai Cooperation Organization and the Chinese Partnership Development**

In the document *China's Position Paper on the New Security Concept* we can read that the Shanghai Cooperation Organization (SCO), guided by the “Shanghai spirit” is the most successful case of the new security concept (Ministry of Foreign Affairs of the People's Republic of China, 2002). According to the *Declaration on the Establishment of the SCO*, the “Shanghai spirit” is grounded on mutual trust, mutual benefit, equality, joint consultations, respecting cultural diversity and aspiration for collective development (SCO, 15th June 2001). Comparing these two concepts – “Shanghai spirit” and the NSC – we notice similar ideational values and praxis regarding the way of securing security and creating suitable environment. As it was previously said, the SCO and its initiator China and supporter Russia were accused that openness and respecting diversity as a tool in promoting democratization of the international order is a paradox, because they are not democratic countries. Sino-Russian joint actions make West feels anxious, because they are challenging the American ambitions in interconnecting continental with maritime Indo-Pacific security. The very first step in challenging American strategic interests was made during the 2005 SCO Astana summit. Namely, that Summit was the SCO response to American ambitions to reinforce its position in the Central Asian region by the methods of the “colored revolutions” and imposing Western democratic

homogeneity, which USA understand as a universal norm and tool in achieving the Manifest Destiny. According to the Declaration of the 2005 Summit given the completion of the active military phase of the antiterrorist operation in Afghanistan, the member states of the Shanghai Cooperation Organization deem it necessary for the relevant participating states of the antiterrorist Coalition to set a deadline for the temporary use of said infrastructure and presence of their military contingents in the territory of the SCO member states (SCO – Astana Declaration, 2005). As Professor Dragana Mitrović claims, the awareness of self-responsibility has been activated, as well as a self-esteem about problem resolving by own means and potentials (Mitrović, 2007a: 36). Rising the SCO self-consciousness, America perceives as a Chinese assertiveness towards USA national interests, and consequently global stability. If the SCO institutionalize its potentials given by power of its member states, it can give great impetus to achieving Xi Jinping's idea that Asian security should be provided through wise actions conducted solely by Asian people (Xi, 2013b).

The SCO, founded before 11 September 2011, was the pioneering international organization, which posed countering terrorism, separatism and religious extremism (“three evils”) as its main objective and purpose. SCO is conducting this fight on both ideational and operational levels. The main features of operational level are anti-terroristic and military drills, which imposed the question of the militarization of the SCO. Did China change its attitude regarding military alliances? China objected to conduct military drills on bilateral level with Russian led Collective Security Treaty Organization (CSTO). However, this objection could not be considered as a fact that SCO is not an institutional framework that China uses for achieving military diplomacy or security goals.<sup>3</sup> For example, through common militaristic and anti-terroristic drills China foils Uyghurs' ambitions, supported by some

international actors in creating the so-called state of “East Turkestan” (Trailović, 2019; 2018). Paradoxically, external factors, in this concrete case SCO member states, are becoming involved in China's national security. However, through common anti-terrorist drills and military exercises, member states and its international partners are working together to counter current and prevent future security challenges (Ministry of Foreign Affairs of the People's Republic of China, 2018).

China participates in antiterrorist drills and military exercise on both bilateral and multilateral level. At the same time, China pioneered a joint military exercise among SCO members. The Chinese troops conducted a joint military exercise with the Kyrgyz forces in October 2002. On the side-lines of the SCO state leaders Moscow summit held in May 2003, SCO defense ministers signed a memorandum on joint military exercises to be carried out in autumn 2003 (Wang, 2005: 181). Based on this decision, then members of the SCO, except Uzbekistan, conducted two-phase anti-terrorist exercises in Kazakhstan and China, respectively. A total of 1000 representatives of five armies took part in the “Cooperation 2003” event. (Mitrović, 2007b). Regarding the Chinese humiliation during and after the “Opium wars”, the other states' military presence on the Chinese territory is going far away from the SCO framework. Namely, it is the first large scale multilateral anti-terrorist exercise that the Chinese army has participated in, and it is also the first time that China has invited foreign armies into its territory (Wang, 2005: 181). In April 2006, ministers of defense of the SCO members decided to conduct “Peace Mission 2007” anti-terrorist and military exercise with participation of all the then six SCO member states. However, great challenge for this kind of SCO activity represented the “Peace Mission 2018”, because India and Pakistan already became full member states. Guided by ambitions to create the common sense of security, all eight SCO member states took part in “Peace Mission 2018”. The event

started on 24 August in Chebarkul, Russia, and it provides an opportunity to the military contingents of the all the eight SCO member nations participating in this exercise, to train in counter terrorism operations in urban scenario in a multinational and joint environment. The scope of the exercise includes professional interaction, mutual understanding of drills and procedures, establishment of joint command and control structures and elimination of terrorist threat in urban counter terrorist scenario. The Russian Army has the major participation of 1700 personnel followed by China with 700 and India with 200 personnel. The SCO Peace Mission Exercise is one of the major defense cooperation initiatives amongst SCO nations and will be a landmark event in the history of SCO defense cooperation (Government of India, 2018). Hence, this military exercise and anti-terrorist drill in great measure traced the course of the future SCO development and its global scale prestige. In the same context, it traced the course of the Chinese ambitions in making global partnership network in sense that it will not be relied anymore on economic and political features, but it includes strong and close military cooperation.

With aim to make its borders more stable and less porous, the SCO member states organized two-phase joint military drills named “Solidarity 2019-2021”. The purpose of the first phase is to ensure that individuals and legal entities comply with the state border regime and the regime at checkpoints across the state border in the area covered by the operation. The measures planned within the framework of the operation are aimed at enhancing the parties' skills in countering the international terrorism, separatism and extremism, organized cross-border crime, as well as in preventing and suppressing criminal acts of the operation targets, as well as eliminating the root causes and conditions conducive to the commission of illegal activities in the covered areas (SCO RATS). It is still unclear how this exercise is

being conducted since member-countries do not have clearly marked territorial borders amongst themselves. Also it is to be seen whether implementation of this type of exercise will also instigate the process of mutual agreement on borders amongst member countries of the SCO.

The SCO countering of terrorism is not only focused on physical-geographic terrain. It also, includes the cyber space. In institutional development of the SCO, the question of cyber security has been raised since 2006, when presidents of the SCO member states signed the Statement by the Heads of Member States on the Shanghai Cooperation Organization on International Information Security. In the subsequent years, the continuation of this trend in 2009 resulted in signing the SCO intergovernmental Agreement on Cooperation in Ensuring International Information Security. Namely, in this Agreement cyber security, that is, information security is defined as the status of individuals, society and the state and their interests when they are protected from threats, destructive and other negative impacts in the information space whilst cyber space is defined as a field of activities related to the formation, generation, transformation, transmission, use, storage of information that have an impact, among other things on individual and social consciousness, information infrastructure and information itself (SCO – Agreement on Cooperation in Ensuring International Information Security between the Member States of the SCO, 2009). According to this Agreement, cybercrime and information war is always targeted against state, its economic development and social stability, thus SCO nurtures and pursues *state-centric approach* in securing cyber security. In that sense, the concept of state sovereignty of China includes cyber sovereignty as well. According to the *International Strategy of Cooperation on Cyberspace*, the cyber sovereignty is defined as the right [of individual country] to choose their own path of cyber development, model of cyber regulation and Internet public policies, and participate in

international cyberspace governance on an equal footing. No country should pursue cyber hegemony, interfere in other countries' internal affairs, or engage in, condone or support cyber activities that undermine other countries' national security (Ministry of Foreign Affairs of the People's Republic of China, 2017). We understand that China does not see personal freedom and data protection equal to the informational state security, and considers it as the two separate concepts.

Passing the strategy on cyber security and sovereignty shows that the term is highly ranked on Chinese foreign policy agenda, particularly if we count Chinese Digital Silk Road and its investment for developing not just Central Asian, but global 5G telecommunication infrastructure. In the literature, there are several understandings on the Digital Silk Road. Some authors claim that Digital Silk Road is the portion of the BRI focused on enhancing digital connectivity abroad and furthering China's ascendance as a technological power (Cheney, 2019). Other authors claim that China sees the Digital Silk Road as a means to project its power abroad, which is facilitated by China's control over large amounts of data through the construction of digital infrastructure under the initiative (*ibid.*). After that, some representatives of academia offer the opinion that Digital Silk Road is in service of further internationalization of Yuan, creating China-centric digital infrastructure and promoting inclusive globalization enabled by cyberspace (Shen, 2018). With the aim to achieve the Digital Silk Road's goals and make the BeiDou satellite system more prestigious, China is investing its foreign exchange reserves and placing its industrial overcapacities. International Institute for Strategic Studies based in London gives us estimation that up to now China has been involved in more than 80 telecommunications projects like laying cables for building core information networks in the countries all around the globe. For that purpose, China invested more than US\$70 billion (Bloomberg, 10th

January 2019; BBC, 15th May 2019). Having this in mind, any available source in protecting the telecommunication and information infrastructure is becoming necessitated. Thus, organizing the SCO Xiamen antiterrorist and military drills with focus on cyber terrorism represents a strategic need for Chinese stability, economic development and legitimacy of the Communist Party of China. The methods of conducting the SCO Xiamen anti-terrorist and military drills are defined in the *Cooperation Program to Combat Terrorism, Separatism and Extremism in 2013-2015*. As the years passed and their awareness on cyber security increased, the SCO member states organized three Xiamen antiterrorist military drills – Xiamen 2015, 2017, and 2019. Zhang Tao claims that the main purpose of the exercise is to improve the cooperation mechanism used to identify and prevent the use of the Internet for terrorism, separatism and extremism among SCO member states; the exercise also aims to help member states to exchange the legal procedures, organizational and technical capacity and workflow in combating terrorists who use the Internet to conduct activities of terrorism, separatism and extremism (*China Military Online*, 15th October 2015). It is still unclear what the level and volume of sensitive information exchange amongst the member countries are.

By conducting the joint antiterrorist and military exercises, SCO member states and its international partners are striving to create common sense on understanding the source and aim of the security challenges. If there is such a kind of the unanimous sense, there will be harmoniously made approach in dealing with security threats. If the common sense is based on constant finding the best solution and no on homogeneity, SCO demonstrates great transformative capacities in becoming one of the most important pillars for securing global security architecture.

## 5. Conclusion

Analyzing the introduction and development of the New Security Concept gives us many insights on the Chinese foreign policy behavior and manners of achieving strategically suitable environment which China perceives not exclusively suitable for its development, but for global development too. In achieving the mentioned goal, China relies on confidence building measures and partnership diplomacy. The global partnership network, China perceives as a prerequisite for improving its global image as “not an outsider anymore” in the international society and integral part of the global development. If international society accepts China as a non-challenging world power, Beijing acquires new sources for creating the structures of the interstate relations within the global governance that will speed up achieving the *China Dream* and *Two Centenary*. By making *China Dream* a reality, Beijing will be in a much better position to manage/manipulate global economic and security trends. According to Yong Deng, a state’s power position in the international system defines its strategic situation and is in itself an integral part of the state’s strategic thinking (Deng, 2001).

The very first step in Chinese ambitions of its activity in making suitable environment is the initiation of the Shanghai Five mechanism and after that the Shanghai cooperation organization. In making its first multilateral arrangement of cooperation, China followed internationalization of domestic security and domestication of international security (Blank, 2012: 100). For the very first time China expressed the wish to internationalize some of its domestic security and economic challenges. Simultaneously, China showed to international and regional partners that it possesses domestic capacities to shoulder a burden in securing global security and development. Having in mind that the SCO is guided by the “Shanghai spirit” grounded on mutual trust, benefit, respecting cultural diversity to name few of them, the



interconnectedness between the NSC and the SCO could be understood as a method of strategic credibility development in the Chinese ambitions to create suitable environment whilst it is trying to present existing and emerging diversities as a platform for learning from differences. This has enormous geopolitical and geoeconomic importance in regard to the Chinese foreign and domestic policy goals, because the SCO includes Central, South, East Asia, Middle East and Eastern Europe, that is, the regions which are affected by many crises. Simultaneously, these crises are jeopardizing their mutual relations by creating the atmosphere of mistrust amongst them. Thus, by pursuing the approach of openness and coordination, China is striving to create the atmosphere that will be suitable for harmonizing/manipulating mutual interests.

However, the SCO is facing many challenges. Firstly, SCO member states have different security expectations from the Organization. Differences in expectation are based on historical reasons, relations with USA and hierarchy of security priorities. Furthermore, great obstacle for the SCO is defined by the terms of unbalanced levels of economic development of the member states. Additionally, how countries perceive China's ambitions and national interests is another source which could destabilize and constrain the SCO.

At the end, we can conclude that China is laying a great foundation for promoting its interests, but whether China possesses requested level of diplomatic creativity and institutional capacity to be accepted as "Non-Other" or non-challenger in the international society is yet to be seen.

## Notes

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1. According to Taylor Fravel one state can change territorial claims due to crucial strategic and security objectives. He gives seven reasons why one state might follow diplomacy of “trade territorial concessions for direct assistance in crushing the uprising, such as (1) sealing borders; (2) attacking rebel bases; (3) denying refuge or material support to rebels;

- (4) extraditing rebel leaders; (5) minimizing inadvertent escalation during hot pursuit; (6) providing assurances not to intervene; or (7) affirming their state's sovereignty over the region of unrest" (Fravel, 2005: 53-54).
2. China used this to rebut the suspects of its "alleged cooperation with the Taliban regime in Afghanistan, and its activities in directed against separatists in Xinjiang (especially against four leading groups that demanded independence in for "East Turkestan")" (Mitrovic, 2019d: 80).
  3. One of the main features of the SCO military exercises and antiterrorist drills is that are made of armies and people of different language and religious affiliation which does not obstruct its efficiency nor create any problems to the efficient performance in creating/harmonization the common sense of security.

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## **China's East-European “Leverage”: Understanding the Region's Post-Communist Transition and Stance in Relation to the European Union**

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### **Abstract**

In most general methodological sense, Chinese experts' community of today looks upon East-Central European socio-economic and political developments since 1989 as a direct consequence of the “third wave of democratization”, proclaimed in the famous book by Samuel Huntington in 1974. Fundamental improvement of East-West relations, subsequent end of the Cold War and collapse of the Soviet Union created indispensable context for these pivotal systemic changes in the countries of the region. Perspective of the integration into European Union and actual integration which happened for 11 East-Central European states is viewed by the Chinese as crucial external condition for understanding the substance and direction of the region's post-communist transformation. Moreover, this transformation is perceived by many in Beijing to be generally successful. However, observing

recent domestic trends in some important countries of the region and growing tension between them and EU authorities, several Chinese experts expressed the view that “shock therapies”, “rapid privatization” and “swift transition to multi-party systems” “were a mismatch to the actual conditions of these societies”. This “mismatch”, according to such view, posed serious problems regarding the future path of the region’s development as well as dynamics of EU itself. Chinese mainstream experts invariably underline the importance of PRC’s economic cooperation with all East-Central European countries, not, however, at the expense of deterioration of relations between Beijing and Brussels (EU in general and “Old Europe” in particular). This sensitivity is manifested, among other things, in China’s stress to fully develop “regional cooperation” between PRC and East-Central European states. Chinese experts also point to serious socio-economic, political and culture-historic differences and even discrepancies between the countries of the East-Central European region.

**Keywords:** *China, East-Central Europe, European Union (EU), external conditions, post-communist transformation*

*China [unlike Putin’s Russia] in principle is interested in the united Europe. Of course, it is good for us, when somebody [in Europe] downplays the Western critic of China regarding, for example, human rights. However, China’s leverage [in Europe] is too short to play political games. When Europe is united, it is easier for China to deal with the United States.*

From the talks with Peking University IR experts in December 2018

## 1. Introduction

On the 27th November 2017 *Financial Times* published an article under a profoundly alarming title: "Brussels Rattled as China Reaches out to Central Europe" depicting the European Union authorities' alleged uneasiness in connection with the proliferation of Chinese economic and political influence through the country's increasing cooperation with the states of East-Central Europe – "format 16+1". The article quoted a senior European diplomat, who asked to remain anonymous, saying that: "The (16+1 is) dealing with many things. Some of them are touching on EU competences, or they are going into new areas where there are already initiatives between the EU and China. And we only see the tip of the iceberg." (*Financial Times*, 27th November 2017). It was stressed that 16+1 "is run by a secretariat in Beijing headed by the foreign ministry [...] the group is bilateral in practice with directives from Beijing relayed to the 16 European members. All ranking officials are Chinese. European participation is through 'national co-ordinators'." (*ibid.*)

*Financial Times* summarized the reasons for growing disquiet in Brussels in the following way: "For some in the EU there are two main concerns. The first is that China may intensify efforts to use the influence it is building in central and eastern Europe to frustrate aspects of the EU's common China policy. The second is that some 16+1 countries may exploit strong ties with China to buttress negotiating positions against Brussels [...]" and quoted Jonathan Hillman, the director of the CSIS Reconnecting Asia Project (Global Infrastructural Program in Eurasia): "We should expect China to leverage the 16+1 to pursue its own interests within the EU. That's strategic diplomacy: building relations where you have more leverage and applying those new relationships where you have less leverage." (*ibid.*)

In our view, it would be indeed unrealistic to deny the strategic dimension in the Chinese attitude towards East-Central European region. However, the scale and substance of this dimension depend critically on Chinese estimation of what Hillman called “[China’s] leverage”. This estimation, in turn, is inseparably intertwined with Beijing’s structural and dynamic perception of the region and its stance within (vs) EU. The main purpose of the present paper is to deliver some insight into this issue.

## **2. What Are Contemporary East-Central Europe and Its Post-Communist Transition in Chinese View?**

In the view of Chinese expert community contemporary Eastern and Central Europe comprise Poland, Czech Republic, Slovakia, Hungary, seven countries of former Yugoslavia, Romania, Bulgaria and three Baltic states. “Common feature of East-Central Europe is that after the Second World War they all had socialist system. This system ended after the collapse of ‘iron curtain’ in 1989 and subsequent disintegration of the Soviet Union and [socialist federative] Yugoslavia. Thereafter these countries started the processes of political reform and economic transition. Although the level of development, as well as the forms of transition and its speed differed greatly among these countries, all of them sought to develop in the direction of free market economies and ‘renewed unification of Europe’.” (Xia, 2017: 15) In connection with the end of Cold War and collapse of the “iron curtain” Chinese watchers point to the fact that “the possibility for East-Central European countries to undertake democratic changes in the form of bloodless ‘swan’s down’ revolutions, to escape from the Soviet Union and Russia and to fall into the arms of US and Europe to great an extent was the result of Soviet Union’s ‘let them go’ policy”. (Yin *et al.*, 2018: 37)

In the most general historical sense Chinese experts perceive these trends and developments in the context of Samuel Huntington's theory of the "third wave of democratization", proclaimed by famous scholar in his book of 1991. (Huntington, 1991; Xia, 2017: 1) However, according to PRC's social scientists, the tendencies to democracy may lead to different systemic outcomes. While defining "pros" and "cons" in systemic transitions, they tend to apply "methodological approaches" of founding-father of the Chinese "reform and openness" Deng Xiaoping. For example, Xia Haiwu writes: "To define if a certain [social] system fits the conditions of a given country or given society, to understand, whether this system is a good one, comrade Deng Xiaoping had a brilliant clause: first, we must see, if the political situation is stable; second, if it can conduce to the consolidation of the people, improve people's life; third, if the development of production forces of this country is speedy and sustainable". (Xia, 2017: 76; Deng, 1993: 213)

Most of the Chinese expert community tends to conclude, that the East-Central European transition was overall quite successful. However, not without serious disfunctions, which became more obvious in the most recent period. Overview of the Chinese literature on the issue may produce the impression, that most of successes of East-Central European transformations concentrated in the 1990s and in the 2000s, while the 2010s turned out to be more turbulent and problematic. Although, by default, most recent problems are rooted in imbalances of the earlier periods of socio-economic and political transformations.

Chinese experts identify three main periods in the East-Central European "post-Soviet" change. "The first period is the that of the turn itself. This is the period is the process of the crashing the old system and establishing the new system. In politics those who rule [start] to seek the roots of their legitimacy in political democracy and openness. At least

formally, political democracy becomes main embodiment of the politicians doing their best to consolidate their legitimation claims. In the economy there is the process of reform [aimed at] privatization and full-scale allocation of resources into the system of market, the so-called “withering the state away”. The second period is that of “turning from chaos to order”. Within the established framework of the new system the socio-economic order is gradually restored. At this period most of transitional countries begin to witness rather feasible economic growth. The third period is that of “post-transition” with fundamental economic and political institutions and procedures already comparatively well established and can be characterized by stable development”. (Yin *et al.*, 2018: 188-189) Several Chinese experts also believe that the joining EU and NATO can be looked upon as a landmark defining the successful entering of East-Central European countries into the third period of “post-transition”. (Yin *et al.*, 2018: 190; Gao, 2013: 34; Kong, 2012: 24)

It is also remarkable how the Chinese experts distinguish East-Central European socio-economic and political transitions from those in Latin America in the 1980s and in Russia and other countries of the former Soviet Union in the 1990-2000s. The former was a total systemic rift from the planned socialist economies and one-party states in order to embrace private property based economic systems and multi-party democracies. The rift was deeply inspired by the predominant social will to reunite with the “West”, in this concrete case with the “Western Europe” or “Old Europe”. Economic reforms and political democratization in Latin American countries in the 1980s constituted “the adjustment within the [existing systemic] settings, which did not go as far as to alter the property rights and economic mechanisms of resource allocation” (Yin *et al.*, 2018: 27) and thus was not at all as profound as in East-Central Europe.



Post-communist transitions in Russia and most of the countries of CIS (former Soviet republics, newly independent states) also constituted systemic rift with the centralized non-market state socialist systems inspired by successful Western socio-economic and political models. However,

... the indexes of economic freedom and political democracy [in East-Central European countries] [...] were much closer to those of the West European countries [than in Russia or CIS]. Besides, in comparison with China, Russia or some other countries, East-Central European path of change had a specific external factor, namely extremely important role played by the EU. Joining the EU or "returning to Europe" from the beginning to the end [of transition] constrained and defined the process of transformation of most of the East-Central European states [...] So far there was the demand to join the EU, limits and criteria introduced by Europe turned to extremely powerful constraining and stimulating force for the development of the whole East-Central European region [...]

The fundamental singularity of systemic transformations in the East-Central European states was that after facing deep transitional crisis, these countries did not stop to move into the direction of the West. Their determination to establish democratic political systems and market economies did not diminish as well as there was no deceleration of their footsteps [in this direction]. They decided to proceed resolutely and patiently and unlike Russia and other CIS counties did not experience "retreat of democracy".

*(ibid.: 2, 28)*

However, Yin Hong *et al.* admit later: “[in Russia] economic role, function and influence of the state also went through deep changes. Laws of market became the core mechanism of economic system. And although, the set and expected goals of transition, perhaps, were not fully met, one can see that the period of systemic transition [...] is also finished”. (*ibid.*: 189-190) As far as one can judge, the underlying implication here is that even though Russia and other CIS countries may well go through future socio-economic or socio-political crisis, the possibility that they will fall back to reestablish non-market economies or one-party states of Marxist-Leninist character is negligible.

It is also interesting to see how experts in China describe the differences between East-Central European and Chinese socio-economic and political transformations. It seems that to many of them the fundamental difference lies in political dimension. “So called “radical shift” [radical systemic changes in East-Central Europe] mainly means that these countries took a clear political stance aimed at resolutely breaking away from their old [political] systems, full and fundamental change in the way and direction of development of their statehoods. And this transformation itself manifested such radicalism which is inherent only to revolutions. As regards China, her gradualist transition to market pursues the goal of improving and upgrading already existing power structures, which are well upheld and consolidated. There is no [goal of] of revolution.” (*ibid.*: 61) Many Chinese experts share methodological contrast between “revolutions” in East-Central Europe and former Soviet Union on the one hand, and Chinese “evolution” or “gradualist approach to reform” on the other. (*ibid.*: 81; Xia, 2017: 88; Ju, 2016: 18)

There is a common place in Chinese writings on East-Central European transitions that the ideological basis for them was “Washington consensus” and methods of change were derived from the

theories of “neo-liberalism”. (Xia, 2017: 50-51; Yin *et al.*, 2018: 63-66; Ju, 2016: 15; Wang and Zhou, 2015: 18-21) However, there are several subtler approaches which see the complexity of the issue and differentiate between concrete East-Central European countries regarding their implementation of “neo-classical” recipes. For example, Yin Hong *et al.* write: “Of course, in most general sense the countries of East-Central European region undertook ‘big-bang’ radical transformations. However, in the concrete politics of implementation were different in form, there were dissimilarities in price liberalization and state assets privatization. They were displayed mainly in the fact that some countries like Poland, Czech Republic or Russia undertook ‘shock therapy’, while others, like Romania or Hungary, denied this plan. ‘Shock therapy’ itself is a set of critical economic policies [...] aimed at curtailing inflation [...] Be it Poland, or Russia, the choice in favor of ‘shock therapy’ was greatly conditioned by the fact of [macro]economic deterioration and thus could not help but been implemented. On the other hand, at the beginning of the transition in Hungary, for example, economic conditions were much better. [...] By 1990 commodity and labor prices were liberalized up to 90%. We can see that the transformation of price system in [post-communist] Hungary took gradualist path.” (Yin *et al.*, 2018: 65-66)

To sum up, Chinese experts see contemporary East-Central Europe as a big group of former socialist countries, most of which were “forced satellites” of the Soviet Union during the period of the Cold War. After the end of the latter and due to Moscow’s “let them go” policy the “iron curtain” collapsed and these countries found themselves free to realize the emotional majority wish – to “return to Europe”. This wish was realized by means of radical socio-economic and socio-political transformations from plan to market and from one-party rule to multi-party democracy. These transformations were of revolutionary character

(like in Russia and CIS countries and unlike Latin America in the 1980s or China since late 1970s) and having passed through three consecutive periods – transition itself, “from chaos” to new order and post-transition – ended overall successfully. Since the main aim of transition was to become part of the West, the criteria of success are to be measured by the indexes of economic freedom and political democracy (in the Western understanding) and by joining EU and NATO. For most of the countries of the region the respective indexes rose to considerable heights outpacing Russia and other CIS countries, while 11 East-Central European states became EU members and 13 NATO members.

### **3. Chinese View of EU as a Factor of East-Central European**

#### **Transition – “New Europe” in EU and vs. EU:**

#### **Critical Impacts of Recent Decade**

Chinese experts unanimously look upon EU as a crucial factor in East-Central European transitions, at least, since the mid-1990s. The following quotation is both illustrative and typical: “From the mid-1990s on, as the EU made clear its intention to integrate East-Central European countries into its political and economic structures, [EU] began qualitatively participating in the East-Central European transitions as a new geopolitical center. At the same time East-Central European countries’ possibilities to decide independently on their reform strategies qualitatively diminished. EU turned into supervisor and bookkeeper of their economic transformations. The processes of transition began being based on EU legislation and EU prescriptions. Moreover, since then market transitions in the countries of East-Central European region started to receive EU funds and governmental support. All these phenomena had tremendous stimulating impact on [the region’s] market reforms. This is a fundamental characteristic feature of the East-Central

European development.” (*ibid.*: 54) There is also a consensus among China’s political scientists and economists that demands and integration criteria, introduced by EU on East-Central European countries played the role of pivotal external constraint for the region’s development. And since “returning to Europe” was both massive emotional aspiration and practical (institutional) goal of the most of the region’s post-communist governments deeply intertwined with their actual and potential legitimacy, this constraint was overwhelmingly accepted. (Xia, 2012: 84)

Moreover, most experts from China believe that EU support for the region’s transitions was fundamentally a positive thing, since it greatly helped East-Central European countries to avoid “transformational extremes”, which Russia and CIS countries had to go through in their development since 1991. (Kong, 2012: 27, Yin *et al.*, 2018: 68) Chinese economists also carried out research on the EU structural funds supporting new East-Central European member-states and concluded that the efficiency of their use had direct correlation to the general level of socio-economic and political development of a given country. (Yin *et al.*, 2018: 161-187)

East-Central European integration was looked upon as sustainable and long-time trend: “In the long run East-Central European [EU members] will continue to implement Western style democratic systems and as nation states will continue to exist within the ‘big family’ of the European Union”. (Gao, 2013: 39)

However, according to the views of several Chinese watchers, the situation with EU structurally constraining impact on East-Central European transitions was not totally cloudless. “It is impossible to deny that economic integration with the EU had some negative effects on the sectoral structure of the East-Central European states. By these effects we mean mostly the universal trend of ‘deindustrialization’ [...]

Optimization and upgrading of sectoral structure led to the decrease of the first and second [industrial and processing] sectors' share in GDP. On the one hand, as economy grows and incomes rise, society's demands for service sectors constantly increase. On the other hand, growth of labor productivity in the first and second sectors releases extra manpower which also supports the development of services [...] However, we should not exclude the influence of another factor, namely the fact that under conditions of inevitable opening up of the economies of the East-Central European countries after joining EU, their traditional economic branches, especially those of processing industries [...] lost their competitiveness, which led to their actual collapse. This situation caused drop in industrial output as well as outflow of comparatively high skilled labor. [This brought about] tangible social dissatisfaction." (Yin *et al.*, 2018: 147-148)

Several Chinese economists also pointed to more fundamental problems of East-Central European socio-economic development after joining the EU which became more feasible at the turn of the 2000s-2010s. "It becomes imperative to alter the model of economic development which has been taking shape for quite a long time in many East-Central European countries: high rate of investment, high rate of indebtedness, high rate of consumption. This model conducted to sharp increase in state budget deficits. Due to insufficient hard currency reserves, the choice of budget and monetary policies [in these countries] during the recent financial crisis [Euro crisis] turned out to be extremely limited up to actual impotence." (Xia, 2012: 63)

Since the early 2010s and especially into the middle of the decade the Chinese critic of East-Central European development has become sounder and even radicalized, acquiring sometimes ideological overtones. "In recent 25 years economic transition in East-Central European countries went through transformational rollbacks and the

blows of Global Financial Crisis. Fundamental reasons [for this] lay in the fact that speedy marketization, continuous privatization and full-scale liberalization did not correspond to the [conditions] of most of East-Central European countries.” (Wang and Zhou, 2015: 23) “Currently being under the blows of Global Financial Crisis, the countries of East-Central Europe are facing many challenges and are in desperate need to push for several reforms, especially those in social fields.” (Kong, 2012: 30)

Chinese critic also became more political. Previously dominating statements about stability of Western democratic institutions in East-Central European states gave the way to lamentations regarding “[...] negative sides of political development. One of the characteristic features here is “low stability of governments, frequent government reshuffle”. (Ju, 2016: 17) Some experts pointed at the “relative weakness and inherent instability of already established multi-party systems” in East-Central Europe. (Gao, 2018: 195)

The migrant crisis of 2015 and its deep many-sided impacts on East-Central Europe attracted special attention in the Chinese expert community. These impacts were analyzed through still existing differences in the level of socio-economic and political development between the EU new member-states (“New Europe”) and its core member-states (“Old Europe”). For example, some Chinese watchers believed that “The quotas plan [distributing migrants between different EU member-states] did not consider the differences and discrepancies in the level of economic development and people’s perceptions between the ‘Old Europe’ and ‘New Europe’. The backwardness of ‘New Europe’ did not change qualitatively after it joined the EU. Even such comparatively developed East-Central European country as Hungary is still far behind the Western Europe. Moreover, the differences in

religious beliefs led to psychological unwillingness in the East-Central European countries to accept migrants.” (Yin *et al.*, 2018: 195)

Uneven character of socio-economic and political development as well as impacts of Global financial and European migration crisis paved the path to new political developments in East-Central Europe, which some Chinese experts characterize as the “rise of extreme right-wing and nationalist movements”. (Ma and Li, 2014: 244-253) Several Chinese political scientists started to be rather pessimistic regarding the future of EU: “The migrant crisis bred Euroscepticism and separatism aimed at quitting the EU, increased the possibility of disintegration of Europe and EU’s collapse.” (Huang, Zhou and Jiang (ed.), 2016: 15)

It must be said, however, that such ultimately pessimistic scenarios are not shared by fundamental majority of Chinese experts. China’s fundamental take is far not that of expecting real disintegration of the European Union. We believe that the following quotation delivers more consensual and adequate stance of those in China who are watching the developments in East-Central Europe: “International financial crisis, Euro debt crisis as well as European migration crisis taken together threw a shadow over East-Central European path to ‘Europeanness’. The advantages of joining EU began more and more being replaced by negative impacts of integration. It should be said that the blow of this triple crisis delivered to the European integration has the meaning of historic turn, especially if seen through the eyes of East-Central European countries [...] If we may say that previously it were the advantages [of joining EU] that constituted the mainstream, than after eruption of the triple crisis countries of East-Central Europe started to feel more the heavy price to be paid for joining the EU.” (Yin *et al.*, 2018: 196)

Feeling the price to be paid, however, is not at all equal to be ready to leave the EU resolutely and immediately. On the other hand, it is quite



clear, that earlier Chinese experts' optimism regarding the socio-economic and political consolidation of East-European states and societies on the third "post-transition" stage seem now to be somewhat premature.

#### **4. Chinese Perception of China's East-Central European "Leverage"**

Coming now back to the alarmist article from November 2017 in *Financial Times*, we may pose the following question: how do Chinese experts perceive the "length" of their country's "leverage" in the East-Central European region? As already said, we believe that it would be totally unrealistic to deny the strategic dimension in the Chinese attitude towards East-Central Europe. However, what is the real substance and structure of this dimension? My talks with International Relations experts from Peking University in December 2018 on this issue revealed that Chinese professional watchers of Europe are somewhat uncomfortable with the recent crisis trends in the EU. I was told, for example, that, unlike Putin's Russia, which clearly tries to maneuver between different EU member-states in order to decrease the possibility and impact of economic sanctions introduced on Russia in the wake of the Ukrainian crisis, China has been always betting on European unity. Since it is perceived in Beijing that principle global counterpart of China is not EU, but the United States, Chinese IR experts expressed the conviction that with strong EU it would have been easier for Beijing to pursue its global economic and security policy. In other words, weakening of European integration and, in extreme case, the implosion of the EU would inevitably cause political and economic instability in Europe and subsequent strengthening of American influence on the continent through US bilateral and multilateral engagement (both in

financial-economic and military security terms) of different European countries. China thus would have to face US challenges on “multiple fronts”.

Besides, I was told, Russian political and economic “leverage” in Europe is longer and stronger than Chinese one since Russia is in many ways an integral part of the region, while China is clearly not. Hence, China’s “leverage” is too short to undertake active and successful maneuvering within EU and around EU. On the other hand, Chinese never expected close cooperation between Moscow and her East-Central European former satellites now neighbors and EU and NATO members due to quite clear historic reasons.

While such explanations now may well invoke questions, critic and even disbelief from some people in the EU, they are generally corroborated by the overall analysis of the Chinese literature on the subject, at least before 2014-2015, i.e., before the acute phase of migration crisis and its political consequences. In 2008, for example, one influential Beijing analyst wrote: “Although the ‘tug of war’ between Russia, Western Europe and the US in the East-Central European region will erupt ceaselessly, however the cooperation is the mainstream. Regarding East-Central European countries, on the topics of security they will cooperate with the United States. In the fields of economic development, they will cooperate with the EU. Although in energy supplies East-Central European countries depend on Russia and Russia also needs East-Central Europe, because of historical reasons East-Central European countries will not be able to overcome the psychology of fear of Russia.” (Hu, 2008: 15)

Most recent crisis trends in the EU may have compelled China to face new and more complex reality. It should be clearly emphasized once more that these trends in general came as unexpected for China. And, in fact, Beijing was not that happy facing them, since initially

China made a strategic bet on the stable unity of the EU. In this new reality, instead of establishing direct reach to Brussels, Berlin and Paris, which could have been apparently sufficient, Beijing must investigate somewhat more disjointed picture of Europe. Thus, instead of portraying “penetrative and subversive” China, for professional China watchers within the EU and beyond, it would be, perhaps, more appropriate to comprehend China as facing more complicated strategic choices.

The place and role of East-Central European countries in this new reality is beautifully illustrated in the following quotations from a paper written by a group of experts from Peking University’s Institute of International Relations in late 2017 entitled “Several Questions Regarding the Mechanism of 16+1 Cooperation between China and the Countries of East-Central Europe”. Although this paper is by no means a Foreign Ministry directive or any official public statement, in our humble view, it indeed delivers fundamental insight into the Beijing’s understanding of the current situation in the region as well as into the ultimate logic of China’s cooperation with it, at least, at present stage:

China should consider the differences between 16 countries of East-Central Europe. Chinese both domestic and foreign policy are characterized by remarkably high degree of consistency. Domestic and foreign policy of East-Central European countries is highly volatile due to the influence of the parties in power. Moreover, economic and political level of development of these countries is vastly different and this fact adds complexities to the development of cooperation between China and these 16 states [...]

Differences in the volume and structure of the economies of the East-Central European countries make mutual complementarity between them and China comparatively weak. One may add here also differences in geography and geopolitical positioning [...]

East-Central European countries are not China's main trading partners. The latter are US, Japan, South Korea and Germany. Only for Albania is China the third trading partner. There are no East-Central European countries among 10 biggest recipients of Chinese exports. Among 10 biggest exporters to China there are also no East-Central European economies [...]

The same can be said about the situation in the fields of education and cultural exchanges. While in the US there are 260914 Chinese students with 86204 in UK and 25388 in France, in the whole East-Central European region there are only 1615 Chinese students with the biggest numbers in Poland (608 students) and Hungary (490 students) [...]

It goes without saying that tremendous differences between China and the countries of East-Central Europe and relative weakness of mutual complementarity, connected with them, constitute "innate factors". It is impossible and unnecessary to change them. These features are of objective character and constitute basic prerequisites for the development of cooperation between China and the East-Central European region [...]

The pivotal framework of cooperation [between China and East-Central European countries] is trade and economic relations. In this field it is unlikely that China will take 16 countries of East-Central Europe as a unit, but will concentrate on bilateral contacts with each country of the region proceeding from the concrete circumstances of mutual benefit and degree of mutual complementarity [...]

It also goes without saying that the sustainability of "One Belt One Road" project in no small degree depends on cooperation with these countries. However, China is the second economy in the World and her main trade and economic partners are Western Europe, USA,

Japan, South Korea and Russia, while key partner of the East-Central European countries is Western Europe.

(Kong and Wei, 2017)

Careful reading of this text creates an impression that China's strategic take on the East-Central European region is somewhat equivocal. On the one hand, the region is clearly important, particularly in the context of putting in practice "One Belt, One Road" initiative. On the other hand, however, East-Central Europe seems to Chinese experts too diversified, petty compartmentalized and not that pivotal in terms of overall volumes of potential cooperation.

In terms of practical strategic policy choice, it could mean that Beijing is in some confusion how to act in this region. Dealing with it as one entity is unpractical due to its diversity. Dealing with each country separately may be too much time and resource consuming.

Practical existence of such dilemma in China's strategy regarding East-Central Europe is corroborated by some estimates of the region's analysts. For example, *Radio France Internationale* quotes Alicja Bachulska, China analyst at the Warsaw-based Asia Research Center, who said most recently: "There was a big mismatch between the expectations of the region and what China was actually offering. China did not really understand that the 17 countries are very different,' disregarding cultural and economic differences between the western Balkans, which are not part of the EU, the Baltic states, the Visegrad Group members. 'China was not delivering.'" (*RFI*, 11th February 2021)

It looks like Beijing will have to adjust its strategic "leverage" in East-Central Europe to more individual, bilateral approach. "For now, China is likely to concentrate on expanding cooperation - and gaining influence - with non-EU countries in the western Balkans, where Serbia now stands out as a major recipient of Chinese support [...] The

London-based *Financial Times* reports that, since 2012, Serbia has received more than eight billion euros of publicly announced Chinese funding and investment, ‘more than half of China’s stated investment in the region’.” (*RFI*, 11th February 2021) Possible prospect of Beijing’s cooperation with EU members in the region is currently highlighted by the plan to open the branch of Fudan University in Budapest. However, this initiative, despite signed agreement with Hungarian government, was received in Hungary rather ambiguously.

Structural complexity in China’s dealing with East-Central Europe has been tangibly exacerbated by deepened contradictions in US-China and EU-China relations. According to EU’s most recent official perspective, China is not to be seen as a common enemy, but Europe also cannot treat China as a partner, on par with US, because China is perceived as “a systemic rival when it comes to values and geopolitics” (*ibid.*). The 9th of February 2021 17+1 meeting that coincided with the Visegrad event was, for example, hardly reported by non-Chinese press and was even, so to say, “underrepresented” on the side of the East-Central European countries when some of them, like Estonia, refused to send to it “higher ranking officials”.

All in all, Chinese strategic “leverage” in East-Central European region currently seems to get stuck between Beijing’s “One Belt, One Road” imperative, the region’s internal diversity and differences regarding attitude to China, US opposition to China’s “expansionist” plans and ambiguity of the EU official perspective on China’s presence in the region.

## Note

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## **The Growing Digital Presence of China: China in the Hungarian Digital Space**

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### **Abstract**

This study addresses China's digital presence in Hungary from the perspective of the Chinese diaspora in Hungary and the role of state and non-state actors. The emergence of the Chinese diaspora in Hungary began in the early 1990s, and its presence and influence on local society became an important factor in shaping Hungarian opinion about China. During the last two decades, when Hungary has had a China-friendly political climate, digital channels have not only organically become a part of everyday life, but also an important medium for China's presence. This paper hypothesizes that the Chinese diaspora in Hungary and China-related actors have contributed greatly to China's digital presence, but without keeping pace with the growth of country's economic power. It is an interesting question whether the Chinese diaspora and China-related non-state actors follow the Chinese government's political strategy and thus serve the PRC's digital soft power, or whether they have their own voice. This paper will examine the digital presence of the Chinese community and China-related actors

in Hungary and try to find out the nature and extent of their contribution in this particular field.

**Keywords:** *China, Chinese diaspora, Hungary, digital presence, soft power, public diplomacy, digital diplomacy*

## 1. Preface: China in the Information Age

If we examine the change in China's economic importance in the world during the last two thousand years, we can see a tremendous decline in importance after eight hundred years of apparent dominance. In the nineteenth century, China quickly became a poor, backward country as we knew it during most of the twentieth century. After 1978, however, an amazing transformation took place. This change led to China regaining the status it had for centuries: one of the world's major superpowers. The success of Chinese reforms inevitably led to the growth of all three sources of power – economic, military, and soft power (Nye, 2004: 31). Since humanity's experience of incubating superpowers is related to conquest, China's rise has therefore often been accompanied by concerns about its military power. China has traditionally defined itself as a non-conquering power and regularly expresses this opinion (Hao, 2019). Today however, fears in the Western world about China are shifting from conquering lands to conquering minds (*The Economist*, 14th December 2017).

This rapid growth period of China coincided with the cataclysmic change triggered by the proliferation of the Internet. China successfully capitalized on this development with the production and export of digital devices, that made China popular to a certain extent. On the other hand, we hypothesize that China's international acceptance in the digital space has not kept pace with the growth of its economic power. Moreover,

China faces enormous challenges in making itself attractive to the Western world due to its independent and nearly isolated Internet ecosystem, its unique cultural and political characteristics, and its regularly misunderstood and misinterpreted values.

The information age and the Internet brought a new era for communication, marketing and even politics. People's opinions can be influenced and often manipulated in a very direct way. The overwhelming amount of information makes it difficult to be heard and even more difficult to distinguish between reality and fake news. Therefore, it is essential for a country to create an attractive image and shape public opinion in the realm of the Internet. This endeavor can be referred to as Soft Power 2.0 (Nye, 2019).

The aim of this research was to examine China's digital presence with a brief look at its Hungarian appearance and to find out whether this manifestation of Chinese soft power is able to convince local people to recognize or accept China's leading role in the world. However, during this research, we had to deal with the increasingly controversial opinion about the Chinese presence. According to Gifford (2010), outsiders' views of China have traditionally been characterized by two extreme positions: panda-huggers and dragon-slayers. Both positions overlook the complexity of the relationship between China and the Western world. Therefore, I agree with Ben Lowson that it is better to use an appropriate approach so that if "you are neither too eager nor too cynical can you find the happy medium in which personal issues give way to the common public good. Do that and you will stand tall among those explorers, missionaries, statesmen and students who came seeking the open door to China." (Lowson, 2017)

## 2. A General Outlook on the Digital Presence of China

### 2.1. *Soft power*

When we examine China's digital presence, we must start from its soft power. The term "soft power" in politics comes from Joseph S. Nye, Jr. as a contrast to the hard power of military and economic influence. Soft power aims to gain control by networking, communicating strong narratives, creating international influence, and thus making the country attractive to the world. Soft power consists of many aspects such as culture, achievements, political values and foreign policy. Obviously, not every culture can serve as a source of soft power, but the United States as an example benefits greatly from its universalistic culture (Nye, 2004: 11).

Based on the theory of soft power, new terms have been created, such as "smart power", which means learning to better combine hard and soft power (*ibid.*: 32). Another term is "sharp power", which was used in 2017 by the National Endowment for Democracy, a Washington-based foundation and think tank. Unlike soft power, which uses the pull of culture and values to increase a country's strength, sharp power is a tool for authoritarian regimes to exert coercion and manipulate opinion abroad, often used to describe the practice of China and Russia (Walker and Ludwig, 2017).

When it comes to digital presence, the term "Soft Power 2.0" seems quite apt. The digital revolution has upgraded the importance of soft power, allowing for a wider and faster flow of information than ever before. Influencing public opinion through digital means is a key element of Soft Power 2.0. A century and a half ago, the telegraph sped up communication and lowered barriers to the flow of information between countries. Today, speed is no longer the issue, but the explosion of information has created a "paradox of plenty" as plenty of

information leads to a scarcity of information. Therefore, reputation and credibility are more important than ever, further increasing the importance of soft power (Nye, 2019).

Consequently, creating credible communication and attractive content is the method that can be used as soft power. In terms of South-East Asian Confucianist countries, South Korea is a good example of how pop culture – the Korean Wave – has become popular worldwide in recent decades with the support of the government, only by creating the right environment for the film, television, and music industries to thrive (Gibson, 2020).

In the case of China, popular culture seems far less compelling to the Western world. In our information age, victory is often not in winning with one's army, but with one's story. But when the story appears to be propaganda, it can undermine credibility and become overproductive (Nye, 2019). When a government's policies appear "hypocritical, arrogant, indifferent to the opinion of others, or based on a narrow approach to national interest", it can easily squander a country's soft power (Nye, 2004: 14). In China, the production and export of all kinds of cultural products are still subject to control, and this process is obviously detrimental to achieve the same success as South Korea (Salát, 2021).

## ***2.2. The Soft Power of China***

In the context of China, soft power reflects a broader idea than Nye's definition. For China, soft power includes everything outside the military, more than popular culture or public diplomacy; it also includes harsh economic and diplomatic instruments, investment, aid, and participation in multilateral organizations, mirroring Nye's carrots and sticks. This is the "charm of a lion, not of a mouse: it can threaten other

nations with these sticks if they do not help China achieve its goals, but it can offer sizable carrots if they do” (Kurlantzick, 2007: 6).

China’s soft power policies “remain largely ad hoc and primarily reactive, aiming to counter the China-threat theory and improve China’s image abroad” (Glaser and Murphy, 2009: 10). Since the Reform and Opening Policy in 1978, China has been searching for an alternative unifying ideology that can replace Marxism-Maoism and provide an alternative to Western influence. Chinese cultural values – including the rehabilitation of the once reviled Confucianism or Taoism – have been discovered as a source of value for a national ideology and soft power (*ibid.*).

China’s soft power repertoire consists of several elements. Obviously, the result of economic expansion is a strong source of the country’s charm, so the Chinese leadership is also eager to showcase these achievements by hosting gigantic international events, such as the Beijing Olympic Games in 2008 and the Shanghai World Expo in 2010 (Salát, 2010), or the Winter Olympic Games in 2022. As for cultural expansion, China’s greatest endeavor is undoubtedly the Confucius Institutes’ global network, which has reached 541 institutes and 1170 Confucius Classrooms in 162 countries by the end of 2019 (Hanban, n.d.). Coupled with a generous scholarship system, it provides a very attractive learning opportunity to the international students who wish to study the Chinese language.

Other elements contributing to the strengthening of soft power include the development of education through the creation of world-class universities, scientific and technological developments such as the space program, athletic achievements, international branding of Chinese products, and mass media products, namely blockbuster movies and soap operas. The constant repetition of the term “peaceful development”, which has replaced the ominous sounding earlier term “peaceful rise”, is



meant to reassure the world about China's peaceful intentions and thus also serves as an instrument of soft power (Salát, 2010). It is also important to note that after the outbreak of the coronavirus epidemic in 2020, China provided protective medical equipment to many countries around the world. This "mask diplomacy" was also an attempt to create the impression that China is not the cause of the problem, but part of the solution. "Vaccine diplomacy" seems to be a natural extension of this method (Karásková and Blablová, 2021).

### **2.3. Public Diplomacy of China**

The term "public diplomacy" was coined in 1965 by Edmund Gullion, Dean of the Fletcher School of Law and Diplomacy Tufts University. According to a summary of Gullion's concept from an early Murrow Center brochure, "public diplomacy... deals with the influence of public attitudes on the formation and execution of foreign policies. It encompasses dimensions of international relations beyond traditional diplomacy; the cultivation by governments of public opinion in other countries; the interaction of private groups and interests in one country with another; the reporting of foreign affairs and its impact on policy; communication between those whose job is communication, as diplomats and foreign correspondents; and the process of intercultural communications." (Cull, 2006). Although the term has been used for at least a hundred years, it was first used as a definition for Public Diplomacy Studies by Gullion (*ibid.*).

Public diplomacy, often used as an alternative term for soft power, has two basic types. Cultural communication or branding is a long-term tool for governments to improve their image in the world, create goodwill and promote cooperation, also to support alliance relations and counter hostile propaganda. Political advocacy, on the other hand, aims at short-term, quick results to build foreign support for immediate policy

objectives (*Encyclopaedia Britannica*, n.d.). According to Henrikson (2005), “public diplomacy may be defined, simply, as the conduct of international relations by governments through public communications media and through dealings with a wide range of nongovernmental entities (political parties, corporations, trade associations, labor unions, educational institutions, religious organizations, ethnic groups, and so on including influential individuals) for the purpose of influencing the politics and actions of other governments”.

The term has evolved considerably since its emergence in the 1960s. For a long time, public diplomacy was the term for overt diplomacy, as a counterpart to “private diplomacy”. It was not until the 1950s that the term shifted towards the “realm of international information and propaganda”, as important diplomatic events were increasingly practiced and understood as public appearances. Since then, the term “public diplomacy” has been widely used to replace the malignant term “propaganda”, and create a new, more benign term (Cull, 2006).

It is an important distinction that the United States recognized the need to replace the term propaganda with “public diplomacy” as early as the 1960s, but this term was not introduced and redefined in China until after 2000. According to Foreign Minister Yang Jiechi (楊潔篪), the implementation of public diplomacy was first proposed by General Secretary Hu Jintao (胡錦濤) in July 2009 in his speech at the 11th Foreign Ambassadors Conference, officially placing public diplomacy on the government’s agenda (Yang, 2011). One of the most important definitions for China comes from Zhao Qizheng (趙啟政) (2011), the former director of the Information Office of the State Council:

“There are many publics, but who are the subjects? First of all, the institutions and individuals who have close contacts with foreign countries, businessmen, professors, leaders of women’s associations

and trade unions, religious leaders, and so on. These people are not government officials, but they are very influential, some of them are famous members of the social elite. Social organizations, mass organizations and other NGOs play an important role in public diplomacy, which is carried out by the public.

The relationship between the government of a country and the public is communication. In the traditional sense of the media environment, they often rely on press conferences, reports from private research institutions and the Internet to communicate... The basic task of China's public diplomacy is to explain China to the world and promote foreign public awareness of the real China, including China's traditional culture, social development, economic situation, political system, domestic and foreign policies." (author's translation)

## ***2.4. Digital Diplomacy of China***

The concept of "digital diplomacy" is part of public diplomacy. It is commonly described as the implementation of diplomatic goals through the Internet, especially through social media. According to Holmes (2015), it can be seen as a revolution in the practice of diplomacy. However, the start of this revolution was somewhat overdue as digital technology has already changed the ways of business management, individual social relations, and states' governance.

The United States began shaping its digital diplomacy policy as early as 1996, when the U.S. Advisory Commission on Public Diplomacy published a report titled "A New Diplomacy for the Information Age". Although China was a latecomer to digital diplomacy, it has developed rapidly. In December 2003, Foreign Minister Li Zhaoxing ( 李肇星 ) communicated with the public online through the ministry's website Foreign Affairs at "China Foreign Affairs

Forum” and “Xinhuanet Development Forum”, with more than 20,000 people participating. This was the first time that the Chinese Foreign Minister interacted with the public online (Wang, 2016).

In 2011, China’s Ministry of Foreign Affairs set up a Weibo page called “Handheld Diplomacy” (*waijiao xiaolingtong* / 外交小靈通) to publish China’s diplomatic information in a timely manner and explain the basic concepts, strategies and policies of Chinese diplomacy. Later, WeChat (a multipurpose messaging, social media and mobile payment app, *Weixin* / 微信), WeiShi (Chinese video sharing app, 微視) and Facebook pages were also added to the platform. Dozens of Chinese embassies and consulates abroad have gradually opened official WeChat pages to provide timely information on important events and offer convenient services to Chinese citizens abroad (*ibid.*).

Since 2017, the beginning of Xi Jinping government’s second term, China’s foreign policy has clearly moved away from the former “keep a low profile and bide our time” (*taoguang yanghui* / 韜光養晦) and “by no means should China take the lead” legacy of Deng Xiaoping (鄧小平). China has bided enough time to participate more actively with a louder voice in international society. According to the new policy, China aspires to become a “constructor of global peace, a contributor to the development of global governance, and a protector of international order.” (Son, 2017).

The Trump administration’s tough China policy and the China-US trade war have been the breeding ground for harsher Chinese foreign diplomacy. Since late 2019, Chinese Foreign Ministry spokespeople and Chinese diplomats in the EU and other countries have become much more assertive than ever before. The “wolf warrior diplomacy” (*zhanlang waijiao* / 戰狼外交) phase refers to the “new approach among the Chinese diplomatic corps to more aggressively defend their home country online” and comes from a Chinese action series that has

boosted national pride and patriotism among Chinese viewers (Brandt and Schafer, 2020).

## **2.5. The Rise of Digital China**

For several decades, since the reform and opening-up policy initiated in 1978, China has expanded its economic influence on a large scale. The “Go Global” (literally “go out”, *zouchuqu* / 走出去) policy was launched in 1999 to encourage Chinese companies to invest abroad. In the digital age, Chinese companies are also competing globally in the ICT sector with great success, and the country is striving to take a leading role in shaping international standards for new technologies. In 2006, the Chinese State Council launched a plan to strengthen China’s science and technology sector. Since then, the motto has been “convergence of technology and creativity”. As culture has been recognized as an industry (*chanye* / 產業), the focus has shifted to digital technologies and platforms (Keane and Yu, 2019: 4627).

The creation of the “Digital Silk Road” is based on the National Informatization Strategy (2016-2020) as well as other policy initiatives such as “Made in China 2025” and “Internet+” to promote domestic innovation in the digital and industrial sectors. Europe is increasingly concerned about the loss of competitiveness in emerging ICT technologies and the observation that Chinese high-tech companies are gradually capturing markets and expanding their influence in fintech, e-commerce, and telecom structures (Shi-Kupfer and Ohlberg, 2019: 8).

The Chinese government’s comprehensive policy called Internet+ was also described in Premier Li Keqiang (李克強)’s government work report in 2015. According to the report, Internet+ aimed to “integrate mobile Internet, cloud computing, big data, and the Internet of Things with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and Internet banking, and to guide

Internet-based companies to increase their presence in the international market” (Li, 2015: 20). The May 2020 government work report states that “the Internet+ policy as a whole will be pushed forward and the new advantage of the digital economy will be built” (Li, 2020).

Supported by the government’s industrial polices, the IT sector “leveraging the country’s fast-growing markets to build market power and drive innovations with global reach” (Lee, 2017). China’s Internet economy has become the world’s most dynamic startup incubator, but there are also several corporate giants that can compete in size with similar U.S. tech companies. The triumvirate of Baidu (search engine), Alibaba Group (e-commerce), and Tencent (social media) – often referred to as BAT – each has a market capitalization of over US\$250 billion and is “funding and buying out start-ups even more aggressively than the titans of Silicon Valley” (*ibid.*). These Internet giants are beginning to revitalize tech innovation in the private sector. MIT’s Technology Review has selected five Chinese ICT companies, including BAT, DiDi (a vehicle rental company) and Huawei for its 2016 global “50 Smartest Companies” list (*ibid.*).

China has one of the largest Internet user communities in the world, with the number of online shoppers in China already larger than the entire population of Europe (*Statista*, n.d.). The size of the digital economy has grown from 15 percent of GDP in 2008 to 33 percent in 2017 (Zhang and Chen, 2019). However, the Chinese online ecosystem is completely different from that of the Western world in terms of service or content marketing, so China’s digital community is also quite different from that of the West. Obviously, it is also difficult for China to fully understand and use the Western style and tools of digital marketing and content.

## **2.6. China's Digital Community**

Internet cafes (*wangba* / 網吧 ) became popular in the 1990s, so the Internet was quite developed in China by that time. The first phase of growth occurred in the late 1990s and early 2000s when Bulletin Board Systems (BBS) and blogs were introduced. BBS was popular among young students on campus, and blogs were successfully promoted by private web portals such as Sina and Tencent. During this period, Chinese Internet service providers only copied the successful Western services such as Google and Facebook. It was not until the second period between 2008 and 2011 that the Chinese Internet industry began to create innovative services to compete with those of Silicon Valley (Negro, 2017: 143-144). This period is characterized not only by the success of microblog platforms, especially Weibo ( 微博 ), but also by the beginning of the blocking of Western Internet services and websites, such as Facebook or Twitter. The first blocking of western Internet websites occurred in July 2009, after the riots in Xinjiang Province (Bamman *et al.*, 2012).

The current growth phase starts from 2012 and is represented by the dominance of mobile Internet and related services (Negro, 2017: 143-144). By the end of 2019, the number of mobile Internet users in China has exceeded 1.3 billion, reaching almost one-third of the global users (Xinhua, 24th July 2020). Restrictions on foreign companies operating on the Internet or social media in China, as well as banned Western websites, have led to a flourishing of local Internet companies, social media platforms, and apps. As a result, Chinese people predominantly use domestically developed services. Mobile users dominate the Chinese Internet market, as the country has one of the highest smartphone penetration rates in the world. Mobile Internet penetration has accelerated the separate development of China's unique Internet ecosystem (Verkasalo, 2016).

For Chinese users accessing only domestic websites and services, the Internet may seem fantastic at an incredible speed. But foreign businesses and users who want to access non-domestic websites experience slow connections with high latency and packet loss due to low network bandwidth between China and foreign countries (Zhang, 2016). Not to mention the censorship of the Internet, commonly referred to as the Great Firewall of China, which is also part of the reason for the slow connection. However, behind the Great Firewall, which is mainly occupied by local technology solution providers, the Chinese Internet ecosystem is becoming the “Galápagos of the Internet”. The Chinese Internet is also unique because of its very app-centric users and the convenience of mobile solutions. It is worth noting that China has become the number one mobile payment market in the world, both in terms of transaction volume and penetration rate (*Time*, 11th June 2015).

Mobile payment services – especially Alipay and WeChat Pay – have become an integral part of Chinese people’s daily lives. Both companies have built a huge network around payment solutions, and people now use them to buy goods, order food, pay their bills, book taxis, buy tickets, make donations, transfer money, and even make financial investments. When a payment is required, almost everyone, even street vendors or beggars, accepts mobile payment with QR codes. According to the People’s Bank of China, the mobile payment service reached a total of 60.5 billion transactions in 2018, 61.2 percent more than the previous year (Huang *et al.*, 2020). With the extensive use of WeChat Pay and AliPay, China is already moving towards a cashless society. In 2019, mobile transactions reached RMB 347 trillion (US\$49 trillion), accounting for four out of five payments (Zhang, 2020).



## **2.7. Western Concerns about Chinese Digital Power**

There is great concern among European policymakers about the rise of China's digital power, given the heavy involvement of Chinese ICT companies in Europe's critical digital infrastructure and the challenges they could pose to the European regulatory framework Digital Single Market Strategy. In a fragmented EU, the biggest challenge could be a "digitally aggressive China competing with the US in a fragmented global digital economy" (Shi-Kupfer and Ohlberg, 2019: 11). Transatlantic relations could face another challenge in this context. It could become a crucial question how different European governments deal with the economic opportunities associated with China's digital rise if the US considers this as a strategic field in its competition with China (*ibid.*).

Certainly, China's cyber power also appears as a direct threat. This narrative surfaces regularly in the US, along with several reasons why cyberspace is and will be a part of China's strategy. These reasons include deterrence through infiltration of critical infrastructure, military espionage to gain military knowledge, and industrial espionage to gain economic advantage (Hjortdal, 2011). However, from the Chinese perspective, China supports the peaceful use of cyberspace and takes the position of "no first use" of cyber weapons and no attacks on civilian targets. Moreover, the interconnected nature of the Internet makes it difficult to distinguish between civilian and military networks (Zhang, 2012). This may suggest that a cyberattack originating from China does not necessarily represent government behaviour.

### 3. China and the Chinese Diaspora in the Hungarian Digital Space

#### 3.1. *Diaspora Diplomacy of China*

The term “Chinese diaspora” refers to “Chinese descendants of any citizenship residing outside mainland China, Hong Kong, and Taiwan. Members of this complex group represent different generations, places of origin, tenures outside China, and political and ideological stances [...] The Chinese diaspora consists of Chinese nationals working and residing overseas (*huaqiao*), ethnic Chinese with foreign citizenships (*huaren* or *huayi*), and students (*liuxuesheng*).” (Hongmei Li, 2012: 2249) The diaspora population plays an important mediating role between their country of origin and the host country, including in the field of politics and foreign policy (*ibid.*).

China has always paid attention to Chinese people living in other countries since the founding of the People’s Republic of China (PRC), by the two main organizations being the All-China Federation of Returned Overseas Chinese (*Qiaolian* / 僑聯) and the Overseas Chinese Affairs Office under the State Council (*Guowuyuan Qiaoban* / 國務院僑辦). The latter was merged into the United Front Work Department of Chinese Communist Party (*Zhong Gong Zhongyang Tongyi Zhanxian Gongzuo Bu* / 中共中央統一戰線工作部) in 2018 (Joske, 2019). From the provincial level onwards, diaspora offices try to track down the associations and important figures of Chinese migrants from the area under their jurisdiction, and some are also given nominal official positions. In 2000, at least two Chinese living in Hungary held provincial-level positions (Nyíri, 2000).

According to Li Minghuan, members of the Chinese diaspora often live in “two worlds” as they try to convert their achievements in one society into capital in another, which greatly affects the relationship between Chinese emigrants and the region in China from which they

emigrated (*qiaoxiang* / 僑鄉). However, until the end of Cold War, Chinese immigrants in Europe remained mainly a silent group, leading their social lives apart from European society. Since the reform and opening-up policy, Chinese immigrants became more visible by establishing associations, organizing activities and integrating themselves into local politics. The citizenship status of overseas Chinese is a controversial issue, as dual citizenship is still not recognized by the PRC (Li Minghuan, 2012).

In 2008, just before the Beijing Olympic Games, pro-Tibet demonstrators rioted in several cities during the Olympic Torch Relay. The West was surprised to see that various Chinese communities living outside China, who apparently have no ideological ties to the motherland, united in expressing their support for China and strong opposition to the Western pro-Tibet standpoint. Western journalists have failed to understand the phenomenon of the Chinese diaspora – voluntarily and without Chinese pressure – supporting Beijing Olympics and thus indirectly supporting the Chinese government's project of soft power diplomacy. These pro-China demonstrations show the growing awareness of diaspora Chinese, but at the same time they also project that the diaspora is willing to take a more active role in the growing presence of the PRC's nationalist agenda (Sun, 2012).

### ***3.2. The Chinese Diaspora in Hungary***

In order to better understand the Chinese presence and the role of the local Chinese diaspora in the Hungarian digital space, we should briefly examine how the Chinese diaspora emerged in Hungary. After the introduction of reform and opening-up policies in China, relations with Hungary and other Eastern Bloc countries began to warm up. In the 1980s, the exchange of students, researchers and engineers resumed (Nyíri, 2007: 49). In 1989, several factors led to the Chinese migration

flood to Eastern Europe: the Tiananmen crackdown shook the private sector with the fear of possible reversal of economic reforms by the government, also many of the intelligentsia were affected by the possible or actual arrests after Tiananmen. In addition, Chinese state-owned enterprises that could not sell their stock were severely affected by the economic recession around 1990. Hungary was an ideal target country, as Chinese nationals enjoyed visa-free entry between 1988 and 1992 (*ibid.*: 52-53).

At this time, stories of getting rich in Eastern Europe encouraged tens of thousands of people to try their luck in trade. During this short period, Hungarian officials and local Chinese estimated that about 40,000 Chinese citizens came to Hungary. The reason for this large number was not only the visa-free entry policy, but also the success of the first traders, the relatively high standard of living and also the most open economy in Eastern Europe. This favorable business and social climate was passed on by the local Chinese population to friends and relatives back home, leading to a further influx (*ibid.*: 52-54).

“Shuttle trade” has been a feature of East European scarcity since the 1960s, but the Chinese traders who came to Hungary filled the vacuum left by the declining retail chains of cheap clothing. Dozens of “Chinese markets” were established, even in smaller towns (Nyíri, 2007). But the measures taken by the Hungarian authorities in 1992 to curb migration, as well as deteriorating market conditions, forced many Chinese in Hungary to relocate to other East- or West-European countries. After a gradual decline in numbers, the estimated number of Chinese living in Hungary stabilized around the turn of the millennium at about 15,000 people (Nyíri, 1999).

After 2010, the Chinese diaspora increased again to 20-25,000 people due to the Residency Bond Scheme immigration policy of the second Orbán government (*Index.hu*, 16th September 2018). The

Hungarian Residence Bond Program was introduced in 2013 and discontinued in 2017 (*About Hungary*, 13th January 2017). As a result, Hungary has the largest Chinese diaspora among the Central-European countries, although many of the new immigrants do not stay in Hungary permanently or at all (*Index.hu*, 16th September 2018). The diaspora has emerged into a well-developed community, with several religious congregations, newspapers, schools, and an extensive service sector covering almost all needs of the Chinese community, including legal services, hairdressers, massages or real estate agencies (Mohr *et al.*, 2019: 166).

### ***3.3. Digital Presence of China in Hungary***

People's opinions about China are often polarised, which poses a major challenge for China in shaping its image abroad. Negative opinions are mainly directed against the Chinese political establishment, and are fueled by stereotypes and distorted news. Seemingly China's former image of a poor Third World country is now being replaced by a ruthless communist state with a strong desire for power. The handling of the coronavirus pandemic, trade disputes, conflicts with minorities – all contribute to deteriorating Western public opinion of China. Prejudices about the unfamiliar Chinese political system and its impact on foreign relations also raise eyebrows, such as recent news about the espionage allegations of Fudan University and its planned campus establishment in Hungary (*Daily News Hungary*, 7th April 2021).

The local community – both Hungarian and Chinese – seems to be active only in a relatively small circle to spread China's cultural and educational values, and these activities are not enough to influence the general population. Again, China has yet to find its distinctive contemporary cultural voice, but political issues often cast a shadow

over cultural or other values, even among those Westerners who are open to Eastern cultures.

From China's perspective, however, the situation in Hungary is still better than in other Western European countries. A broad study of public opinion in 13 European countries about China from the second half of 2020 shows that only Eastern Europe holds positive views, while Western and Northern European countries have significantly negative views. Central Europe is somewhere in between, but still overwhelmingly negative (Turcsányi *et al.*, 2020).

When we examine China's digital presence in Hungary, we need to understand that there are many different levels of this presence. There is a big difference whether the source of information is a state actor or a nonstate actor, whether the target audience is the Chinese community or the local population. The differences may be evident not only in terms of content but also in terms of channels. However, according to this research, there seems to be no evidence or pattern of implementing an expert-based strategic communication plan for China image at the country level, although there has been a significant increase in the frequency of communication and the amount of content.

### **3.4. State Actors**

The real goal of China's digital presence in Hungary, or the use of soft power, would be to address the local population in their native language and provide attractive information about China. There is also a large Chinese community in Hungary, and after several years of rigid and dismissive policies towards the Chinese community right after the 1989 Tiananmen events, overseas Chinese became an important factor in facilitating China's foreign relations, so the local Chinese community is also an important target for the Chinese government and media.

The Embassy of the People's Republic of China in Hungary maintains a relatively extensive Chinese-language website, which mainly publishes official announcements and notices. The English- or Hungarian-language website is quite outdated and far less comprehensive, and there is no information on cultural events, China-related education, or scholarships. However, the embassy also runs a Facebook page and a Twitter page. The official Facebook page is mainly in English and was created in October 2019. Both the Facebook and Twitter pages show fairly regular activity, and the amount of Hungarian content is also growing. The China Cultural Center in Budapest is the official cultural institute of China in Hungary with a very active Facebook page, posting regularly in Hungarian and Chinese.

Interestingly, it is only recently that there are official Chinese government WeChat accounts targeting the Chinese diaspora in Hungary. The China Cultural Center in Budapest established its official WeChat account in September 2020, while the Embassy did not set up its WeChat account until April 2021.

China Radio International (CRI) is another active Facebook page in Hungarian with a 74,000 followers. Just like its international counterparts, BBC and VOA, CRI has also established various channels to cover China internationally (Chen *et al.*, 2010). In Hungary, there is another tourism-related CRI offshoot page on Facebook called China's Charm (*Kína csábereje*), which has 23,000 followers.

The five Confucius Institutes (CIs) in Hungary are located in five different cities. All of the institutes in Hungary offer very colorful cultural and educational activities, often far beyond the mandatory programs attributed to CIs, as their programs are based on cooperation between the Chinese staff and local Sinologists. All CIs have Hungarian, English and Chinese websites, all of them have a presence on Facebook,

four of them have a YouTube channel and two of them also run an Instagram profile. However, the YouTube channels of the institutes have only about 35,000 views. In Budapest, there is a Hungarian–Chinese bilingual school – also operates as a Confucius Classroom – with a 15-year history, but its digital presence is also very limited.

Over the past nearly two decades, all Hungarian governments have taken a pro-China stance, and despite fierce controversies in domestic politics, this seemed to be an issue that was commonly supported by all major political parties. In the last decade, the policy of “opening to the East” and China-friendly communication have even been reinforced. In 2015, Hungary was the first country to sign an agreement with China related to the One Belt One Road plan (Reuters, 7th June 2015). In 2019, Hungary signed an agreement with China in connection with the Digital Silk Road (*Daily News Hungary*, 25th April 2019).

Hungary’s national central television has been broadcasting Daily News in Chinese since January 2016 (*Hungary Today*, 5th January 2016). The videos are also available on the dedicated YouTube channel of the public media. We do not have data on the number of views of the live news; YouTube access figures are roughly in the range of 100-400 views per broadcast. The Hungarian Tax Authority also operates a Chinese website. According to Tax Authority, their Chinese homepage has 3000 readers (*Hvg.hu*, 25th February 2014).

ChinafluenCE’s Media Analysis about Hungary is a statistics-based study of 3,921 Hungarian media articles between 2010-2017 about China in terms of politics or economics. According to the analysis, the image of China in Hungary is mainly shaped by individual politicians, and a positive image of China comes mostly from government politicians. The topics of the articles mainly focused on political, economic and bilateral relations; sensitive issues such as human rights, Tibet or the protection of intellectual property rights were hardly



mentioned. Most articles were pragmatic and neutral, but the proportion of articles with a negative tone showed a growing trend, from 6 percent in 2010 to 15 percent in 2017 (Matura, 2018). Fewer than seventy people spoke out on the issue more than three times during the entire period.

Among the seventy opinion leaders were eleven government politicians, who accounted for 38 percent of all posts. Government members and politicians made the most positive statements, without any negative tone. On the other hand, journalists proved to be the most critical. This group accounted for two-thirds of the opinion leaders. 19 percent of their articles had a negative tone and only 5 percent had a positive tone. The so-called “pro-government” media and journalists were less critical of China than other media and journalists. Experts and researchers play a very modest role in shaping public opinion on China issues (*ibid.*).

### **3.5. Nonstate Actors**

The Chinese diaspora in Hungary communicates mainly through WeChat. When we search for the Chinese word for “Hungary” – “匈牙利” (*Xiongyali*) – in the official WeChat channels, we can find that 131 results include “Hungary” in their name. Some of these channels are maintained by Hungary or Hungarians, such as Hungarian diplomatic missions in China or the Hungarian Tourism Agency. There are also some companies, tourism agencies, consultants, real estate companies, investment opportunities, language groups and schools, study abroad channels and blogs. We can also find some civil organizations, such as Mutual Assistance Association of Chinese Parents in Hungary (*Xiongyali Jiazhang Huzhu Liangmeng* / 匈牙利家長互助聯盟), or the Clansmen Association of Qingtian County (*Xiongyali Qingtian Tongxianghui* / 匈牙利青田同鄉會).

Not only has there been a longstanding China-friendly political climate in Hungary, but there is also a long-standing interest in China. Having a common understanding of Eastern ancestry, Hungarians began scholarly exploration of China as early as the 19th century (Salát, 2009). The Chinese community in Hungary is well accepted by locals, and many second-generation Chinese children who grew up locally remain in Hungary despite rapidly growing xenophobia; their online socialization targets international networking sites, such as Facebook (Nyíri, 2014).

### **3.6. Business Sector**

In 2005, the Hungarian Chamber of Commerce and Industry established the Hungarian–Chinese Relations Committee to promote and support bilateral business relations. The committee does not have a Facebook or other social media page, but provides detailed information about online events in its regular newsletter. ChinaCham Hungary Hungarian–Chinese Chamber of Economy was founded in 2003 to support Hungarian businesses in the form of a non-profit association. ChinaCham organizes regular events for its member companies, such as conferences, business seminars and a monthly ChinaCham Business Club. It has a website in Hungarian, English and Chinese, and also runs an active Facebook page.

E-shopping for Chinese products is a particularly popular aspect of China in Hungary. There are several Hungarian web shops that offer a direct shopping option, and there are also many test sites in Hungarian, with introductions, tests, news, reviews and direct links to product pages in Chinese web shops. One of the most popular pages is *RendeljKínait* (OrderChinese) with more than 23,000 followers on Facebook, but there are also many other Facebook groups for people shopping from China,

and we can even find thematic groups, such as “Fishing from Aliexpress” or “Page of Chinese private label knives”. This phenomenon shows that cheap Chinese products and easy availability through Chinese web shops are very attractive.

The two main Chinese-language newspapers in Hungary are published online, but the print version is still available for free in most Chinese supermarkets or restaurants (*Index.hu*, 16th September 2018). In addition to the online edition on its website, the *New Review* (*Xin Daobao* / 新導報) has a Facebook page and a Weibo page, also runs a mobile application and a YouTube channel. Its Facebook page is a personal page, not an institutional one, with nearly 3000 friends. In addition to its Facebook page, *Hungarian United News* (*Xiongyali Lianhe Bao* / 匈牙利聯合報) operates a Twitter page and a YouTube channel. In addition, there is another relatively small but active media channel called *Chinese Headline New Media* (*Huaren Toutiao* / 華人頭條), which is associated with one person but has a notable web presence on Facebook, Twitter, WeChat and YouTube.

### **3.7. Civil Sector**

Among the more than 100 results for the Chinese word for “Hungary” on Facebook, there are several place or organization pages from Hungary, such as the Hungarian Central Television, Hungarian Central Bank, some museums, football clubs, church districts, health care providers, and geographic locations, which probably contain only the string “匈牙利” (*Xiongyali*) in their names or description tags. Worth mentioning are the Hungarian Chinese Christian Church, the Hungarian Chan Buddhist Church, the Puji Temple Budapest and the Hungarian–Chinese Cultural Association, each of which has about 500–1,000 followers.

The Hungarian–Chinese Friendship Society was founded in 1959 and is the earliest civil organization in Hungary promoting Hungarian–Chinese friendship and cultural exchange. Their colorful events also takes place in the virtual space. They have a website and run an active Facebook page and Instagram profile. The Great Wall Hungarian–Chinese Friendship Association is another organization with similar goals, their Facebook page shows regular online activity.

The Chinese Art Center (formerly known as the Center of Chinese Culture and Arts) was founded in 1995. It is the best known non-profit organization in Hungary in the field of China-related arts and culture, organizing or actively participating in many China-related arts and cultural programs in Hungary. The Chinese Art Center has several affiliated schools that popularize various aspects of Chinese art, such as music, calligraphy, and martial arts. The center and the individual schools also have their own Facebook pages or websites.

The Hungarian–Chinese Cultural Association organizes events and cultural exchange activities, it has 1,100 followers on Facebook and is directly connected to the *New Review* newspaper. The association targets both the Chinese and Hungarian communities.

Cinema Hungarian–Chinese Art and Cultural Association is a cooperation between Chinese and Hungarian filmmakers, the association has a Hungarian website and a Facebook page.

Throughout Hungary there are several associations for wushu, Kung-Fu, and various branches of Chinese Martial Art. Their digital presence is not too strong, but their contribution to the local presence and recognition of China is undeniable. There are also some other local representatives of lesser-known Chinese sports, such as Mediball Association with more than 2,500 followers on its Facebook page, or Hungarian Shuttlecock Association with 1,300 followers on Facebook.

Some popular public Facebook groups provide a general discussion and information sharing platform to talk about China, such as Hungarian-Chinese Meeting, the Chinese-Hungarian Community Page, or Daily Chinese, all of which have a few thousand members.

In the last decade, several universities in Hungary have established a Chinese department or China-related research (Mohr *at al.*, 2019.: 179). These research centers regularly publish their work online. During the coronavirus epidemics, online teaching boomed, and since many Chinese teachers could not come to Hungary or return, lessons were conducted online directly from China. Pre-recorded lessons, lectures and other China-related study events also became popular. The number of Chinese students in Hungary has also grown steadily. At the beginning of 2020, there were 2,772 Chinese students studying in Hungarian universities (Alon, 2nd February 2020). Online organizations of Chinese students are widespread, but mostly they are closed groups, although the “Chinese Student in Budapest” is a public Facebook group with about 1,500 members.

The online presence of Chinese cuisine is quite general and popular. The Facebook group “Foodies Guide Chinatown Budapest” has nearly 3,000 members, and there are several other pages promoting Chinese food and restaurants. The public Facebook group “Traditional Chinese Medicine (TCM)” has more than 5,000 members and another private group called “Everyday Chinese Medicine” has 4,700 members. Chinese Astrology and Fengshui, as part of mystical esotericism, are distorted from their original Chinese meaning and background, but are still quite popular and serve as a positive addition to China’s digital image.

### ***3.8. Influencers and Other Individuals***

According to Nye (2009), “private sources of soft power are likely to become increasingly important in the global information age”. Looking

at this statement today, in the age of new social media, it proves to be extremely true. Due to the three-decade history of the Chinese community in Hungary, there are already several second-generation Chinese-born influencers on various social media platforms, such as short-track speedskaters Liu Shaolin Sándor and his brother Liu Shaoang. They play an important role in forming a positive China image among locals (Mohr *at al.*, 2019: 172).

There are few vlogs and YouTube channels of Chinese people targeting Hungarians. Lu Zhao Luca's vlog has 33,800 subscribers, and her videos are about Chinese culture and behavior. Her most popular video about the coronavirus reached 645,000 views. Master Wang is a well-known chef who runs popular Chinese restaurants in Budapest. His Facebook page has 17,000 followers and his YouTube channel has more than 3,000 subscribers. One of his videos has been viewed more than 111,000 times, but a video by popular Hungarian gastroblogger Fördös Zé featuring Master Wang and Chinese gastronomy reached 846,000 views.

There are many other blogs and vlogs about China, including those by travelers, students, photographers and people living in China. However, the popularity and number of views of blogs are difficult to confirm. It is much easier to find out the real influencers based on the number of views of vlogs. Csaba Magyarósi's travel-related vlog (380,000 subscribers) contains videos about traveling in China and Chinese gastronomy with 100-300,000 views. Lilla's vlog (35,000 subscribers) describes Lilla Horváth's life in China, and the most popular video is her self-introduction with 138,000 views. Rita Vizer (19,000 subscribers), who lives in China, runs her YouTube channel from there, and her video about the coronavirus in China has been viewed by nearly 500,000 viewers. There are also a few other vlogs with several thousand views.

#### **4. Conclusion**

The results of the research have confirmed the preliminary assumptions that the image of China in Hungarian society is based on rather limited information. The Chinese diaspora in Hungary, as well as the individuals and groups interested in various aspects of Chinese culture, can only establish a very limited online presence and interact with a relatively small number of people. Chinese cuisine, travel, food, kung-fu can generate some interest, but we could not find any other part of Chinese popular culture that resonates with the general public.

On the other hand, the perception of China seems to be directly linked to politics. The ruling parties have demonstrably adopted a friendly attitude towards China over the past two decades, and the Eastern ancestry of Hungarians has also created a generally China-friendly atmosphere. However, the growing negative attitude of Western Europe and the US towards China and the recent negative news in Hungary about the Chinese vaccine or Fudan University dominate public opinion and increase the distrust towards China. Apparently, China has not yet developed a visible, successful strategy to support the introduction of China's traditional and modern cultural values into people's minds against the considerable headwind of negative judgments and to make the Western community appreciate China without political overtones.

From the perspective of bilateral relations between Hungary and China, it is encouraging that China's cultural values are increasingly present in Hungarian education and that these values are also reflected in the digital space. Interpersonal relations that foster mutual knowledge and appreciation of each other's culture can be the most important key to understanding China and promoting peaceful common development.

## Note

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## **On Morality and Culture: Lessons from the Kingdom of Wu**

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### **Abstract**

Cultural differences between nations can often lead to diplomatic misunderstandings that may spark conflict. In order to better understand another nation, the analyst must study how that nation sees itself, ideally through the stories it tells. This paper covers the theoretical approach to how a society's stories serve as a method of inculcating a value system that serves as a guide to enacting policy, including foreign policy. It then recounts the Chinese legend of King Goujian, and examines how this narrative has contributed to the Chinese worldview, and hence influences policymaking in Beijing. It concludes with an interpretation of what lessons Beijing has learned, and should learn, from the Goujian tale as it pursues its foreign policy objectives into the 21st century.

**Keywords:** *Chinese foreign policy, culturalist, BRI, myths and legends, moral development*

The ‘Duke’ of Shê ( 葉公 ) addressed Master K’ung ( 孔子 ) saying, In my country there was a man called Upright Kung ( 直躬 ). His father appropriated a sheep, and Kung bore witness against him. Master K’ung said, In my country the upright men are of quite another sort. A father will screen his son, and a son his father—which incidentally does involve a sort of uprightness.

—*The Analects of Confucius* ( 論語 ), Arthur Waley’s translation, 1938), Book XIII: “Tzu-lu” ( 子路 )

## 1. Introduction

As long ago as 1948, the godfather of American sinology, John King Fairbank, observed that analysts seeking to understand the behaviour and policies of Chinese leaders needed a historical perspective. This was “not a luxury, but a necessity,” Fairbank insisted. Moreover, analysts, negotiators, and policymakers seeking to understand the drive and motivation of any culture different from their own, especially when it comes to policies on security and military matters—matters of life and death—must pursue an understanding of moral reasoning in that culture (Fairbank, 1983; Hwang 1998).

As the quote above illustrates, moral reasoning is very much dependent on what “part of the country” one is from, and thus without understanding the culture of another nation, we are hindered in our ability to effectively engage with that nation for the purposes of negotiation, diplomacy, or trade, to say nothing of preventing war. The following paper begins with a look at the theoretical approach to how stories—the myths, legends, and fairy tales taught to children in a particular society—serve as a vector by which that society’s morality and value system is perpetuated through the generations, and how that value system acts as a lens through which policy is focused. It then goes

on to examine a specific case study, that of the Chinese legend of King Goujian ( 勾踐 ), and how this narrative has contributed to the Chinese worldview, and hence to shaping policy in Beijing. It concludes with an interpretation of what lessons Beijing should learn from the Goujian narrative as it pursues its foreign policy objectives into the 21st century.

## **2. Narrative: Building Blocks of Culture**

Stories are how we learn right from wrong. It is not lists of rules through which morals are transmitted and taught from parent (or, increasingly, teacher) to child; nor is it by example, except insofar as how leading an exemplary life is, in itself, a form of narrative-in-practice. It is through stories that moral education is best performed, as these stories offer the listener role models, ideals to reach for, topics for discussion; and they familiarize the student with examples of good actions and bad actions; with heroes and villains; with rewards and punishments. Moreover, it is through narrative that children learn values, not just of right and wrong, or of good and evil, but of empathy, justice, care, and generosity—whatever values are prized by that culture.

In fact, it is through their importance as a central mechanism for transmitting values that stories can be regarded as the building blocks of culture. Since man first harnessed fire and began banding together in hunting groups, he would use signs, sounds, and rock art to convey his intended meaning: what are we hunting, how shall we hunt it, and what are the risks? Our brains evolved to absorb meaning in this way, as suggested by the popular tricks we still use to memorize groups of random words by creating little mnemonic stories. With the development of language, humans gained control over their memory and hence their emotional responses, and stories became an essential tool not just in instruction, but in entertainment. The injection of an emotional

component into storytelling raises the practice to the realm of moral and ethical education (Rahim and Rahiem, 2012).

The culture of the Apache tribes of the United States has a particularly close relationship to narrative. They employ a linguistic practice known as “speaking with names,” by which the names that are assigned to places immediately invoke a recall of events known to have transpired there, and therefore an understanding of the message being conveyed by the speaker. Very often, that message is a moral one, not too different from the Western tradition beginning in ancient Greece of telling fables, though the Apache way is far more economical and immediate (Basso 1996).

In much the same way, narrative is how values have been transmitted down through the millennia, and it is where culture resides. Folk tales, perhaps initially told to entertain, evolved to teach about belief systems, disseminate customs and traditions, and to familiarize the next generation with the revered ancestors and heroes of their tribe. They are how we have Odin and Beowulf; Zeus and Hercules; Guanyin and Mulan. Even today, parents tell their children bedtime stories. Schools and libraries have reading-aloud sessions for local kids. More than entertainment, this is how children learn right from wrong, and how to be moral people in their actions and their beliefs. At more advanced levels, the literary canon of a great civilization contains within it that culture’s traditional moral values and provides readers with heroes to believe in and emulate. Indeed: narrative is so powerful a method of inculcating values that it is often the front line in battles between competing intracultural ideologies: whoever gets to tell the stories, gets to direct the actions and beliefs of their society. It used to be parents that were charged with this duty, but recognizing its power, the priestly class seized control of the franchise. In totalitarian governments, it is the party that decides what stories get to be told: in capitalist nations, it’s often

conglomerates like Disney that weave the approved narratives, sometimes packaged with product placement for good measure (Honig 1987; Gerbner, 1994).

For generations, the cultural role of storyteller in the West has been invested with a high degree of power, as evidenced by how ardently that role has been fought over by opposing members of the political divide. The issue of character education rose to prominence in the early 1990s with the publication of William Bennett's *The book of virtues* (1993), in which the author laments what he saw as the capture of several American institutions—including those such as the media and higher education that are primarily concerned with storytelling—by thinkers informed by far-left ideology and nihilism. He called for a reversal of what he perceived as an erosion of traditional values through a renewed focus on the nation's foundational narratives and reverence for stories of virtue populated by moral characters and heroes overcoming ethical conflicts. On the other side of this ideological divide, movements such as “disrupt texts” seek to remove those foundational narratives of the Western canon that they see as reinforcing the patriarchy and contributing to systemic racism, and replace them with a more inclusive and equitable curriculum more in line with the values they wish to inculcate (Narvaez, 2008; Guillory, 2013).

Heroes are especially important in the use of narratives to transmit values. The hero of a story is the character whose choices reflect the mores, customs, and values of the culture, at that point in time. Some heroes reflect their particular eras in history or their nation of origin; others exhibit qualities that are considered to be universal. Very often, heroes bring boons to their community through selflessness and sacrifice. In all cases, heroes invite the listener to follow their example and embrace—morally, individually, and politically—the values and qualities they embody (Sanchez, 1998).

In addition to acting as a vector for the transmission of morality, these stories have the potential to create civilizations. The very definition of European civilization can be found in its grand narrative epics: Stories of heroes and gods, struggle over nature, and emergence from chaos into order. Many of the stories passed down from generation to generation help to define communities, from the tribal level to the civilizational. Communities can only exist, cohere, and function as social entities by virtue of the stories told about them. Traditions, role relations, and institutional systems within a culture take shape as a direct result of the narrative surrounding them. A practice or organization evolves, through its stories, into a cultural institution when the individuals taking part are subsumed into the roles they are inhabiting, allowing the role to take prominence over the individual identity. Thus, individuals voluntarily participating in a culture's narrative roles—whether it be that of “dutiful wife,” “protector and provider,” or something performative of “filial piety”—is how socialization occurs. Indeed: we learn stories precisely so that we may participate in them (Carr, 1986; Gare, 2001).

Despite the demonstrated power of narrative, storytelling as pedagogy has been strangely denigrated in the Western knowledge traditions. During the enlightenment, the mystical components of systems of knowledge acquisition were stripped away in favour of a dogmatic focus on the rational, forcing knowledge systems that touched upon the spiritual to either go underground, living on only in secret societies and mystery cults, or be transferred to the exclusive purview of organized religion. So it is that Alchemy transmuted into Chemistry, and Astrology into Astronomy. Despite the undeniable benefits of living in a civilization whose motivating epistemology is derived from the enlightenment, man does not live by logic alone, and the spiritual aspect of being has been removed from the accepted mainstream systems of scientific and rational knowledge. It is perhaps for this reason that

Western policymakers and political analysts have such a difficult time understanding and interpreting the policies and actions of non-Western countries like China, preferring instead to lean on safe and reliable heuristics such as political realism, neo-liberalism, or Marxism, without taking culture into account. This is their loss (Pinker, 2018; Gare, 2001; McIntosh, 2012).

The link between morality and storytelling goes back to the pioneer of developmental child psychology, Jean Piaget, most famously in his work on the distinction between expiation and reciprocity as punishment strategies. Following up on Piaget's work, Lawrence Kohlberg likewise used narrative techniques to present moral dilemmas. Kohlberg demonstrated that moral reasoning developed through childhood and on into adulthood following six discrete stages. While stages cannot be skipped—a child cannot proceed from stage two to stage four, for example—subsequent research has shown that students can be guided through the stages at a faster pace using certain pedagogical practices. These practices include storytelling (Narvaez, 2008; Fleming, 2005; Abramson, 1993).

According to Kohlberg, the six stages of moral reasoning—wherein there are two stages in each level—are universal principles that remain constant across all cultures. He sees apparent cross-cultural disparities as mere differences in degree, some groups being at higher stages of moral reasoning than others. Indeed, the concept of ethical relativism, far from being explanatory, is rather itself a sign that the individual espousing it is at a lower stage of moral consciousness: one that is characteristic of being transitional between the second level (or conventional morality) and the third (or principled morality) (Kohlberg, 1981; Vitz, 1990; Christensen, 1982).

Not everyone agrees with this claim of universality, however. Building on Kohlberg's six-stage theory, Ma (1992) offers a Chinese

perspective on moral development that is integrated into the existing Kohlbergian framework, but makes a few changes, including the addition of a seventh stage. The first two stages are, in agreement with Kohlberg, perceived as cultural universals: (1) the Obedience and Punishment Orientation, in which the individual does good in order to avoid punishment; and (2) Individualism and Exchange, where an awareness develops that different individuals have different viewpoints. As the individual progresses to higher stages, a more culturally distinct notion of morality becomes apparent, and the higher the stage, the more divergent the cultural influences. Kohlberg's highest stage represented the ideal morality of Christian civilization, which he saw as a universal, justice-based moral code. According to Hwang (1998), however, that code is anything but universal. The Chinese sub-structure identified by Ma (1990) is characterized as having Confucian and Taoist influences. For example, there are two sub-stages making up the final stage, Stage 7: (a) Sainted Altruism, derived from the Buddhist concept of compassion and oriented outward toward the world and society; and (b) Non-Valuative Judgment, which is derived from the work of philosophers Lau Tzu ( 老子 ) and Chuang Tzu ( 莊子 ), and is more individualistic and transcendent (Hwang, 1998; Ma, 1990).

### 3. Foundational Myths and Legends

Each culture has foundational tales, and to understand that culture (and more importantly, how that culture sees itself), one has to understand its stories. In America—at least in generations past—it was stories like that of a young George Washington and the cherry tree, which taught the moral imperative to tell the truth. The fable of the ant and the grasshopper likewise entreats its listener to develop a respect for hard work and planning, as well as generosity and forgiveness. In a larger,



national sense, there are stories that serve as the foundational myth for the country. An understanding of America's War of Independence, for example, and the Boston Tea Party that preceded it, are necessary if one is to develop an appreciation for the uniquely American beliefs on issues such as taxation without representation, individual rights, and the importance of having limits on State power. What then are the motivating narratives in today's China that carry a moral component, as well as that serve to unite citizens under a common Chinese identity?

#### **4. The Chinese Dream**

China's paramount leader Xi Jinping ( 习近平 ) has a vision for the great rejuvenation of the Chinese nation. Almost as soon as he came to power in 2012, Xi began speaking about "the Chinese Dream." According to the head of the Propaganda Department of the Central Committee, Liu Qibao, the Chinese Dream is the regime's new "mission statement" and a "political manifesto" for the future of the Party and the country. It is predicated on two dogmas: (1) the "dynastic cycle" political theory on Chinese history, which sees history as cyclical, having alternating periods of national weakness and national strength; and (2) the "century of humiliation." The narrative of China's century of humiliation is the supporting framework for the Chinese Dream. It refers to the period during which China was conquered by Europeans and Japanese, starting with the Opium Wars and ending with the founding of the People's Republic of China (PRC). The narrative is almost a blueprint for the manifest destiny of China's impending international greatness, as it emerges from a century of weakness to an historically inevitable position of great power. In China, the purpose of moral education is to benefit the government, not the individual person (Peters, 2017; Economy, 2018; Li, 1990).

The Chinese Dream is more than just a slogan: it serves as a guiding national narrative in today's China. A scholar of public policy, Zheng Wang (2014), uses Johan Galtung's Chosenness-Myths-Trauma (CMT) complex to analyze the civilizational narrative undergirding the Chinese sense of self and to explain the current drive toward national rejuvenation. A cohesive national identity can be built upon one or more major historical events, according to Galtung (2001), and it is necessary to understand this narrative in order to understand how and why that nation responds to situations of conflict. The historical events that are selected as the national foundational narrative fall into the categories of Chosenness, Myths, and Trauma. In the first of these, Chosenness, a population believes it has been chosen, by a god or some other supernatural force. In Myths, the formative story of the nation is mythologized and woven into the fabric of the national identity. Trauma is the final element that imposes a meaning on the narrative of national suffering, promising that the nation will rise above that suffering and ascend to a deserved position of greatness and power. The CMT complex is also known as the collective megalomania syndrome (Wang, 2014; Galtung, 2001; van der Dennen, 2000).

The narrative that is chosen has the power to create a shared sense of nationhood that gels the nation together: it is a story that parents tell their children; teachers use it to educate their pupils; and the government uses it to build patriotism, through propaganda and popular media. Whether or not the story has a basis in fact is immaterial: according to Benedict Anderson (2006), even a fictitious narrative can contribute to building an "imagined community" that helps a population become a nation. Although there may be historical or cultural factors standing in the way of nation-building, leaders can surmount this difficulty with the power of narrative. In Anderson's words, the nation is "imagined as a

community, because, regardless of the actual inequality and exploitation that may prevail in each, the nation is always conceived as a deep, horizontal comradeship.” In other words, one American, for example, may never personally meet all the other hundreds of millions of Americans, but still they form a community. And any American he does meet will share cultural similarities, and hence share an identity, even though they may be different races, different religions, and live in different communities thousands of miles apart. Despite these seemingly foundational differences, they will nevertheless share an identity by virtue of their common membership in their imagined community (Anderson, 2006; Galtung, 2001).

Through the mechanism of Galtung’s CMT complex—and given the Chinese cyclical view of history and thus the inevitability of China’s imminent greatness—Xi’s Chinese Dream narrative has fuelled nationalistic sentiments throughout China and armed his country with a sense of civilizational confidence, the type of which long ago died out in Europe, and is even now waning in America.

## **5. New *Tianxia*-ism**

Wang describes the Chinese belief of political sovereignty over the Earth being invested in the Emperor by universal metaphysical principles of order, especially the concept of the “Mandate of Heaven”: the imperial court sits in the Earthly realm at the center of this cosmology, and its structure mirrors that of heaven. Likewise, international hegemonic authority is centred on the Middle Kingdom, from whence it flows out to the provinces and eventually to the lands of the barbarians. This *Tianxia* (天下, “all-under-heaven”) system aids in the creation of nationalism and has become a deep-rooted aspect of the Chinese collective unconscious—it forms the backbone of New *Tianxia*-ism, which is a

popular international relations (IR) theory that is currently *de rigueur* among policy circles in Beijing, influencing how policymakers view China's rightful place in the regional and international community. Politicians and analysts in Beijing who subscribe to this theory promote it as a profoundly superior foundation upon which to restructure the international order (Wang, 2014; Chu, 2020).

The recent popularity of New *Tianxia*-ism in the halls of power and academia in China makes sense when viewed from a culturalist perspective: The alternating periods of totalitarian order and war-fuelled turmoil that make up Chinese history illustrate a fear of chaos and an attempt to eliminate it through the imposition of strong, central order. The highest aspiration of any governance structure must be the establishment of a harmonious and prosperous society, which alone can disrupt the chaotic cycle of disorder, conflict, poverty, and death (Dorn, 2006).

This anxiety over chaos can be observed domestically as well as in the realm of foreign affairs. At home, the ruling class in the Chinese Communist Party (CCP) rejects the universal Western values of human rights and democracy for its people, because such freedoms are inherently (and by definition) impossible to control, leading to a situation of domestic chaos in which everyone would decide for themselves what to say, what to believe, and whom to associate with. This anxiety is evidenced by the ubiquity of the Chinese Social Credit system, which allows the Party to control virtually every aspect of the private life of every Chinese citizen. Fear of chaos extends to the international sphere as well, where the norm of state sovereignty and international anarchy that characterize the Westphalian system currently holds sway. Hence the PRC's attempts to exert control over the operation of supranational bodies such as the World Health Organization, the UN International Telecommunications Union,

the International Civil Aviation Organization, Interpol, the World Intellectual Property Organization, and many other institutions that exert an enormous, if not widely acknowledged, authority over global affairs (Brands, 2020; Karalekas, 2018; Chu, 2020).

The Chinese tributary system represented order and a strict hierarchy in Asia-Pacific relations, and hence New *Tianxia*-ism—which essentially seeks to recreate that regional order—is designed to serve as an antidote to the chaos that currently defines the international system built on state sovereignty. In the tributary system, the nominally autonomous and independent states surrounding Imperial China would formally acknowledge the superiority of the Chinese and give over suzerainty to Peking. It was an effort to achieve the Confucian world order, wherein the Emperor would authorize a foreign leader’s investiture by conferring an official seal or formal robes of office, or even crowning a king, in these neighbouring territories. In exchange for these states’ fealty and tribute, Peking would desist from annexing or otherwise harassing the peripheral nations using its great economic and military might (Chu, 2020; Stuart-Fox, 2003).

The tributary system was so successful and profitable for the Empire that attempts were made to expand it outward, beyond even the Asia-Pacific region. The most famous of these attempts was perhaps the storied 15th-century voyages of Admiral Zheng He (鄭和). Every schoolchild knows the story of Zheng He, as it has long been used to foster civilizational pride in the manner described above of creating Anderson’s (2006) “imagined community.” A famous seaman, intrepid adventurer, and cunning diplomat, Zheng He and his voyage of exploration were more than a cracking bedtime story: they represented the greatness and benevolence of a powerful and confident China, in which all Chinese could partake and take pride. As with so many such tales, the truth is somewhat less glorious. The Admiral’s famous fleet of

huge treasure ships were closer to black ships than they were to vessels of exploration: his mission was to expand the Empire by extracting tribute from the nations he encountered, using the firepower of his armada and the sheer number of troops it carried to intimidate the leaders and peoples of the small nations they discovered on the periphery of their Empire. The mission was a resounding success, adding over 30 new tributary states, suppressing piracy against imperial trade, and exerting force against any of China's neighbours who disrespected the Ming Emperor or otherwise failed to pay tribute. Seen in this light, Zheng He was less an explorer and more an agent of the Chinese court, engaged in maritime proto-colonialism and seeking to impose a *pax Ming* in the region (French, 2017; Chia and Church, 2012; Wade, 2005).

Which is not to say that colonialist efforts of this sort are without positive outcomes: the Chinese Tributary System—which became formalized in the early years of the Ming dynasty—did manage to keep the peace in the Asia Pacific region. It is therefore not surprising that a system of regional order that has a well-established precedent of maintaining harmony and minimizing chaos should be attractive to PRC government planners today, especially when such a system would put the power to control regional trade and security squarely in Beijing's hands (Lee, 2016; Friend and Thayer, 2017).

While the story of Admiral Zheng He, touched upon above, illustrates well the power of narrative to convey moral teachings and to foment feelings of community and nationalism, one that has more direct parallels with how modern-day Beijing conducts statecraft is the tale of King Goujian.

## 6. The Story of King Goujian of Yue

China operated on a feudal system during the time known as the Spring and Autumn period (771 to 476 BC). The monarchs of the Zhou (周) dynasty ruled over a small area compared to the size of China today, and from their capital in today's Luoyang, they granted lands to hundreds of hereditary noblemen in the form of fiefdoms. In 492 BC, once such fiefdom—the state of Yue (越), roughly where modern-day Zhejiang is located—was ruled by King Goujian. Goujian was young and inexperienced, having just ascended to the throne after the recent death of his father. Indeed, before even the mourning period had come to an end, Yue was attacked by their old enemy to the north: the Kingdom of Wu (吳).

Despite his inexperience and unpreparedness, Goujian succeeded in defending his kingdom, and in the ensuing battle, King Helü (闔閭) of Wu was mortally wounded and died while in retreat. Leadership of Wu fell to the king's son, Fuchai (夫差), and after being crowned king of Wu, Fuchai lost no time in seeking revenge for the death of his father. He set to rebuilding and modernizing his army, and after two years of preparations, Fuchai launched a punishing attack on Yue. Unable to repel the attacking forces, Goujian dispatched one of his ministers, Wen Zhong (文種), to sue for peace.

Fuchai's revenge was complete. The harsh terms of surrender that he imposed on Goujian included that King Goujian himself, along with his wife and his top military strategist, Fan Li (范蠡), would be taken prisoner and used as slave labour in Wu. In his absence, Wen Zhong would administer the kingdom of Yue as a vassal state of Wu.

Specifically, Goujian and his entourage were put to work toiling in King Fuchai's royal stables, doing dirty and degrading work where even the peasants could look down upon them. Fuchai would often take the

opportunity to ride past, just to taunt his defeated foe. Truly, Goujian's humiliation was total.

To Fuchai's astonishment, however, Goujian and his retinue consistently performed their tasks efficiently and with total equanimity, even when they did not know that they were being observed. Never once did they utter a word of complaint; nor, it is said, could even a sigh of despondency be heard emanating from their lodgings at night.

This, coupled with Wen Zhong's proficient management of Yue as an exemplary vassal state subservient to Wu, earned Fuchai's respect. After three years of captivity and toil, Fuchai agreed to release his hostages, on the condition that Yue would continue to be administered as a tributary state. Goujian agreed.

Goujian was as good as his word. Under his leadership, Yue proved to be the most loyal of any of Wu's vassal states: In any financial or trade matters, Wu got the better end of the deal; The best of Yue's crops were sold to Wu at bargain-basement prices, until eventually, Yue became Wu's breadbasket. The most adept Yue craftsmen were dispatched to Wu, along with the finest lumber, to build elaborate palaces for the king and his noblemen, who spent their fortunes accumulating the trappings of wealth. Most importantly, the most beautiful women from throughout Yue were meticulously trained in etiquette and dance, and sent to Wu to serve as concubines.

The most famous of these concubines was Xi Shi (西施), known by Chinese historians as one of the Four Great Beauties of China. Goujian's minister, Fan Li, discovered Xi Shi himself; a simple peasant girl with little formal education who was washing clothes by the river. Taken by her great beauty, Fan Li taught her manners, music, and the skills of a courtesan, and then dispatched her to Wu to become the concubine of King Fuchai himself.



Fuchai immediately became love-struck, and did everything in his power to please Xi Shi. He paid enormous sums building her beautiful towers and lavish palaces, spending his treasury to buy Yue timber and hire Yue craftsmen. Fuchai and his noblemen began to enjoy this period of luxury and debt-spending, enjoying their lifestyle and spending less and less time on matters of state.

This gradual slide into dependency and decadence happened so gradually that it went entirely unnoticed by everyone except for Fuchai's top minister, Wu Zixu (伍子胥). As a man of advanced age and experience, Wu Zixu was immune to the charms of the beauties of Yue, and his was the only voice of caution against the unwise decisions that Fuchai was making. Wu Zixu warned his king against doing too much business with Yue and accepting its gifts, but Fuchai dismissed his concerns, believing that Yue had been completely subdued. Eventually, the profligate king became so frustrated with Wu Zixu's remonstrations that he ordered the old man to take his own life.

While the noblemen of Wu grew softer, king Goujian and the state of Yue grew tougher. Rather than live in royal luxury, Goujian slept on a bed of brushwood—in some tellings, he lived in a barn rather than a palace. He kept the gall bladder of a snake hanging in his sleeping quarters, and he would lick it each morning upon awakening, the bilious taste a daily reminder of his humiliation at the hands of Wu and an admonition to never lose focus on his quest for revenge. Every decision he made was designed—after meticulous planning with the military strategist *par excellence* Fan Li—to slowly weaken his foe: the concubines; the craftsmen; the sweetheart deals in trade and exchange.

Another stratagem that illustrates well this trade relationship involves Goujian's plan to purchase grain from Wu. Yue claimed to have suffered a crop failure, and Fuchai agreed to lend the kingdom 10,000 *dan* of grain under the terms that it be paid back when Yue has a

bumper harvest. The following year, Goujian ordered that 10,000 *dan* of the best seeds of grain be boiled, and then shipped to Wu as repayment. In this condition, it could be eaten, but would bear no crop, so the reliance on Yue grain precipitated a famine in Wu, further weakening the Wu state and making it ripe for conquest (Cohen, 2008).

While the tale focuses on the measures Goujian employed in order to transform his state into one that was primed for revenge against a larger foe, it is worth noting that these measures had, perhaps as a side effect, a positive impact on life for the people of Yue. Goujian improved morale throughout the kingdom and ingratiated himself to the people by living a Spartan life, free of the usual kingly ostentation: he only ate food that he had grown, and wore only clothes that his wife had sewn. He took full responsibility and apologized for his defeat at the hands of Wu, and promised to make reparations. He became a part of the people's lives, personally offering condolences in times of tragedy, and congratulations on happier occasions.

Yue's troops were trained by the most skilled martial artists that Goujian could assemble for the task, including the famed archer Chen Yin (陳音), and the great swordswoman who came to be known as the Maiden of Yue (*Yuenü*, 越女). In terms of policy, he offered medical care to expectant mothers, mandated age restrictions on couples seeking marriage so that the population would grow, and even offered childcare under certain circumstances. He offered tax relief and reduced the forced labour obligations on peasant families who had lost sons, and established provisions for the care of orphans. Goujian's administrative record was so successful that the people of his kingdom were prosperous and happy, and very much enamoured of their king. Thus when it came time to exact his revenge, there would be little doubt that they would enthusiastically follow him into battle.

Acting as a spy in her new household, Xi Shi had been sending regular reports to her handler in Yue, Fan Li, who in turn counselled Goujian on the appropriate time to strike. After many years of pretending to be a loyal partner to Wu, Goujian had managed to enrich his kingdom and raise a great army. He had also managed to make Wu weak, decadent, and economically dependent on Yue's largesse, and therefore ripe for defeat. Finally, in 482 BC, Fan Li determined that conditions were right, and it was time to attack. Confident of his superiority, Goujian marched north with 50,000 troops and easily conquered Wu (Timm, 2015; Daniels, 2013; Cohen, 2008).

## **7. Lessons from History**

Few Westerners have heard the story of King Goujian, and even among academics, it is considered relevant primarily to those working in fields such as Chinese literature and folklore. As a result, analysts and policymakers working in Washington and Brussels very often fail to see how influential to the culture, and hence the strategic planning process, such stories can be in Beijing, preferring instead to lean on the well-worn tools of their craft, such as game theory and the rational choice paradigm. But as discussed in the first part of this paper, such tales are the building blocks of morality, and contribute to the worldview of the nation in which they are told, to create an imagined community, and hence a nation.

Every school child in China knows the tale of the king who slept on brushwood and tasted gall each morning: it is an artefact of cultural knowledge; a common language among all the people of China, as recognizable as "speaking with names" is to an Apache. Mere mention of the name Goujian conjures the concept of *taoguang yanghui* (韬光養晦) popularized by Deng Xiaoping (鄧小平): biding one's time,

hiding one's strengths, and feigning subservience while manipulating conditions until one's enemy is weak and one's own position is strong: strong enough to emerge victorious when the time is finally right to show one's true colours and strike (Cohen, 2008).

The story has direct relevance to understanding Beijing policy today. It has been referenced widely by Chinese sociologists and analysts of international relations as they sought to characterize and direct China's rise (see Xing and Zhang, 2006; Yan, 2011; Luan, 2017). It has also made its way onto the radar of a few Western China hands (see Connolly and Gottwald, 2013; Carr, 2010). Despite the story's prevalence in Chinese IR studies, the attention that it garners from international scholars, and the extrapolation of its lessons by outsiders seeking to understand the strategy of the CCP, has been met with criticism from Chinese commentators, as well as a few outside of China, who prefer to focus on the more benign lessons imparted by the tale: that rather than revenge, the real takeaway from Goujian's example should be the values of dedication, perseverance, and sacrifice (see Liu, 2014; Cohen, 2008).

Those who draw parallels between Goujian's strategy and that of today's CCP have much to work with. In his controversial book, *The hundred-year marathon*, director of the Center on Chinese Strategy at the Hudson Institute Michael Pillsbury (2015) writes at length on this topic, including relaying the details of his debriefing of a PRC defector who describes how a hardline faction of Chinese leaders known as *Ying Pai* (鷹派, "Hawks" or "Eagles") are seeking to use King Goujian's defeat of Wu as a blueprint for dealing with America, and that convincing the West that China's intentions are benign is merely part of the plan (Pillsbury, 2015: 118).

## **8. Beating Ploughshares into Swords**

Far from merely serving as the world's factory, Chinese planners have worked hard to successfully transform their country into a key player in a number of strategically important industries, and over the years it has turned itself into the world's largest supplier of several crucial commodities, becoming the world's largest exporter of goods in 2009, and accounting for a significant percentage of world trade in natural resources such as aluminum, coal, copper, and iron ore, to name a few. Beijing likewise set its sights on achieving dominance of the rare earth metals market. These 17 minerals are essential components in the production of nearly everything electronic, from smartphones to weapons systems, and as such, the uninterrupted importation of rare earths into countries such as Japan and the United States is vital to maintaining industrial production flow in those countries' electronics industries. Over the past two decades, China has leveraged its cheap, abundant manual labour and lack of strong environmental protection legislation, as well as issuing export tax rebates, to offer rare earth metals to buyers at much lower prices than any foreign competitor. Over time, it has succeeded in cornering the market on these strategically important minerals, and slowing the extraction and production operations of its foreign competitors down to a trickle. As a result, China is now the largest supplier of rare earth metals on the world market (Pines, 2020; China Power team, 17th July 2020).

Moreover, since the slowdown in global trade due to the COVID-19 lockdowns in most of the world, China has been stockpiling a number of commodities at an alarming rate, buying up whatever it can from all over the world, according to a conference organised by the Association of Bulk Terminal Operators. Clearly, policymakers in Beijing see the control of such commodities as more than just a moneymaking

opportunity. This was illustrated in the fallout after an incident that occurred on September 7, 2010, when a Chinese fishing trawler intentionally rammed two Japanese Coast Guard patrol ships in waters near the Senkaku / 尖閣 (Diaoyu / 釣魚 in Chinese) Islands, which is claimed as sovereign territory by both sides. The captain was taken into Japanese custody, and the Chinese leadership employed a host of methods to pressure the Japanese for his release. For example, the government issued repeated summonses to the Japanese ambassador—at one point, in the middle of the night—to express anger over the incident. The Chinese government postponed high-level bilateral meetings with Japanese officials, as well as cancelling cultural exchanges between the two countries. China's reaction went even further, with the arrest of four Japanese nationals, ostensibly for trespassing into a Chinese military zone; and either tacitly or implicitly fomenting anti-Japanese sentiment among the population by giving authorization for anti-Japanese street protests. Most tellingly, however, Beijing blocked the export of rare earth metals to Japan, which dealt a blow to Tokyo's signature electronics industry. Faced with this onslaught, the relatively inexperienced administration of then-Japanese Prime Minister Naoto Kan (菅直人) blinked, released the Chinese captain, and handed the win to China. While the impact on Japan's supply chains was not irreparable, the move highlighted Tokyo's reliance on China for more than 80 percent of its rare earth imports. It also revealed Beijing's willingness to beat the ploughshares of trade into the swords of war (*Freight News*, 5th November 2020; Karalekas, 2018; *Japan Probe*, 22nd September 2010; China Power team, 17th July 2020).

This was not an isolated incident, and China's bullying is also not limited to import restrictions. In fact, China has leveraged its economic clout in coercion efforts against European and North American entities a reported 60 times since the year 2000, as recorded by the Alliance for

Securing Democracy's Authoritarian Interference Tracker. Examples include cancelling lucrative broadcasts of US National Basketball Association (NBA) games in retaliation for a pro-Hong Kong tweet by the general manager of an NBA team. Beijing threatened Germany's automakers when Berlin began mulling security standards that would have ruled out Huawei's access to that country's 5G telecommunications project. Moreover, after the Vancouver arrest of Huawei's CFO Meng Wanzhou on charges of bank and wire fraud surrounding violations of trade sanctions on Iran, Beijing attacked Canada's tourism industry, to say nothing of the imprisonment of Canadians Michael Spavor and Michael Kovrig on spurious charges in what essentially amounts to a tit-for-tat game of "hostage diplomacy" (Gorman, 2021).

Moreover, like Goujian's famous stratagem, the PRC's rise to power has largely been successful due to a judicious degree of duplicity. Those who doubt this assessment would do well to remember the stated reason for the PRC's June 2000 purchase of the decommissioned Soviet Navy aircraft carrier *Varyag*: to convert the warship into a floating hotel and casino. It was not long before this falsehood was abandoned, and in 2012, the retrofitted warship was commissioned into the People's Liberation Army Navy as a fully functional aircraft carrier, now named the *Liaoning*.

Like the floating casino cover story, the phrase "peaceful rise," now long abandoned, was once commonly used to reassure nervous observers in the West who were startled by the rapidity of China's economic and military growth. It was so successful that for decades, the world actively contributed to China's rise, in the hopes that China's adoption of State capitalism, which lifted half a billion people out of poverty, would eventually lead to social liberalization as well. It was this trajectory that encouraged corporations and governments in the West to hitch their wagons to the Chinese star just as the era of globalization was gaining

traction: not only would they improve the lives of their own citizens via the provision of cheap made-in-China products, but they would make enormous profits in so doing. Best of all, their consciences would be clear because, as they were promised by IR and development theorists, this interaction would be contributing to the social emancipation of the Chinese people. The precedents set in Japan, Taiwan, South Korea, and innumerable other countries were offered as proof of this inevitability (McGregor, 2012; Coase and Wang, 2016).

Only this highly anticipated social liberalization never materialized. Even as the benefits of doing business with China began to pay fewer and fewer dividends, policymakers and corporations were reticent to stop throwing good money after bad, even to the point of turning a blind eye to the rampant theft of intellectual property worth hundreds of billions of dollars per year. Those analysts who clung to visions of a democratic China were dealt a blow when, in 2012, Xi Jinping ascended to the concurrent posts of General Secretary of the Chinese Communist Party (CCP) and Chairman of the Central Military Commission, and a new revanchist era of leadership began in Beijing not seen since the days of the personality cult of Mao Zedong (毛澤東). Indeed, in 2018, Xi removed the term limits that formerly constrained his office, effectively declaring himself paramount leader for life. He chose as his animating vision for the great rejuvenation of the Chinese nation the Chinese Dream concept, which relies heavily on the narrative of the “century of humiliation” that so neatly serves as the “trauma” component of Galtung’s Chosenness-Myths-Trauma complex (Hannas *et al.*, 2013; Galtung, 2001).



## **9. The BRI and Lessons from Goujian**

There seem to be many parallels between the tale of King Goujian and the path taken by today's China to wealth and power—too many to dismiss as mere coincidence. That is not to say that, as suggested by Pillsbury (2015), it is an intentional long-term stratagem: it may be the result of the ubiquity of the Goujian story and how it has come to define the Chinese experience and worldview. Either way, Chinese leaders, if they see themselves in the role of Goujian and the West as Wu, are making a potentially dire miscalculation.

The real lesson to be learned from the tale is that leaders must be conscious to avoid creating bitterness among neighboring states and powers dismissively viewed as weak. From this (admittedly unconventional) perspective, the PRC is playing the role of King Fuchai of Wu, establishing tributaries and extracting concessions for China's aggrandizement with little thought to the long-term consequences of creating the conditions for deep resentment against China. This is largely being achieved through the Belt and Road Initiative (BRI).

Formerly known as the One Belt, One Road project, China's BRI was unveiled by Xi in 2013, who touted the endeavor in speeches made during state visits to Indonesia and Kazakhstan. According to official Chinese government figures, in January 2021, the number of countries that have signed Memoranda of Understanding (MOU) related to the BRI reached a staggering 140. One of the most ambitious projects ever launched, the BRI is aimed at constructing an expansive web of global economic, political, and cultural networks, with China at its hub. The vision consists of two interconnected and complementary channels: the Silk Road Economic Belt, and the 21st Century Maritime Silk Road. The Economic Belt will consist of a networked system of road and railway links, power grids, and petroleum pipelines connecting China with Central Asia, the Middle East, and as far as Europe. Likewise, the new

Maritime Silk Road will emulate its historical namesake and link China with Europe through a system of ports, reclaimed islands, and various other forms of maritime infrastructure throughout the South China Sea, the South Pacific, and the Indian Ocean. The project is so central to Beijing's plans for economic development and foreign relations that it was incorporated into the PRC Constitution in 2017 (Pacheco Pardo, 2018; State Council, PRC, 2015).

The sheer magnitude of the enterprise puts the lie to claims that the BRI is merely an economic undertaking. Analysts and commentators perceive the BRI as the mechanism by which the CCP seeks to ultimately replace US hegemony with the PRC vision of New *Tianxia*-ism. Using a Western perspective to explain it, the project's aim appears to be to erect a transnational, inter-regional division of labour along the lines described by Immanuel Wallerstein's world-systems theory, in which the globe may be divided into core countries, semi-periphery countries, and periphery countries. Highly skilled labour and capital-intensive production are performed in the core countries, whereas the periphery and semi-periphery countries are relegated to providing raw materials and performing low skilled labour, thereby reinforcing the economic dominance of the core countries over those on the periphery. The parallel with the story of King Goujian is clearly discernable, with the Kingdom of Wu receiving the best agricultural produce, the best lumber, the best craftsmen, and even the best courtesans from Yue (Barfield, 1998; Lechner, 2001; Cohen, 2008).

There have been criticisms that the project—whether by design or not—is enticing smaller, poorer countries into debt traps, and that Beijing leverages its largesse in funding infrastructure projects in exchange for concessions to aid in the CCP's strategic positioning both globally and—in the case of its String of Pearls strategy to encircle India—regionally. Examples include the People's Liberation Army

(PLA) Support Base in Djibouti, the Port of Hambantota in Sri Lanka, and Beijing's expanding influence in Pakistan. In Africa alone, the scale of the debt already owed to China cannot be precisely known, and may be much higher than current estimates according to one recent study, largely because the PRC does not report on its international lending, and "Chinese loans literally fall through the cracks of traditional data-gathering institutions" (Horn *et al.*, 2020). While Western observers are generally unaware of the story of King Goujian, most are familiar with the *Odyssey* by Homer, and characterizations of the BRI as a "Trojan Horse" abound (Richet, 2019; Pieper, 2021).

The risk to China, therefore, is that Beijing may be unwittingly playing the part of the Kingdom of Wu in this analogy, though it clearly prefers to see itself as Yue. The BRI is a long-term megaproject, and it will be years, if not decades, before economists and sociologists are able to parse its outcomes. The risk, at least according to this analysis, is that Beijing may be imposing the conditions on debtor countries that cause their peoples to sleep on brushwood and taste gall, and harbour resentment and a long-simmering desire for revenge—revenge against China.

## Note

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## **Climate Change and the Polar Silk Road in China's Foreign Policy**

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### **Abstract**

As an area rich in unexplored resources, the Arctic is assuming an increasingly important geoeconomic and geopolitical role among Arctic and non-Arctic states. The Arctic is the epicenter of the fight to preserve the planet from the effects of climate change. In the near future new trade routes will emerge in the region, which saves energy and time as a considerable security and geopolitical aspect. China has been working on building its regional ambitions for several years and released China's Arctic Policy in early 2018, according to which the country would like to integrate this region into the New Silk Road Project, too. As a responsible large power, China's commitment to the peaceful development of the Arctic through the Polar Silk Road is heartening.

**Keynotes:** *Arctic, China, climate change, Polar Silk Road, sustainability*

## 1. Introduction

China has become increasingly interested in how climate change in the Arctic affects not only the region itself but also China. Because of the direct relationship between climate change, rising sea levels, and potential threats to millions of Chinese living in coastal cities through massive flooding, China has long participated in Arctic research. China joined the international Arctic science committee in 1996 and since 1999 has organized scientific expeditions in the Arctic with the research vessel Xue Long (or Snow Dragon) as the platform. In 2004, China built its first Arctic research station, the Arctic Yellow River Station, in the Ny-Ålesund research village in the Spitsbergen Archipelago. China's White paper on the Arctic identifies several policies and positions on participating in Arctic affairs, including protecting the environment of the Arctic and addressing climate change. Through the White Paper, China acknowledges how Arctic climate change will impact its own environment and people, and hence commits itself to strengthening "publicity and education on addressing climate change to raise the public's awareness of the issue". China expresses its full commitment to protecting the Arctic environment via global environmental agreements, with particular emphasis on the marine environment. To achieve China's ambitions, it is essential to enjoy the support of at least one country in the region (Russia) and to establish a close relationship with it in terms of its Arctic objectives. As China has a much weaker power position in the region than America or Russia, it will need cooperation and economic investment with the Arctic countries to enforce its interests, that is, it must pursue a rather different foreign policy than in Southeast Asia in connection with the New Silk Road of the 21st century (Klemensits, 2019). This paper analyzes how China would like to become a responsible stakeholder in the Arctic through China's polar strategy and China's climate policies.

The main objective of my research is to identify China's commitment to protecting the Arctic environment via global environmental agreements and foreign political aspirations in the Arctic region. To this end, I have developed the following hypothesis: China wants to become a responsible stakeholder in the Arctic through China's polar strategy and China's climate policies. I will strive to support this throughout my research by analyse the role of the Arctic in China's foreign policy.

## **2. The Arctic and Climate Change**

It is not easy to determine the exact location of the Arctic, since the size of the Arctic ice is constantly changing, and thus its physical boundaries are also constantly moving. The northernmost part of the earth is covered by ocean (ACIA, 2004: 4), the most common definition of its locations is the Arctic Circle (International Chamber of Shipping (n.d.)). The Arctic Ocean, which covers the Arctic Circle, forms a link between Asia, Europe and North America, the continents between close to 90 per cent of international trade occurs. However, as a result of climate change, an increasing number of experts believe that new maritime routes can be opened up in the Arctic in the foreseeable future, but that, in order to ensure efficient trade on these newly opened routes, there will be a need for major improvements to the proper development of transport corridors, which will require large infrastructure investments (Gudjonsson and Nielsson, 2017). There are currently three routes in the Arctic: the Northwest Passage, which links the Atlantic and Pacific oceans along the northern coast of Canada, through the Arctic Ocean; the Northeast Passage, which runs along the coasts of Russia and contains the Northern Sea Route (Humpert and Rapotnik, 2012: 285); and finally the Transpolar Sea Route that opened last and passes through

the middle of the Arctic, and which is projected to be safe for navigation in 2020s, and in the summer months only (Wishnick, 2017: 8). In addition to saving energy and time, extractable energy sources and potential routes also represent an important security and geopolitical aspect as well as a logistical and investment opportunity for some countries including China. The Arctic is also very important due to raw materials, in addition to the new trade routes; this region is highly rich in natural resources, with more than 20 per cent of the world's reserves being located here, according to estimates. According to the U.S. Geological Survey (USGS), the Arctic host the world's largest undetected oil and gas reserves. This is assumed to be 90 billion barrels of petroleum, 1669 thousand million cubic feet of natural gas, i.e., 44 billion barrels of liquefied natural gas. This represents 13 per cent of the world's unexplored oil resources, 30 per cent of natural gas and 20 per cent of liquefied natural gas. In addition, a significant amount of precious metals (gold, platinum, iron, uranium, lead and zinc) and rare earth metals are present in the Arctic. As a result of the melting of polar ice, there is an increasing likelihood that these energy sources and precious metals will be extractable in the near future, provided that there is an adequate infrastructure and technology base (Wishnick, 2017: 3).

The Arctic has a separate institution, the Arctic Council established in 1996 by the countries of the region, with the aim of creating a platform for dialogue between the Arctic countries. Currently, it has eight full members: Canada, Denmark (including Greenland and the Faroe Islands), Finland, Iceland, Norway, Sweden, Russia and the US. It focuses on the environment, science and economic cooperation as its main task, but it does not perform security tasks (*ibid.*: 15).

The thinning of the ice sheet and other recent environmental changes prove that an increase in atmospheric carbon dioxide levels is accompanied by an increase in global average temperature.



Concentrations of carbon dioxide, methane and other greenhouse gases in the atmosphere have increased due to human activity, primarily the burning of fossil fuels (coal, oil and natural gas) and, secondly, deforestation. Since the beginning of the Industrial Revolution, atmospheric carbon dioxide concentrations have risen by 35 per cent and global average temperatures by 0.6 degrees Celsius. As a result, there is an international consensus among researchers that the warming that has occurred over the past 50 years is due to human activity. If the current trend continues, some estimates suggest that there will be severe and irreversible changes in the global climate in this century. These include changes in atmospheric and ocean currents, soaring sea levels, and drastic changes in rainfall. Together, they will have a catastrophic impact on coastal settlements, animal and plant species, water supplies, and human health and well-being that are irreversible and will change our planet forever.

Global warming is a growing challenge for our world, and this is increasingly true of both poles of the earth (ACIA, 2004: 2). Global warming is causing accelerating physical changes in both the North and the South Poles (Dodds and Nuttall, 2016: 50). These changes are particularly intense in the Arctic, where average temperatures have risen twice as fast as in the rest of the world in the last two decades. Some of the effects of climate change are already visible in the form of melting glaciers and ice caps in the area, and some of their effects are still invisible (ACIA, 2004: 8). The size of the ice sheet reached its lowest level in 2012, but it approached the same level also in 2007, 2016 and 2019, which also attracted the attention of scientists and legislators. Many experts say there may be summers even as early as in 2030, when the ice in the Arctic will melt completely and so will the ice in some highly vulnerable ecosystems which are the habitat of several species that are native only there. This region is also of great importance for

water purification, flood control and the stability of coastal areas. Arctic ecosystems are important also for fisheries because of fish stocks and food supply. This fragile system has been threatened not only by the climate change, but also by the pollution and invasive species. Preserving biodiversity and the viability of the Arctic ecosystem is a major global challenge (European Commission, 2016: 5).

### **3. China's Strategy in the Region**

The primary and perhaps most important goal of China is to secure access to new commercial routes in the North. The Arctic's navigability would benefit China in many ways, not only for strategic reasons, but also in terms of time, cost and security, as there are no Somalian pirates there and the Malacca Strait dilemma is neither present – or at least not in the same way. While the journey takes 35 days from Asia to Europe through the Strait of Malacca and the Suez Canal, it takes only 22 days through the Arctic, saving time and cost. Since 2018, COSCO has made 14 trips in the North Sea with 10 vessels saving USD 10 million, 7,000 tons of fuel and 220 shipping days (Wishnick, 2017: 29). As China's economy is growing, so does its energy use. While China's GDP growth seems to be slowing down, its energy consumption increased by 18 per cent from 2017 to 2018. Such an increase and the lack of internal energy sources forces China to meet its raw material needs from imports. In 2018, 70 per cent of oil and 45 per cent of gas came from abroad. In 2019, China's oil imports rose by 10 per cent and the country imported 8 per cent more gas than in 2018 (U.S. Energy Information Administration, 2020). From a security policy point of view, it is very important for China to be able to always provide the right supply, and to that end, it considers it necessary to diversify the supply chain (Albert, 2019). China's another quite important goal is to have a say in the rule-

making process, so that there is a geopolitical stage where it has the opportunity to try and define rules as a rule-making power and not merely to adapt to existing ones, as was the case in many areas of the world of international relations (*South China Morning Post*, 26th January 2018a). According to experts, Arctic regions, together with the oceans, and cyberspace and space are strategic areas in which China has great ambitions and wants to become a rulemaking, or even a leading player (Ling, 2020), (Pan and Huntington, 2015: 153-157).

Its increasingly important objective is to be able to carry out regional research in the Arctic, particularly in terms of climate change. Citing existing research results, Chinese scientists believe that the melting of ice will have a major impact on China, where sea levels will rise and as a result, 20 million people will have to be displaced, not to mention the agricultural problems that this entails (Hong, 2018). In allusion to his Beijing wants to play a greater role in the region and act as a global power on climate change matters. China is often accused of using the environment as a pretext only to enforce its interests in the region. Even if this had been the case, China's own research in the Arctic has made the Beijing leadership realize that China will also be seriously impacted by climate change, which poses an even greater threat to the Arctic. The fishing potential of the Arctic Ocean is also one of the interests of the country. Fishing along China's coasts is becoming more and more stalled, as there is less fish, while demand is growing, including due to the increase in population. It is therefore one of China's ambitions to gain fishing rights in international waters, to which the Arctic region fits perfectly. According to a researcher of the Chinese Academy of Sciences, fishing in seas further away from the country is essential for China's long-term agro-development, and it is therefore inevitable that China will assert its fishing interests in the Arctic (Hong, 2018).

#### 4. The Arctic's Role in China's Foreign Policy

China's foreign policy interests have expanded greatly over the past three decades, and the Beijing leadership has begun to place great emphasis on developing Chinese interests and representing them on the global stage, primarily in the Pacific. Under the leadership of former Chinese President Hu Jintao, and then of current Xi Jinping, Beijing's foreign policy is already far beyond the Pacific, and the Arctic is playing an increasingly important role (Koivurova *et al.*, 2019: 35). Since 1990s, Beijing was committed to developing bilateral relations, and now, after being admitted to the WTO, it focuses on free trade agreements. These agreements have already been able to move China's Arctic policy slightly forward, since China concluded a free trade agreement with Iceland in 2013 and conducted negotiations also with Norway in 2017. According to the official Chinese foreign policy position, also expressed by Chinese Rear Admiral Yin Zhuo in a 2010 statement, China considers the North Pole to be the property of all mankind and has not supported any state to have exclusive sovereignty over it (Chang, 2010).

According to Chinese ambitions, China started to build its policy related to the region several years ago. Some Chinese experts date the country's commitment to the Arctic all the way back to 1925, when the country signed the Svalbard Convention, which recognizes that Spitsbergen belongs to Norway (Wishnick, 2017: 30). China's polar engagement first began in the South Pole and later extended to the North Pole. The Chinese State Oceanic Administration (SOA) was established in 1964 to take part in future polar expeditions, and in 1985 it purchased its first ship from Finland capable of navigating in icy conditions to launch its Antarctic expedition, which it conducted from 1986 to 1994 when it was replaced by China's first icebreaker, the Xuelong (Chinese research vessel completes 8th Arctic expedition, 2017). China has

already had two ice breaker vessels since the autumn of 2018; Xuelong 1 bought from Ukraine in 1994 and Xuelong 2 built in 2018 and launched since then, which is now entirely Chinese-made (*South China Morning Post*, 26th January 2018b). Xuelong performed her first Arctic expedition (CHINARE) in 1999, of which she completed a total of nine by September 2018. In 2017, she made the route to the Northwest Passage; the 20,000-nautical-mile journey took 83 days, shortening the usual voyage from New York to Shanghai via the Panama Canal by seven days (*People's Daily Online*, 10th October 2017). It is the first Chinese ship to have traversed all three Arctic routes (*South China Morning Post*, 26th January 2018a). China's state-owned shipping company, COSCO, also plans to launch six cargo ships on the North Sea route for commercial transportation. There are dozens of Chinese scientists across the Arctic, with more than 30 Arctic expeditions carried out since 1984. China has its own research station in the territory, the Yellow River station built in 2004, which is the first Chinese Arctic research facility. COSCO, the largest commercial shipping company in China considers itself to be a leading shipping company on the Northern Sea Route (Gudjonsson and Nielsson, 2017). In 2015, COSCO's cargo ship Yong Sheng sailed from the port of Dalian to Rotterdam through the Northeast Passage, and back to the Chinese port of Tianjin in 55 days (Lelyveld, 2018).

The Polar Research Institute of China (PRIC) was founded in Shanghai in 1989, and its establishment was a good indication of China's growing interest in the Arctic. In 1990, Chinese scientists entered the Arctic for the first time, and they also planted the Chinese flag. In 1966, the Chinese Antarctic Administration of the State Antarctic Research Committee was renamed as Chinese Arctic and Antarctic Administration (CAA) due to the growing importance of the Arctic. Also in 1996, China joined the International Arctic

Science Committee (IASC), a leading international non-governmental organization supporting Arctic scientific research and collaboration, and in 2005, the Arctic Science Summit Week (ASSW) was held in the city of Kunming. In 2004, China built its first Arctic research station, named the Yellow River. China first attended the Arctic Council meeting in 2007 and has since sent delegates to the meetings of the Arctic Council Senior Arctic Officials (SAO) every year. The increasing participation in the scientific life of the Arctic provided a very good basis for China to build good bilateral relations with the Nordic countries. In 2013, it successfully became an observer state in the Arctic Council, which most Chinese officials saw as a recognition of the legitimate interest of the Chinese in the region (Koivurova *et al.*, 2019: 35). By gaining observer status, China was granted access to the waters and airspace of the Arctic and the opportunity to participate in the international governance of the region (Wishnick, 2017: 30). After an initial period of less active participation and less visibility, China has slowly begun to identify its areas of interest in the Arctic (Koivurova *et al.*, 2019: 35).

The almost 5 years that followed was about Beijing securing and consolidating its presence in the region. As a result, China has significantly expanded its scientific facilities in a short period of time, bringing its scientific potential to the northern region, and now, like several countries, has a research station in the Spitsbergen, is an active member of the International Arctic Scientific Committee (IASC), regularly conducts scientific expeditions with its icebreaker and increasingly participates in international scientific cooperation projects.

Xi Jinping, the current Chinese President was elected Secretary-General of the Chinese Communist Party in 2012 and announced the Belt and Road Initiative (BRI) in 2013, which set out a very new direction for China's external relations, compared to the previous low-activity Chinese foreign policy. With this initiative, the Chinese

President has openly begun to transform the existing world order, one of the main elements of which is this project, representing the beginning of a more assertive foreign policy direction. The main objective of BRI is to redefine the relationship between Europe, Asia and Africa. This can be best described as a network, which can be spatially expanded with great flexibility. Its significance is important to our global world because it questions the position of the US on the one hand and can pose a challenge to our current world order, on the other hand, as this new order is complemented by China's new regulatory ambitions (Eszterhai, 2019: 12-13). The Belt and Road initiative can be expanded flexibly. China makes use of this flexibility and, most recently, has extended the large-scale project with the Polar Silk Road (Zoltai, 2020).

For a long time, China has not had a public strategy for the Arctic; it issued the White Paper on the Arctic only in January 2018, which filled this gap (State Council Information Office, PRC, 2018). In this paper, an important role is assigned to the Belt and Road initiative, announced in 2013, as the Arctic is also intended to be included in the New Silk Road initiative, creating the Arctic Silk Road (Brady, 2017). On this section of the Belt and Road, the main role would be played by the new routes created by the melting ice, which would greatly benefit Chinese trade and Beijing's ambitions. China's presence in the Arctic is very important not only economically but also politically in the country's external relations strategy (Wishnick, 2017: 47-78, so achieving its goals will be of high geopolitical importance. As a basis for its region-related strategy, it has defined respect, cooperation, mutual benefits and sustainability (Chen, 2018). It has thus provided a great framework to its strategic objectives, institutionalized and subordinated them to the Belt and Road initiative, with the ultimate intention of legitimizing them at global level.

In its White Paper of January 2018, China formally declared itself a country "close to the Arctic", supported mainly by the fact that climate

change in the Arctic will have a major impact on China's society and economy (State Council Information Office, PRC, 2018). This was also confirmed by the fact that the country was admitted to the Arctic Council in 2013 as an observer state (Goodman and Freese, 2018).

The first White Paper on the Arctic in China, published in 2018 (State Council Information Office, PRC, 2018), also makes it clear that China's presence in the Arctic is fully in line with existing legal and political rules (Koivurova *et al.*, 2019: 12). In this White Paper, China describes itself as an important stakeholder in Arctic affairs and an inevitable part of the affairs of the region (Goodman and Freese, 2018). Beijing is therefore firmly committed to the international law and conventions in force in the Arctic (UNCLOS, Polar Code, new fishing agreement) and cooperates with the Arctic Council. In particular, Chinese foreign policy seeks to be present in the Arctic not as a follower of standards but now as a standard setter, the best example of which is the involvement of the Arctic in the BRI and the emergence of other segments of Chinese diplomacy in the region of the Arctic Ocean (investment, scientific research, tourism, etc.) (Koivurova *et al.*, 2019: 12). This is the result of a long process that Beijing has undertaken over the past decade to show its growing knowledge and commitment to the Arctic to be accepted as an actor in the area, although it possesses no territory in the Arctic.

China's energy supply has traditionally been dominated by coal, which is polluting, expensive, difficult to transport, and even low in efficiency. In light of this, there is great interest in alternative resources such as oil, natural gas, nuclear energy and green energy (water, wind, heat). China undoubtedly needs more diverse energy sources from different parts of the world in order to reduce its dependence on coal. This is where the Arctic, among others, comes into play which will be a potential source of oil and natural gas and other resources in the near



future. Another reason why the region has grown in importance to China is that it is perceived by the Arctic states as politically stable and generally predictable, which is not typical of other resource-rich regions (*ibid.*: 21-22).

## **5. China's Bilateral Relations in the Arctic**

To achieve China's ambitions, it is essential to enjoy the support of at least one country in the region and to establish a close relationship with it in terms of its Arctic objectives. This country is namely Russia, which is currently the only of the eight Arctic countries that is a partner of the Belt and Road initiative (Gudjonsson and Nielsson, 2017). The Arctic plays an important role in the relations between the two countries to begin with; Xi Jinping visited Russia before the G20 meeting in Berlin in 2017, where the two countries signed a joint declaration (*Oceanol.com*, 11th July 2017), in which the Arctic Silk Road and the Northern Sea Route were identified as the main location for their cooperation. As China envisions this section of the BRI along the Northern Sea Route, most of which passes along the coast of Russia, this could not be achieved without cooperation with Russia. Xi Jinping officially announced the concept of the Arctic Silk Road only in 2017 in Moscow (Liu, 2017), but the idea itself had been formulated by Russia in 2015, and then, after a foreign political consultation, an agreement was reached at the level of the leaders (Jiang, 2019). Mutual cooperation is mainly based on trade and raw materials. Russia hopes that Chinese investments can help improve its ports and boost trade on the Northern Sea Route. Traffic passing through this route reached and exceeded 7 million tons in 2016, an increase of 35 per cent compared to the previous year (Liu, 2017). Moscow also tries to relocate as much funds as possible to the area; one of Russia's major investments is the

development of this route: by 2030, they want to spend tens of billions of dollars on ships, shipbuilding, navigation and ports along the route (Johnson and Reid, 2018). As Western sanctions against the country have led to increasing dependence on China, it has also begun to implement developments in the Arctic, as it knows that this is of strategic importance to China and that without Russia it could not achieve its ambitions. Vladimir Putin has said that the region is an important part of Russia's national security in terms of military, politics, economy, technology, and environment (Wishnick, 2019: 51). Cooperation in this region is also very important for the two countries from a security policy perspective. China currently has a relatively weak position in the region, so it is highly dependent on Russia, which is an Arctic country, but this is true vice versa, because Russia wants to secure mainly economic and political advantage from the cooperation. Given that the best navigable shipping route in the Arctic is now along the Russian coast, China can only succeed and achieve its ambitions working together with Russia. China seeks to diversify its imports of raw materials, while Russia strives to diversify its exports of raw materials (Li, 2019). China is seeking to increase its presence in the region through raw material-oriented investments and the development of ports, as it is currently highly dependent on oil and gas imports from the Persian Gulf and Africa, which arrive in the country on routes controlled by the US Navy. Accordingly, it has started to diversify its energy dependency by investing in the Russian enterprise Yamal LNG and in Norwegian gas and oil fields. This could not only be an alternative for Beijing and reduce security policy risks, but it can also gain experience in the Arctic infrastructure and technology, which could make a major contribution to the controlling of commercial routes in the future. The first project called the Arctic Silk Road was an investment where the Silk Road Fund undertook a 9.9 per cent share in the Russian

Yamal LNG project, which carries out transport, infrastructure and resource-related activities in the Eurasia part of the Arctic. As a result, Chinese companies have a total share of 29.9 per cent in the project, as the state-owned China National Petroleum Corporation has 20 per cent in addition to the Russian Novatek (50.1 per cent) and French Total (20 per cent) companies. The financial part of the project is partly covered by a loan agreement of USD 12 billion, which is provided by the Chinese Eximbank and the Chinese Development Bank (Zoltai, 2020). Among other things, the development includes the establishment of a rail link with the port Sabetta, thereby connecting the area to the Eurasian rail network, an investment of approximately 3.22 billion (Gudjonsson and Nielsson, 2017). China, however, in exchange for Russia's diplomatic support and military cooperation, must accept some restrictions imposed by Moscow (in Central Asia and the Arctic) and agree with certain sensitive Russian actions (Ukraine) (Wishnick, 2017: 59). Russia is assuming the rotating presidency of the Arctic Council from May 2021. In this process, the country regards sustainable development as its priority, but tries to strike a balance between economic development and resource extraction goals (Wishnick, 2021). Russian presidency may bring new opportunities to China. Russia and China have common interests in the Arctic region: both parties are committed to the use of Arctic routes, cooperation in the construction of infrastructure, and environmental protection in the Arctic (Yang, 2021).

Although China's main partner in the Arctic is Russia, China's growing presence is a good opportunity to develop closer relations with the other Arctic countries, especially in Northern Europe (Wishnick, 2017: 62). While Canada and Russia are looking at China's ambitions in the region with scepticism, North European countries gladly welcome the Asian country's growing interest in the region. China's strategy with these countries is based mainly on multilateralism and investments under

the BRI, alongside bilateral relations. In 2013, when China gained observer status, four Chinese academic institutions which support China's Arctic policy (Shanghai Institute for International Studies, Polar Research Institute of China, Tongji University's Center for Polar and Oceanic Studies and Ocean University of China's Research Institute of Polar Law and Politics), together with institutions of the Nordic countries, established the China-Nordic Arctic Research Center, which, in addition to joint research, also created information sharing and began to organise meetings. In October 2015, the Navy of the Chinese People's Liberation Army visited Finland, Sweden and Denmark for the first time (*ibid.*: 51). China's most important North European partners include Iceland, Denmark, Norway, Sweden and Finland, which mainly hope for financial support through China's Arctic ambitions. Finland received the fifth largest Chinese foreign direct investment worth USD 8.43 billion between 2000-2016, which amounted to USD 7 billion in Norway over the same period (Feng and Sagatom, 2018) Iceland and Greenland have now become the main North European locations for Chinese foreign capital investments (Goodman and Freese, 2018). The Polar Research Institute of China estimates that by 2020, 5-15 per cent of the country's trade will go through the Arctic, and that ratio will only increase if China is to develop partnerships with more Arctic countries (*ibid.*). It is interesting that none of the five North European countries (Denmark, Norway, Finland, Iceland and Sweden) participate in the Belt and Road project, but all five are founding members of the Asian Infrastructure Investment Bank, which is linked to the new Chinese initiative. However, China has long started to develop its Arctic strategy from a diplomatic point of view, thanks to which, the relations with these countries have normalized and even become and are still becoming deeper. The question is whether or not these five countries will be willing to join the Belt and Road initiative and participate in

infrastructure investments within its framework (Gudjonsson and Nielsson, 2017).

## **6. China's Commitment to Protecting the Arctic Environment**

Many accuse China of using environmental protection only as an excuse to pursue its interests in the region. However, their own research in the Arctic made the Beijing leadership realize that climate change will also have a severe impact on China, putting the Arctic at increased risk. China's measures to prevent these are still very rudimentary, but a sense of responsibility is already beginning to emerge, in the hope that, as a responsible superpower, it will be able to realize its ambitions in the region in line with environmental protection (China plays critical role in leading global actions to tackle climate change, 2018).

Apart from the Chinese researchers and research stations outside, there is only a theoretical determination in this regard: in his speech at the 19th Party Congress, Xi Jinping mentioned the environment not less than 89 times, while the Chinese economy only 70 times (Xinhua, 18th October 2017). Also, in the Arctic White Paper published in 2018, the importance of environmental protection is included, however, if we look at this document, the section on the environment is one of the shortest of all. In this section, China states that it follows international law in protecting the natural environment and ecosystem of the Arctic as well as conserving biological resources and is actively involved in addressing environmental and climate change challenges in the Arctic (State Council Information Office, PRC, 2018). China is also fully committed to the Paris Climate Agreement. However, China's presence in the Arctic has so far shown almost only signs of self-interest of the country through investment and development in new transportation routes and access to energy resources. However, this is also starting to show a

positive trend, with China pledging to reduce its carbon dioxide emissions by 40-45 per cent by 2020, which is reported to have been three years ahead of schedule, according to the latest report from the Chinese Ministry of Ecology and Environment. In 2017, it decreased by 46 percent compared to the 2005 levels, thanks by the way to the increasing green energy investments in China (Xinhua, 4th December 2018). Although these initial steps have been taken mainly within China, they also have an indirect impact on the situation in the Arctic.

China's White paper on the Arctic identifies several policies and positions on participating in Arctic affairs, including protecting the environment of the Arctic and addressing climate change. China expresses its full commitment to protecting the Arctic environment via global environmental agreements, with particular emphasis on the marine environment (State Council Information Office, PRC, 2018). China also commits itself to respecting the "environmental protection laws and regulations of the Arctic States" (*ibid.*), and even calls for stronger environmental management and co-operation from the Arctic States (Koivurova *et al.*, 2019: 30). The country also commits itself to raising the environmental responsibility awareness of its citizens and enterprises. In 2018, COSCO has made 14 voyages in the North Sea using 10 vessels, saving USD 10 million, 7,000 tons of fuel and 220 shipping days (Manta, 2019).

China has taken part in a variety of international negotiations and partnerships on climate change, and it is a party to the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol as well as the Paris Agreement. 2007 was the year when China published its first national climate change program, which highlighted the historic responsibility of developed countries to reduce emissions as well as to aid developing countries to handle the adverse effects of climate change. In 2009 China was harshly criticised role in the UN

Climate conference in Copenhagen in 2009, the state now plays a rather constructive behave in international climate politics. Between 2013 and 2016, China and the United States deepened their cooperation on climate change (Koivurova *et al.*, 2019: 35).

Furthermore, China is the world's biggest investor in carbon dioxide capture and storage technology, and it has a large research programme on geoengineering. The development of green technologies plays an important role in China's efforts towards the so called "greenisation" of its society as well as developing the country as a "knowledge power". When it comes to Arctic energy projects, China's participation in Arctic LNG (like Yamal LNG) projects supports these goals by increasing (technical) knowhow as well as the government's efforts to replace coal and oil by natural gas, a less environmentally harmful fossil fuel (*ibid.*: 40).

With the sudden and rapid development of the Chinese economy, pollution is becoming an increasing concern for the Beijing leadership. However, there is no tradition of environmental protection in China as in the Western world, so they have yet to learn as a developing country. However, in the case of China, the situation has arisen that it must do so not only within the country, but also outside the country because of its great power ambitions.

## **7. Conclusion**

Following a short overview of China's foreign policy in the Arctic, China acts as an external actor in the Arctic, follows the rule-based regional order as an observer member of the Arctic Council, taking into account the UNCLOS, and strengthening multilateralism by Belt and Road initiative, while also strengthening bilateral relations with the countries of the region. In the light of this, the hypothesis set up at the

beginning of the study was confirmed.

There is no doubt that China is an increasingly important player in the Arctic's life, and its growing presence is more and more likely to open up a new scene in the geopolitics of the major powers.

In terms of climate change, China expresses its strong commitment to the Paris agreement but also to studying the impacts of climate change in the Arctic and promoting international co-operation in “addressing climate change in the Arctic”. Of importance is that through the White Paper, China acknowledges how Arctic climate change will impact its own environment and people, and hence commits itself to strengthening “publicity and education on addressing climate change to raise the public's awareness of the issue”. China is committed to protecting the Arctic environment via global environmental agreements and foreign political aspirations in the Arctic region.

## Note

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## **The Huawei Paradox: Future Tech Risks and Unravelling Interdependence**

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### **Abstract**

One firm has become emblematic of risk in the deteriorating geopolitical contest between the United States and China. Huawei is a Chinese, and global, leader in next generation telecommunications but is feared by the US and some of its allies as a potential vector of cyber-attacks including espionage and state-directed sabotage, as well as constructing digital standards and infrastructure that will extend Chinese state influence globally. A paradox is that in the absence of trust and international cooperation, firms such as Huawei cannot disprove normative worst-case risk scenarios. The logic of the Huawei paradox threatens decoupling and bifurcation of the world into two rival technological systems, with repercussions for international security, international relations and the international economy. A political risk analysis concludes that the risks originate from geopolitical factors rather than factors specific to the firm and can therefore only be resolved (if there is political will) at the level of global or regional governance with enforceable rules, norms and standards and at the national level with risk avoidance or improved risk management and mitigation measures.

**Keywords:** *geopolitics, technology, cybersecurity, political risk, Huawei*

## 1. Introduction

Transformational new technology has moved to the centre of the emerging geopolitical contest between China and the United States (US), with tech weaponised by state actors to gain advantage, offensively exploiting vulnerabilities, as well as a new focus on protecting against cyber threats to national security. Further, the competition has extended into third countries with competing visions of global governance in developing rules and standards for the new digital economy. China has long protected its domestic tech against perceived security threats, while at the same time deepening and broadening global tech interdependence through engagement in global value chains. The US, on the other hand, has lost confidence in interdependence with China and has embarked on a campaign of economic blockade, extending beyond US borders and including an increasing number of China-related supply chains. Huawei, a leader in Fifth Generation (5G) communications networks, which are widely expected to underpin emerging, transformational fourth industrial revolution technologies, was first singled out by the US and some of its allies with alarming claims of espionage risks and threats to national security. Further, the US and others have become concerned that Huawei and other Chinese firms are constructing international infrastructure and developing global rules and standards that will extend Chinese state power. The paradox is that claims of security risks or state influence – even without compelling public evidence of malicious intent – cannot be disproved within the normative discourse of geopolitical pushback against China’s rise. In spiralling distrust between the US and China, expectations are growing that complex tech interdependence will collapse and multiple regions of competing tech rules, norms and

standards will develop, decoupling the two major economies and contributing to a new Cold War.

As the Huawei case is a rapidly changing contemporary case, this discussion of the Huawei paradox is based primarily on a survey of the contemporary literature, think tank reports and media, on which a political risk analysis is based. A series of interviews with key stakeholders and experts has also been incorporated into the analysis, to understand how specialists identify and assess the risks, although the interview-based research has not been completed at the time of writing, and the research project on which this paper is based is continuing. As a preliminary conclusion, some tentative future scenarios are sketched for varying degrees of geopolitical contest or complex interdependence in 5G and other technologies.

The implications of the Huawei debate are far broader than one firm or even one industry. Emerging technologies such as 5G wireless communications are widely expected to play a critical role in transformative new industries and value chains, which may empower the international community to address a wide range of social, economic and environmental problems, while simultaneously generating a new range of risks. The race to build and deploy such new capabilities is underway. The Fourth Industrial Revolution (Schwab, 2016) is expected to be driven by a convergence of emerging technologies including super-fast communications, artificial intelligence, big data, robotics and quantum computing, all digitally connected to a so-called Internet of Things. With high-speed automated processes, an exponential increase in efficiency and productivity is envisaged that will reshape economies. If the new tech on the horizon lives up to expectations, it may have potential to reshape the world as dramatically as the first, second and third industrial revolutions. The champion firms of these new technologies, including Huawei for 5G communications, might therefore be positioned to have

as much transformational impact as the champion firms of the earlier digital economy, and earlier industrial revolutions.

On the cusp of this technological breakthrough, however, the tech world is splintering into rival camps. Both China and the US are pursuing policies to build separate systems of tech governance, rules, norms and standards, and the US and some of its allies have in recent years stepped up actions to decouple from Chinese tech. Whether this trend is motivated primarily by risk reduction or geopolitical competition, or a combination of both, remains unclear, but there are certainly risks in deeper and broader tech interdependence, just as there are risks in decoupling. It is further unclear whether risks might be better managed by investing in new forms of complex interdependence or, on the other hand, whether complete tech decoupling is even feasible. These questions rest upon US and Chinese geopolitical imperatives and actions as much as questions of global tech governance. This discussion of the Huawei case must therefore be placed in the context of, firstly, US predominance in the Third Industrial Revolution and, secondly, China's new tech aspirations to lead the Fourth Industrial Revolution, before exploring questions of political risks and global policy.

## **2. US-China Tech Competition**

Technological innovation in the early twenty first century was dominated by US firms. Powered by its massive national research and development capabilities, fuelled in earlier times by significant government subsidies and defence and intelligence budgets that dwarfed all other nations and were deployed to see off competitors such as Japan, the US generated innovations such as the internet and its firms dominated global computer and semiconductor value chains. The technological breakthroughs of the Third Industrial Revolution led to the

creation of new information platforms that have transformed economies and societies, and built the largest and most powerful monopolistic corporations the world has ever seen, such as Google, Microsoft and Facebook. With the US and other advanced economies influenced by neo-liberal principles of minimal regulation, free markets and open societies, these firms expanded internationally with few constraints and fiercely resisted attempts at regulation. Indeed, the backbone of the digital economy, the internet, evolved with only limited private sector oversight (for example in administering domain names) but had no agreed set of international rules, norms or standards. The public good opportunities of the information age were evident, with billions interacting with platforms such as Google and Facebook, and notably these firms adopted values that mirrored the US faith in open information exchange. The risks of an information free-for-all however became evident by the second decade of the twenty first century, with the rise of disinformation as a social and political phenomenon that rocked even the foundations of US democracy, as well as fuelling ethno-nationalist populism around the world. The business models of the giant US digital platform companies, to surveil and monetize data on users, raised significant risks themselves, which are beyond the scope of this paper to explore but which are matters of intense debate in open and closed societies alike.

Moreover, the first-stage digital economy emerged at a time not only of prevailing neo-liberal social and economic policy but also neo-conservative foreign policy, with the US committed to wielding its post-Cold War unipolar power to enforce its will, including two decades of warfare in the Middle East, and a period of waning US enthusiasm for the inevitable compromises inherent in multilateralism. The absence of multilateral rules or enforcement of cyber security standards also provided an environment in which the US and its allies in its

“Five Eyes” intelligence-gathering network (Australia, Canada, United Kingdom and New Zealand) regularly used the Internet, telecommunications companies such as AT&T and new platforms such as Google and Facebook to conduct espionage against foreign and domestic targets (*The New York Times*, 15th August 2015; Snowden, 2019; Biddle, 2020). Of course, other powers with less open societies also engaged in similar actions and, as we shall see below, the expectation that China is doing the same, potentially utilising firms such as Huawei as a vector for espionage, has become central to the new cyber security debate.

Meanwhile, China has emerged as a competitor to the US, after four decades of modernisation and rapid, state-driven development. China benefited from embracing complex interdependence with the major advanced economies, including the US, through bilateral trade and investment, its integration into the World Trade Organisation and global value chains. China has developed a highly competitive technology sector as a result of a subsidised drive for greater self-reliance as well as transforming its role in global value chains, from low value assembly to designing and manufacturing higher value components. Initially highly reliant on foreign investors for technology transfer, a powerhouse innovation culture has developed in recent years. Shenzhen, a traditional centre of China’s opening up to the global economy, now stands out as a private-sector dominated “new Silicon Valley”, featuring thousands of start-up and highly successful tech firms including internet platform giant Tencent, drone innovator DJI and telecommunications leader Huawei. China’s burgeoning innovation culture is reflected in its rapid growth of patent registrations, which surpassed the US in number for the first time in 2019 (World Intellectual Property Organization, 2020). China has now become a world leader in ecommerce, mobile payments, cloud computing and ICT exports (Zhang and Chen, 2019).

Indeed, China is leading in at least one of the critical emerging technologies of the Fourth Industrial Revolution, 5G high-speed wireless internet equipment and services, and is highly competitive in artificial intelligence, quantum computing and other new technologies. In the characteristic manner of China's party state, the government has developed a series of plans and policy measures to drive innovation in technology, such as the Made in China 2025 initiative, Internet Plus and the 2017 Next Generation Artificial Intelligence Development Plan. The Chinese government has also actively begun to develop rules and standards for the digital economy, including a domestic Cybersecurity Law and a China Standards 2035 Plan under development. At the same time, it has kept a tight leash of digital censorship consistent with its authoritarian style of governance and fear of international influence, with a sophisticated firewall preventing Chinese citizens from accessing foreign information that is deemed politically subversive. In multilateral forums, China and the US have therefore approached questions of global technology governance from different positions.

China's ambitions for tech leadership have been met with alarm amongst policy makers in the US (Zenglein and Holzmann, 2019). Chinese corporate practices are commonly criticised not only for forced technology transfer through joint venture requirements, but cyber-espionage and hacking to steal corporate secrets (RWR Advisory Group, 2019). After 2017, when the Trump Administration declared China a "strategic competitor", the US began a rolling series of economic blockades and a narrative war. While US tech firms tended to oppose the more geopolitically-inspired restrictions Washington began placing on tech interdependence with China, half of US tech firms nevertheless supported the specific US restrictions on Huawei, discussed below (Birnbbaum and Lapowsky, 2021). The Biden Administration continued to widen the net of global restrictions on Chinese technology firms

(Reuters, 17th March 2021), including placing sanctions on a growing number of Chinese supercomputing organisations (*South China Morning Post*, 13th April 2021).

China has reacted to the more confrontational approach from the US by doubling down on its industrial strategy to drive further tech innovation, and made technology self-reliance a central feature of its Fourteenth Five-Year Plan, unveiled in early 2021, describing tech development as a matter of national security. In 2020, it strengthened export controls on items deemed to be of national security importance, including extra-jurisdictional application mirroring similar US laws (Congressional Research Service, 2020). The US and China actions and counter-actions all appear likely therefore to reduce tech interdependence as transformational new technologies are deployed in the coming decade.

### **3. The Huawei Case**

Huawei Technologies Co. Ltd was the first and most prominent firm to be singled out in the US-China tech contest, as a claimed cyber-security risk. Over decades, Huawei has invested in a massive research and development effort to achieve its market-leading position in 5G telecommunications. Like other globalised Chinese firms, it became deeply embedded in international value chains, partnering with firms and governments around the world, developing communications network equipment and infrastructure, and consumer communications products and services. The firm certainly challenges US aspirations to maintain technological dominance, although no US firm has become globally competitive in 5G and indeed many US firms had – until the bans on Huawei and other Chinese technologies - built supply chain integration with Huawei products and services. Huawei has long been considered a



national security risk by the security establishment of the US and some of its allies because of its opaque private sector structure, the military background of its founder, Ren Zhengfei, and other personnel links to state security services (Balding, 2019). Nevertheless, no evidence has been presented publicly of widely-repeated claims that Huawei has facilitated espionage. In turn, Huawei has consistently denied such claims.

Huawei was first banned from installing a 5G network on national security grounds in August 2018 by Australia, a staunch US ally. Australia's decision, closely coordinated with the US, was reportedly based on intelligence assessments of potential cyber-risks to critical infrastructure, raising the alarm level of the narrative from traditional espionage to feared weaponization of new technologies. Not only might Chinese firms theoretically be required by the Chinese Government, it was feared, to compromise Australia's 5G network (*The Sydney Morning Herald*, 24th September 2018, 12th June 2019, 31st January 2020; Hartcher, 2021), but Australia was considered incapable of mitigating risks of implanted network coding or equipment backdoors that might be used to threaten operations of critical infrastructure (Reuters, 22nd May 2019; *The Sydney Morning Herald*, 31st January 2020).

Following the Australian decision, the US administration stepped up its campaign against Huawei. In May 2019, the US Commerce Department placed Huawei on a trade blacklist, including restricting access to US components, citing national security concerns (Lim and Ferguson, 2019). The US move and subsequent actions underlined American asymmetric market power based on its continued technological superiority in advanced semiconductors, on which firms such as Huawei depend (Fernandes, 2019).

In a dramatic episode in December 2018, the US requested Canada to arrest and detain Huawei's chief financial officer, Meng Wanzhou, while she transited Vancouver airport. The US sought her extradition for fraud, charging that Meng covered up attempts by Huawei entities to evade US sanctions against Iran. The personalised action against Meng (who happened to be the daughter of Huawei's founder Ren Zhengfei) suggested an element of geopolitical theatre. Targeting a senior executive was a highly unusual action and, indeed, while numerous US and other international firms have been pursued for violating US sanctions against Iran, senior executives have not typically been arrested or taken into custody (Sachs, 2018). The drama continued with China detaining two Canadians, Michael Kovrig and Michael Spavor, on spying charges, in what appeared to be alarming tit-for-tat punishment of Canada. Further, in 2019, Huawei was charged by the US with stealing intellectual property (Department of Justice, US, 2019).

In early 2020, the US government provided US\$1 billion for telecommunications carriers to "rip and replace" Huawei and other Chinese-sourced equipment from US networks (Heater, 2020). In May 2020 the US Department of Commerce introduced new requirements for foreign chip makers that use US technology to apply for a licence to sell chips to Huawei, then a few months later closed that loophole altogether, in a further squeezing of Huawei's supplies of advanced semiconductors (Department of Commerce, US, 17th August 2020; *Nikkei Asian Review*, 19th August 2020).

Further, the Trump administration's economic coercion was matched with a new ideological "clean" versus "dirty" narrative. In August 2020, the US government unveiled a so-called "Clean Network", an alliance of "trusted" countries and firms committed to removing "authoritarian malign actors, such as the Chinese Communist Party" from their cyber supply chains (Department of State, US, 11th August

2020). It was accompanied by a range of new measures securitising tech supply chains, increased investment in strategic research and development to compete with China, a fund for re-shoring semiconductor manufacturing to the US and a US\$60 billion International Development and Finance Corporation to encourage developing countries not to buy from Chinese suppliers (Capri, 2020).

Despite the US campaign against Huawei, the firm nevertheless continues – at the time of writing - to be an attractive partner to a wide range of governments, firms and consumers across much of the world because of its technological leadership and cost competitiveness. Huawei has partnerships with more than fifty international carriers to provide 5G network equipment and services (*CNN Business*, 5th December 2019). In the advanced market of Europe, there is a highly competitive environment between, Huawei – on the one hand – recognised as the leader in 5G network technology as well as being the lowest cost supplier, and – on the other hand - Ericsson, considered by many in the industry to provide higher quality. Huawei has won contracts to supply half of the 5G network in Germany and Spain, while on the other hand Ericsson has won contracts in Norway and Hungary (Fletcher, 2019).

Both Germany and the United Kingdom (UK) planned to proceed with Huawei for non-core components of their 5G networks despite confidential US security briefings (Ikenson, 2019; *South China Morning Post*, 28th January 2019; *The Telegraph*, 13th January 2020), although after the US extended its sanctions on Huawei, impairing its likely future capabilities, the UK announced it would phase out all Huawei equipment by 2027 (Department for Digital, Culture, Media & Sport, UK, 14th July 2020). UK intelligence agencies have scrutinised Huawei, which allows full examination of its hardware and software products by local security experts at a jointly-managed cybersecurity evaluation centre. While the

centre has reported technical issues of concern in Huawei's engineering processes, it has not found these were the result of Chinese state interference (*South China Morning Post*, 13th April 2020). Huawei has established similar "cyber security and transparency centres" in several countries including Belgium and Germany, although the European narrative surrounding Huawei remains centred on geopolitics rather than engineering.

In the developing world, no countries have been willing – so far – to give up the option of utilising Huawei, despite US pressure, with the exception of India, a rival of China, which has opted for other suppliers. Huawei has been a longstanding provider of wireless networks (from 3G to 4G) and other services and products to countries from the Asia Pacific to Africa (*Ecns.cn*, 4th June 2019). Huawei has also been a key actor in China's so-called "digital silk road" partnerships, in which Chinese banks provide a mix of concessional and commercial finance to support developing countries in building satellite, underwater and terrestrial communications networks and so-called "safe cities" and "safe ports". These latter systems utilise artificial intelligence and surveillance technology for security services including facial and voice recognition, sentiment analysis and relationship mapping, all ostensibly aimed at improving public safety and crime detection. These programs have been accused by US and other observers of exporting the Chinese "surveillance state" model (Dirks and Cook, 2019; Hillman and McCalpin, 2019). Critics point to risks that Huawei and its Chinese partner firms are establishing infrastructure that could provide the Chinese government access to data from foreign countries, extending Chinese governance models and enabling authoritarian surveillance and social control (Polyakova, 2019). Huawei has even been accused of providing intercepted data to African governments to spy on, locate and silence political opponents (McMaster, 2020; Hillman and Sacks, 2021).

Further, the pervasive role of Chinese firms in providing these new technologies and establishing interoperability, market dominance and industry rules and standards is represented by critics as extending the influence of the Chinese state. While firms from other countries also export surveillance and other tech, those from authoritarian China are represented as embodying the risk that China is seeking to shape and control not only the domestic but also the international digital economy (Hoffman, 2021).

Huawei has thus become central to the debate, in particular in the US and its allies but also in an increasing number of countries that are interdependent with both the US and China, about cyber risks. These risks are heightened as the new high-speed connectivity capabilities of 5G will generate an exponentially greater number of potential vulnerabilities across the anticipated Internet of Things, with a theoretical threat of weaponization at any one of those points of vulnerability.

#### **4. Methodology**

Understanding risk in any approximately proportionate way is controversial. Humans do not have a good track record of predicting risks. In relation to cyber risks, trust is lacking that governments, technologists or others are able to provide us with a framework to understand risks and geopolitics has become the default framework for the cyber risk discourse. To be sure, the deepening, broadening and transformation of the digital economy is enlarging the risk environment, creating exponentially more points of potential risk, and we might reasonably believe that state actors are actively exploring these vulnerabilities to leverage political (or geopolitical) advantage, as well as other actors such as criminal organisations and other kinds of hackers.

In an attempt to move beyond the binary geopolitical framework of the contemporary discourse, a political risk framework is utilised in the discussion below, including these key steps (as recommended by Sottilotta, 2017): risk identification, risk analysis, risk assessment and, finally, an outline of risk management approaches. Political risk is traditionally understood in international business literature to be concerned with comprehending, forecasting and responding to “macro” and “micro” non-economic discontinuities, such as socio-political, cultural or other factors in the external environment that impact on international actors (Robock, 1971). Macro factors are commonly identified at the country level, sometimes described as the “catalogue school” (Jarvis, 2008), because such an approach tends to generate a list of salient factors in the national governance environment that generate risks, from policy instability to corruption and law and order issues. Micro factors are usually understood to be those that are generated by a particular firm or a particular project (Alon and Herbert, 2009). In all cases, a risk indicates a likelihood of an event or process that can be identified, understood and managed or mitigated (Fägersten, 2015), even if there will always be uncertainty about factors that can inevitably be perceived subjectively (Kobrin, 1979).

There is a further category of political risk that is expected to be relevant to this case: geopolitical risk. This is a term traditionally applied to measurable conflicts or other events or processes disrupting international peace and security such as, for example, Russia’s hybrid warfare tactics in Ukraine or the quantifiable destruction caused by international terrorism (Wernick, 2006). More particularly for this discussion, geopolitical risk has also been understood as describing the effects of major power competition, usually represented in positivist, zero-sum surveys of “objective” factors such as competition for resources, ports and industrial regions (Sykulski, 2014). Whether the US

campaign against Huawei can be reduced to a zero-sum attempt to squeeze out a geopolitical rival, or whether it raises more complex questions including technological security, remains an unanswered question in the literature, and is explored in the stakeholder and expert interviews. The claimed risks certainly arise because of the geopolitical contest between the US and China, and therefore can be understood as geopolitical risks.

Political (or geopolitical) risk can be assessed quantitatively and qualitatively. International financial institutions, political risk advisory firms and scholars (such as Alon and Martin, 1998) have developed elaborate models with weightings for each risk and produce rankings for risk to provide general guidance for decision makers. This approach can be applied, for example, to predicting the likelihood of political instability or corruption in a particular business environment or for estimating effects of war or terrorism. However, many political (and geopolitical) risks are processes that are more usefully investigated qualitatively (Fitzpatrick, 1983). The evolving case of Huawei in the contemporary, deteriorating geopolitical climate, will be discussed here in qualitative terms, drawing from the contemporary literature, expert think tank and China analyst newsletters, media and other material in the public discourse, as well as an ongoing series of stakeholder and expert interviews, with observations from the first phase of interviews reflected in the discussion below. In the contemporary discourse, there is no consensus around the claimed risks, with competing narratives about international relations and subjective views about security, governance, economic and social implications. A political risk framework is therefore developed to break down the issues, identifying risks, assessing risks and (tentatively) predicting scenarios. This framework will then form the basis of a further round of questions to stakeholders and experts in the second phase of the research, to be published at a later date.

In the first round of research interviews, 17 stakeholders and experts were approached for interview, from six different countries, with four declining to be interviewed and six interviews completed at the time of writing: Huawei's vice-president, Cyber Security and Privacy; former Huawei vice-president, Global Government Affairs; an associate professor of the US Asia-Pacific Center for Security Studies; the director of Australia's Centre for Responsible Technology; a former senior Hungarian telecommunications official; and editor of the *Journal of Telecommunications and the Digital Economy*. The interviews were semi-structured, to stimulate discussion about opportunities, risks, threats and the conditions in which each arise.

After recording the interviewee perspectives, identified risks and risk factors, analytic induction was deployed to identify key themes and patterns, the dynamic interplay between conditions and risk factors, to identify core concepts. Propositions were then framed against plausible scenarios, in the process of developing a proposed framework for proportionate risk management. The validity and reliability of the data and the appropriateness of the proposed framework will be further tested in future rounds of interviews, further literature review and from peer review. The conclusions of this paper are therefore tentative, as the research project is not yet complete.

## 5. Risk Identification

### 5.1. Security Risks/Threats

The claims on the public record that Huawei could be a vector for, firstly, cyber-attacks such as sabotage of critical infrastructure, are very serious claims indeed. The claims indicate that, even if likely in only "worst case" scenarios of major power confrontation or conflict, a perceived cyber-attack risk exists, which could indeed constitute a



security threat if actualised against strategic infrastructure or systems. Secondly, the espionage claims represent qualitatively different, although also serious, security questions. Even in “normal” conditions of geopolitical competition, without escalation to confrontation or conflict, states can be expected to engage in espionage, including cyber-espionage. Given the well-established evidence of electronic espionage by the US and its “Five Eyes” partners, including utilising technology in China, it is highly likely that China also utilises all available means to conduct espionage in foreign jurisdictions. Huawei’s widespread presence in international telecommunications networks therefore could be considered to generate a reasonably-founded espionage risk although no publicly-available evidence of such exists and the firm denies it would agree to government demands for spying. Thirdly, Huawei’s involvement in digital silk road partnerships between China and a wide range of developing country partners is claimed to generate a security risk that China will export its “surveillance state” model. Overall, the Huawei paradox raises considerable security risks in the literature. Interviewees confirmed (or denied) these as the relevant risks, which will be further discussed below:

- Cyber-attack on critical infrastructure
- Espionage
- Surveillance state

## ***5.2. Interdependence Risks***

The campaign against Huawei (on the basis that it is a Chinese, albeit private sector, firm) in itself might also be considered to undermine international cooperation and complex interdependence. In a state of geopolitical contest that seeks to prevent Huawei’s (and other Chinese firms’) continued integration into global value chains, it becomes less

likely the international community will be able to develop functioning global rules, norms and standards for the digital economy. The US-led “Clean Network”, for example, seeks to encourage its allies to decouple from Chinese supply chains and potentially divides the digital economy into at least two spheres of rules, norms and standards, just as China’s “Great Firewall” had already driven a wedge in the global internet. Weakened international cooperation will in turn undermine global governance institutions which might otherwise build and sustain rules, norms and standards to reduce risks. Further, the potential demarcation of the digital economy into US-led and China-led spheres risks would tend to strengthen the foreign influence of these major powers over other states within their spheres, including not only favouring firms originating in each major power but increasing the likelihood states may be influenced to support their major power partner on other matters from international rule-making to targeting firms (or even individuals representing firms) from third countries.

Further, Huawei presents a stark example of the risk of economic coercion by a major power, with the US targeting a private sector firm and wielding a range of state measures to constrain the firm in international markets. In the absence of evidence on the public record of any wrongdoing (although, to be sure, potential risks), the action sets an alarming precedent for how economic coercion may be deployed by major powers against other international firms as the geopolitical climate continues to deteriorate. It increases the likelihood of counter-measures and therefore generates risks for a wide range of other international firms. The implications of the actions against Huawei transmit throughout global supply chains, with all international firms that supply Huawei impacted by US executive and legislative restrictions and liable to sanction for not conforming. As noted above, the result may ultimately be decoupled supply chains, which would generate

adjustment costs as well as long term costs of duplicating and in some cases sourcing from higher cost suppliers. Firms on both sides will lose access to valuable markets. The Huawei dilemma as discussed in the literature raises serious questions about future international economic cooperation and may pose, as a consequence, a risk to the entire globalisation process in new tech.

Interviewees identified the following risks, to be further discussed below:

- Rules/norms/standards
- Foreign influence
- Economic coercion
- Disrupted supply chains
- Fractured globalisation

**Table 1** Identified Risks

<b>Security risks/threats</b>	<b>Interdependence risks</b>
Cyber-attack	Rules/norms/standards
Espionage	Foreign influence
Surveillance state	Economic coercion
	Disrupted supply chains
	Fractured globalisation

## 6. Risk Analysis

### 6.1. Security Risks/Threats

The central security concern rests upon a theoretical proposition that Chinese-sourced technology underpinning international communications systems could be weaponised by the Chinese state. The US and its allies, amongst others, distrust the authoritarian Chinese party state and fear its growing technological and military capabilities. Despite being a private firm, it is feared Huawei could be co-opted to serve the national security objectives of the Chinese government and forced to facilitate espionage or cyber-attacks (Gilding, 2020). Article 7 of China's National Intelligence Law of 2017 is often cited, which requires that Chinese firms and their employees cooperate with national intelligence agencies lawfully carrying out their work (Girard, 2019). Indeed, any major power might be expected to utilise communications and other networks for intelligence. The US government has equivalent powers to those it fears China wielding (Eisenstein and Halpert, 2018).

The risk of espionage would appear on the face of it to be realistic. After all, it is well documented, including in the Snowden and WikiLeaks revelations, that the US and its Five Eyes partners (Australia, Canada, United Kingdom and New Zealand) similarly engage in espionage (Snowden, 2019), including co-opting Apple, Facebook, Google and other firms to collect data (Biddle, 2020). There is no reason to believe China is not doing the same, regardless of the geopolitical climate and regardless of standard government denials. The perennial risks of espionage raise highly technical questions about capabilities of detection and protection. Indeed, most unauthorised or malicious, so-called "bad actors" in 4G networks have been found to be authenticated users rather than rogue outside actors (Mc Daid, 2020). These are relevant questions not only in relation to Huawei, but for all

telecommunications systems and the complex global supply chains for equipment and software. Nevertheless, as most communications are expected to be encrypted by the time 5G networks are fully implemented, it is unclear how even an implanted “back door” would allow a supplier to access such data without the relevant encryption keys.

The risk of cyber-sabotage is much more dependent on the state of the geopolitical climate. In a state of contest, confrontation and potential conflict, there is considered to be a risk that technically undetectable malicious code or “kill switches” are implanted into 5G networks, which could be used for cyber-attacks on critical infrastructure. Such aggressive actions might have been less likely during previous years when the US and China and other countries were cooperatively engaged in building interdependent economies. Indeed, Huawei has been intent on building its international reputation as a trusted provider of state-of-the-art technology and it would appear to be self-defeating to allow itself to be used as a platform for hostility against its customers. In the new era of geopolitical competition however, featuring new flashpoints of confrontation, economic decoupling and more aggressive positioning by both the US and China, the risks become more likely that firms such as Huawei (or indeed firms on the US side) might be co-opted or, perhaps more likely, compromised without their knowledge for aggressive security operations. This is not a risk specific to the firm, but a risk of hostile state action.

Looking forward, the security of 5G networks will become even more important for the connected technologies of the future, with critical infrastructure connected to such networks. Indeed, risks will not only be generated by major power geopolitical contest but governments will also need to protect against cyber-attack from other states, criminal organisations or rogue individuals. Whether Huawei can be enlisted as a

partner in protecting against such risks, or whether it is a vector of risk, will depend upon normative perspective.

Further, countries along the so-called digital silk road that are cooperating with Huawei to build “smart city” and “smart port” infrastructure may see more opportunities than risks, while observers from liberal democracies will be concerned about how such infrastructure might in turn be used for surveillance and social control. Geopolitical scholars in the US and its allies depict the digital silk road infrastructure, surveillance and satellite navigation systems as schemes to gain strategic access to data, capture markets and influence, projecting Chinese norms and systems, including through training programs, and generating risks that China could in future use operational control of smart city or port data to create surgical cyber-attacks (Hemmings, 2020). Again, this represents more of a concern about state action, and a normative perspective that Chinese programs are illegitimate and intrinsically authoritarian, rather than exhibiting evidence of a danger posed specifically by Huawei itself. After all, US, European and Japanese firms also export facial recognition technology that could be used to target groups or individuals but are not accused of exporting authoritarianism. How safe city or other programs are deployed by host governments is, at the end of the day, a matter for them rather than China (Weiss, 2019).

## ***6.2. Interdependence Risks: Global Governance***

The Huawei case exposes a critical gap in global governance. Inadequate rules, norms, standards and institutions exist to manage risks of globally interconnected technology. In the absence of rules, norms, standards and institutional enforcement, technologies generating risks have developed ahead of technical capabilities to manage those risks. Indeed, some technical experts claim the complexity of telecommunications

technology renders it impossible to guarantee against malicious code or backdoors in equipment (Lysne, 2018; Chang, 2020). Nevertheless, the risk of malicious action has not prevented the international community from developing – and abiding by – rules, norms, standards and institutions in numerous similarly complex areas of strategic importance, such as nuclear technology, food safety or aviation. The lack of discussion about governance options for emerging technologies is therefore remarkable.

Governance of 5G telecommunications has become embroiled in the US-China geopolitical contest, as has governance of the internet. The US has opposed any expansion of the mandate of the International Telecommunications Union (ITU) to govern digital communications. Meanwhile China, has developed a clear ambition to be rule-setter and norm maker in internet governance and cyber sovereignty (Schia and Gjesvik, 2017; Wang, 2020), as well as in other transformational technologies such as blockchain and its applications in finance, manufacturing, transport, food safety and public security (*South China Morning Post*, 2nd December 2019; Stockton, 2020). Across its digital silk road partnerships with developing nations, China has promoted uniform standards for 5G rollout (consistent with those set by the ITU), as well as for artificial intelligence and satellite navigation systems (Chan, 2019). China will likely wield influence amongst its technological partners in the rules, norms and standards that will develop over time. China – together with firms such as Huawei - has been actively promoting its cyber governance model at World Internet Conferences, the ITU, the International Standardisation Organisation and the International Electrotechnical Commission and the two United Nations (UN) working groups, the Group of Governmental Experts and the Open-Ended Working Group.

While the US has begun to participate more actively in these forums in recent times, a fundamental clash of world views makes it unlikely consensus can be achieved. The Chinese government's aims in cyber governance include maintenance of social stability and protection from foreign influence. China's approach to cyber governance is therefore focused on the state's ability to control content, which includes network security, while Western approaches have resisted a state-centric approach to rule-making. China proposes global standards for data security, while the US is moving to establish its so-called "Clean Network" to set standards amongst a set of "trusted" partners. Huawei's stated commitment to working with industry to develop common standards is again an engineering solution for a geopolitical problem.

A "China Strategy Group", comprising academics, policy-makers and tech experts, recommended to the incoming Biden Administration that a global body will be required for tech standard setting and recommended "multilateral trust zones" and other strategies such as technical requirements to manage risks in those areas in which cooperation will be of mutual interest (China Strategy Group, 2020). Whether the recommendations will be adopted is unclear at the time of writing. The World Economic Forum (*Global Technology Governance Report 2021*) has also made a set of recommendations for global tech governance including key fields such as AI, blockchain, Internet of Things, mobility and drones, noting not only the challenge of cybersecurity but a lack of regulation of emerging tech in areas that risk privacy, liability and accountability, as well as misuse and the challenges of cross-border differences. New tech such as autonomous vehicles, for example, will require unrestricted flow of data, while still safeguarding user privacy and ensuring equivalent safety of operation across borders.



The Huawei paradox, combined with the politics of fear and blame during the Covid-19 pandemic of 2020, has amplified the different approaches of the US, with its lack of a governance framework for data security and recent opposition to multilateral solutions, and China, with its Cyber Security Law and claimed support for global cyber governance. It appears for the foreseeable future the law of the cyber jungle will persist at the global level. Meanwhile, at a regional level in at least one part of the world, the European Union (EU), with its comprehensive Cybersecurity Act, General Data Protection Regulation (GDPR) and Directive on Security of Network and Information Systems (NIS), models the most advanced attempt at rules, norms and standards to guide cyber risk management, to be discussed further below.

### ***6.3. Interdependence Risks: Economic Weaponization***

The Huawei case has also become a prime exhibit of the weaponization of economic interdependence and its undermining. The denial of supply of advanced semiconductor chips to Huawei (and other Chinese firms) by the US appears likely to drive China to double down on its strategy for not only self-reliance and alternative sources of supply but indeed dominance in next generation technologies. It may take some years, but China can be expected to develop a semiconductor industry to rival the US-controlled supply chains in time. While it is impossible to prove a counterfactual, it has been suggested by Kennedy (2020) that a more “principled interdependence” between US and Chinese supply chains rather than decoupling might have sustained US semiconductor leadership, slowed China’s technological advance and offered opportunities for joint work on risk management. Coercion has been chosen over cooperation in what may yet prove to be a turning point in the deteriorating geopolitical contest between the US and China,

extending to impact more and more firms and industries at the time of writing.

The economic costs of excluding Huawei alone are considerable. A Huawei-commissioned Oxford Economics report (2019) predicted that restricting Huawei from competitive tenders will lead to increased 5G investment costs of between eight percent to 29 percent over a decade and would have a cost to GDP in 2035 from US\$2.8 billion in Australia to US\$21.9 billion in the US. For US semiconductor firms, the export controls on sales to Chinese buyers constitute a major risk to their global business strategies. In a survey of exports in the first four months of 2018, Capri (2018) found Qualcomm relied on China for 60 percent of revenue, Micron over 50 percent and Broadcom about 45 percent. A Boston Consulting Group report forecast a full decoupling with China would reduce the US chip sector revenue by 37 percent and lower its market share to 30 percent, while China's market share would rise from three percent to 31 per cent (Varas and Varadarajan, 2020). Further, as the geopolitical climate worsens, there is a risk that China will retaliate against US or allied firms. Tit-for-tat economic coercion between China and the US will pose significant economic risks for third parties, with both states likely to deploy more expansive export controls, other sanctions and anti-sanctions, and restrictions on joint research and development (Thomas-Noone, 2020).

Farrell and Newman (2019) coined the phrase “weaponised interdependence” for this phenomenon of a state deploying economic coercion to leverage its asymmetrical power over a global network and “chokepoint effect” to deny network access to an adversary. Now that the US has set the precedent in its campaign against Huawei, how else the tactic might be deployed is not yet clear, with fears in China, for example, that the US could target international payments through its SWIFT system (Zhao, 2020). To be sure, once the process is initiated

against a firm or a sector, entire supply chains will be disrupted. The potential evolution of a new global economy that moves away from market-led globalisation towards state-led spheres of geopolitical influence is uncertain at this point, but 2018-2021 may yet turn out to be a tipping point towards a much more geopolitically-infused international business environment. Geopolitical risk analysis is therefore likely to receive much more attention in international business literature.

## **7. Risk Assessment**

The assessment of security, international relations and economic cooperation risks for 5G networks must be made in the context of not only contemporary international relations but over the life of such networks. This means planning for scenarios, including worst-case scenarios. The theoretical capability for cyber-attack on critical infrastructure, for example, might not be as serious a risk in most contemporary scenarios as heightened geopolitical narratives may suggest (although Russia would be a counterpoint to this assessment, which is beyond the scope of this paper), but such attacks might become a realistic threat in future worst-case scenarios in which the major powers are escalating confrontation or engaged in conflict.

Any qualitative assessment of risks must take into account two key concepts, likelihood and consequence. The type of political risk will depend on whether the factors generating the risk arise at the firm level, the country level or as a result of the geopolitical environment. Huawei as a firm has been claimed to pose security risks because of the nature of the Chinese party state and the risks are therefore China risks, or geopolitical risks, rather than specific to the firm itself. Equally, the interdependence risks that are generated by the case appear to be not simply because of Huawei itself but arise from the diverging interests of

the US and China, characterised in particular by the lack of global governance rules, norms, standards and institutions for new tech. Further, in relation to economic interdependence risks, Huawei again appears to be simply the trigger case for an emerging trend in the new geopolitical contest for the US and China to deploy economic coercion, to reconfigure supply chains and indeed to reshape globalisation according to geopolitical agendas and, consequently, abandoning the neoliberal and internationalist market-led phase of globalisation that characterised previous decades.

Accordingly, the Huawei case can be assessed as a prime example of geopolitical risk and can therefore only be understood in the context of the international relations, security and economic policies of the major powers. Suppliers and partners of Huawei and indeed any strategically important firms from China or the US must therefore plan to manage geopolitical risks in the current environment. There has traditionally been very little cross-fertilisation between business literature on political risk and international relations literature on interdependence (Fägersten, 2015), yet this discussion demonstrates that risks for governments, firms and communities in the Huawei case are entirely bound up in questions of interdependence and will require new approaches to risk management.

Generalised cyber risks (leaving aside the Huawei case) can be assessed as highly likely and potentially high consequence. There is therefore a critical need to build stronger cyber security defences, to mitigate against espionage (from whatever source) and to protect against weaponised cyber-attacks in future.

The digital silk road might be assessed in the developing world as bringing more opportunities than risks, while the US and allies are likely to perceive highly likely risks of increased Chinese state and economic influence. A further threat assessment evoking the use of Chinese tech

for deployment of state surveillance would appear, however, to be geopolitically inspired, given non-Chinese firms also export similar equipment.

The risks to complex economic interdependence are likewise normative. While the opportunities of globalization were generally regarded to bring economic benefits as well as benefits for international cooperation from integrated supply chains, a normatively positive attitude to dependency on Chinese tech has been difficult to find a voice in the US and its allies in recent times, notwithstanding the opportunity to develop greater cooperation and indeed joint risk management. More likely is that the US and its allies will pursue at least limited decoupling, generating highly probable risks of undermining the globalization process and fracturing it into rival regions, with highly likely economic costs. Further, sustained US sanctions to undermine Chinese tech may indeed generate further confrontation and will certainly encourage China to double down on its strategy for self-reliance and to seek global leadership in transformational new tech.

The risk assessment that is often overlooked is the question of global tech governance. As major economies begin the rollout of the new tech of the fourth industrial revolution, there is indeed a highly consequential opportunity to reduce and manage risks by building a globally agreed system of rules, norms and standards with compliance and enforcement mechanisms, that is supplier-blind and that strengthens cyber security all round. This appears at the time of writing to be highly unlikely. More likely is that across emerging and developing economies of Asia and other regions, Chinese rules, norms and standards will become dominant and that the US and allies will carve out a separate network of tech governance. The question that will require continuous assessment will be the extent to which a Balkanised tech governance

will result in tech weaponization, confrontation and potential cyber conflict in future.

## **8. Risk Management**

Experts interviewed for this research tended to agree that cyber risk management should take a “zero-trust” approach that is blind to suppliers and that applies layers of monitoring and testing for vulnerabilities, as threats could actually come from anywhere – not just one particular geopolitical competitor at any one time. Equally, risk management, should be developed according to internationally agreed rules, norms and standards, as well as institutions for enforcement. This is widely considered common sense by industry experts but is lost in the geopolitical discourse. In the new technologies, by contrast, the US *laissez-faire* approach has dominated, although as discussed below the EU has introduced sophisticated regulations to protect against cyber risks that may provide a way forward.

Nevertheless, the risk of a major power acting to weaponise interdependence has now been demonstrated by the US campaign against Huawei and it is equally conceivable that China, too, could weaponise interdependence in the new technologies in which it leads. Neither major power is solely at risk here and both have the capacity to generate risks, or indeed threats. Other states will therefore make a proportionate risk assessment in relation to Huawei with an eye to the geopolitical environment, including in which context cyber and other risks are likely and in which context they would be of high consequence. Governments must also build their technical capabilities to monitor and mitigate identified cyber risks.

The interplay between security and economic factors such as supply chains and trade and investment policies must also be weighed as part of

any risk assessment and development of a risk management strategy. An EU coordinated risk assessment (European Commission, 29th January 2020) noted that the technological change represented by 5G will increase the overall attack surface for potential cyber threats, across networks and in software development and update processes, as well as in relation to reliance on network operators and their role in the supply chain. Without naming Huawei, it drew particular attention to the importance of the individual risk profile of suppliers and the increased risk of dependency on a single supplier.

Each state will have sensitive assets and vulnerabilities and will need to ensure that it has regulatory, monitoring and technical capabilities to protect against risks to those sensitive assets and vulnerabilities. States need to develop and deploy extremely high system security strategies for cyber risk assessment and mitigation in an increasingly complex environment of global supply chains, involving thousands of actors and sources of software code. Further, to protect citizens from the risks posed by both Chinese and US firms, states will need data protection capabilities, with regular audits of data collection processes by international firms, ideally overseen by independent regulators.

The EU has become a leader in grappling with the new cyber-risk management challenges, including its cybersecurity standards, and GDPR to safeguard data integrity. The EU toolbox of risk mitigating measures includes strengthened regulatory powers and technical improvements to improve security of 5G networks and equipment, including restricting “high-risk” suppliers (understood as originating in countries without democratic checks and balances) from providing core network assets and diversification of vendors to avoid dependency on one supplier. Further, it recommends strengthening local EU capacities to supply 5G and post-5G technologies. Cybersecurity risks are assessed

first at the national government level and member states and Union institutions, agencies and other bodies are to develop jointly coordinated Union risk assessment that builds on these national risk assessments (*ibid.*). The provisions restricting core network services recognise that control of the core network is more valuable for espionage than non-core components, the latter only providing access in local areas (Taylor, 2020).

There is however a danger in Europe, unlike the US, that telecommunications providers have neglected their capabilities to manage their own networks, often outsourcing to equipment vendors, including Huawei. Relying on Huawei to monitor cyber risks that some claim originate from or through Huawei would appear to be unwise. Governments taking a risk management approach need to require service providers to maintain full service technical expertise and comprehensive security capabilities, and to ensure they maintain reliable monitoring capabilities, or to develop automated solutions (Hubert, 2020).

Diversification of the supply chain offers an important risk mitigation measure. If at some time in the future, a particular supplier is identified as constituting a likely and consequential risk, it will be less costly to avoid risk if a diversity of suppliers is available and already present in the market. Nevertheless, as in most industry sectors, telecommunications supply chains are highly globalised and it is not only Chinese firms that source components from China, so it should be expected that governments will seek to diversify entire supply chains over time if they remain concerned about cyber risks emanating from China in particular. Equally, economic coercion risks emanating from the US export controls on its advanced semiconductors will force countries and firms not part of the US-led “Clean Network” to source new suppliers and to develop new supply chains, as is already underway (Capri, 2020). Proposed Open Radio Access Networks (O-RAN) may



offer future opportunities to allow multiple vendors to operate 5G services interchangeably, without one firm providing all of the infrastructure or components. Chinese as well as US firms are participating in O-RAN development, but the model is as yet unproven (RWR Advisory Group, 2021). While some industry actors see O-RAN as an opportunity to prevent Chinese proprietary end-to-end service provision and to expose source components to greater security, it also provides the opportunity for Chinese firms including Huawei to build trust over time in a form of cyber governance, including industry standards, that remains open to Chinese firms to participate.

As noted above, the dramatic increase in encryption is likely to mitigate risks of espionage. Control over data integrity can also be strengthened (although not guaranteed) by requiring that data is stored within national borders rather than exported to other jurisdictions. China mitigates cyber risks (from, for example, the US), by requiring that all data storage is held within China's national borders and is subject to its domestic cyber security legislation. To mitigate against cyber-attacks, duplication of critical functionality is one option, although costly, to allow for an alternative network to replace a compromised network (Lysne, 2018). For those governments that can afford it, highly sensitive networks, such as emergency services and national security, can be maintained independently, although this also is an expensive option.

Finally, national governments have a widely-recognised power to regulate trade and investment on national security grounds and this provides potential, although unexplored, opportunities in this case. Instead of a ban, for example, a government could approve a foreign supplier but only on the condition that it forms a new, domestically-based joint venture with a domestic firm that has adequate monitoring capabilities to mitigate cyber risks. Huawei has offered to license its technology to US firms (Huawei, 9th September 2019) and presumably

could be required to do so by other jurisdictions, with national firms building and operating the network, with rewritten source codes, inspections of equipment and software and other processes to meet national security requirements. Huawei has already moved to manufacture 5G network equipment in France for the European market and all of its chipset security is conducted in Finland (Huawei, 27th February 2020). Such risk management options of course would require political goodwill if they are to build trust, which appears unlikely in the current environment.

## 9. Conclusion

The new technologies of the fourth industrial revolution are generating a whole new set of geopolitical and interdependence risks. While Nye (2011) predicted cyber power would be more diffused than other forms of power, just as earlier observers expected of the information revolution, the shape of the world emerging in the 2020s remains the domain of the nation state. The dominant power, the US, is determined to maintain its position, including resisting global governance in cyber governance and by wielding the power of the state against the claimed risks of Huawei. Meanwhile, China is developing powerful cyber-capabilities to match its growing economic power and is seeking to set the agenda in global governance, yet it is deeply distrusted amongst liberal democracies in particular. In a rapidly deteriorating climate of geopolitical contest, confrontation and even conflict are no longer out of the question. Risks of cyber-espionage and sabotage, as well as weaponization of information and artificial intelligence, therefore become assessed by states as realistic security threats. No rules or institutions exist to sanction rule-breaking or to rebuild confidence and trust. At the time of writing, it would appear the world is headed

**Table 2** Indicative Risk Management Framework

<b>Interdependence</b>	<b>A realist middle path?</b>	<b>Decoupling</b>
Supplier-blind, robust national cyber security defences	Robust national cyber security defences	Exclusion of rival suppliers to avoid risks, augmented by robust national cyber security defences
New multilateral institutions to coordinate and enforce rules, norms and standards for the digital economy	Regional “trusted” groupings with best practice rules, norms and standards	Regional “trusted” groupings with normative rules, norms and standards
Deepened global value chains and interoperability, built upon trusted supplier partnerships	Exclusion of high-risk suppliers but maintenance of global value chains and interoperability, with measures to build trust	Two (or more) separate and self-reliant tech systems, featuring weaponised interoperability and continued geopolitical contest

towards a spiral of decoupling strategically important supply chains and the construction of two rival systems, one led by the US and one by China.

Even in a decoupled world, security risks will remain and there is an urgent need for more technical research on risk management capabilities. At the national level, precautionary measures and enhanced risk management strategies are essential. These are likely to remain highly contested matters for some time to come.

To date, the digital economy has generated natural monopolies that control vast amounts of data, extract value and gather more and more power. These monopoly actors are now the largest firms in the world, and most originate from the US. The lack of governance of the digital economy raises a broader range of risks than China alone. Decision makers have failed to date to comprehensively grapple with the new rules that may be needed to reduce the risks of these natural monopolies seizing more power over governments, the economy and individuals.

The Huawei debate is not simply about the rise of one firm from China to threaten US supremacy. Huawei is a proxy for fear of China itself, its likely future capabilities and possible intentions. Whether China acts according to high risk or threat scenarios is, of course, heavily contingent on the state of the international system and whether it descends into conflict or whether international cooperation can be maintained.

The US and some of its allies appear to so deeply distrust China that they are unwilling to attempt to find new international rules, norms, standards and institutions to govern a new, interdependent digital economy. We should be careful what we wish for. By branding China as an unacceptable risk and decoupling from its world-leading firms, rather than developing risk management strategies and systems for complex interdependence, we may reinforce China's historical geopolitical fear of

encirclement, and over time encourage its government and firms to behave in exactly the way we fear. Of course, if the worst-case scenario analysts are correct, we could be headed in that direction anyway.

The Huawei paradox is therefore more than simply a problem of international business but represents a crisis of interdependence in the international system, driven not only by collapsing trust in a supply chain, but the larger questions of whether it is possible in the 2020s to build processes of engagement, co-existence, norms, verification and enforcement to maintain international peace and security.

## Note

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## Interviews

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**Geopolitical Power Shifts of the  
United States and China: Are the Superpowers  
Heading to the Thucydides Trap?  
– US Answers in the Biden Era**

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**Abstract**

The rivalry between the US and China for global leadership, new balance and mutual recognition is one of the critical issues of the 21st century. Several researchers have been investigating the closing geopolitical power gap between the two great powers and forming Thucydides Trap-like situation in their relationship. The present study seeks to answer whether, according to Modelsky's power cycle theory, the trap situation is already in place and how the new administration intends to answer for the challenges China is posing. To this end, the first part of the study reviews, on a theoretical and historical basis, China strategies followed by U.S. presidential administrations, as well as the global strategic changes that challenged the unquestionable hegemonic power of the U.S. in the early 2000s. In the second part, zooming on the Biden administration, we examine the results of the China policy of the Trump presidency using a multi-level geopolitical indicator system with

more than 130 indicators. At the end we draw conclusions about the geopolitical power proportion and situation in 2020. In the concluding section, we examine the new administration's strategic documents, diplomatic actions and measures on China and outline the main directions of China policy of the Biden administration.

**Keywords:** *US, China, power cycles, Power Index, economic policy, international politics*

## 1. Introduction

The global political and economic order is undergoing a major transformation – in both economic and social terms and in geopolitical and geoeconomic terms (Virág, 2019). The socio-economic changes of the last half century can be characterized by a duality resulting in internal tension. On the one hand, economic development and growth in economic performance were unprecedented<sup>1</sup>, with hundreds of millions rising out of poverty thanks to the fact that China, India and virtually the entire Southeast Asian region were able to benefit from global growth. On the other hand, there are growing number of signs that current socio-economic development is unsustainable. One of the most striking is the demographic explosion<sup>2</sup>, the rise in income inequality, and the fact that the truly outstanding growth is accompanied by huge indebtedness<sup>3</sup>. The above-mentioned facts are compounded by the challenges of climate change, which may even reverse the results of recent decades<sup>4</sup>. On the other hand the possible benefits of the the acceleration of technological development, the increasing spread of robots and artificial intelligence should also be taken into serious account.

The above-listed social, economic, enviromental and technological challenges are complemented by the transformation of the geopolitical environment. Csizmadia (2019) points out that the most important

geopolitical trend in the period after the global financial crisis of 2008 is the multipolarization, in which new collaborations, new actors, new forms of thinking, new solutions and new values are emerging. Instead of the former unipolar world, a multipolar world order is emerging, in a competition that “takes place in the language of trade but according to the logic of war”. Geopolitical competition is transforming the global economy, global power relations, and governance. According to Eszterhai (2019), globalization has entered into the “post-Atlantic globalization” phase, which calls into question the former Atlantic centrality of the world economy, giving more geopolitical space to non-Western powers. China stands out among the rising new powers, while the dominance of Western countries is declining. Nowadays the three major centers of the world economy – the United States, the European Union, and China – are possessing close to similar proportions from the global value chain.

Our paper focuses on the geopolitical situation of new Eurasian era (Matolcsy, 2019a) that is resulted from the shift of the center of the world economy to the East. the study reviews the power situation between the US and China and ties to incorporate the present situation into previous geo-political models. The paper also examines that how geopolitical power proportion between the two countries have evolved in the Pacific over the past three years. For the analysis, the results of the publicly available Asian Geopolitical Index of the the Lowy Institute<sup>5</sup> are used, and recent international political events are review.

## **2. Long-term Power Cycles in Geopolitics**

In the global geopolitical arena of the great power, the balance of power is constantly changing and has changed dynamically in sometimes shorter and other longer periods. The issue of the rise and fall of great

and superpowers has long been a prioritized topic for international relation, political science and geopolitics researchers. From the point of view of economics the cycle theories were mainly based on Nikolai Kondratyev's basic work "The Long Waves in Economic Life" (Kondratieff and Stolper, 1935) elaborated between 1920-1930 and published in 1935, which dealt with economic cycles based on 30-70 years of technological cycles. According to the theory, the basis of each cycle was an explosive development of core invention<sup>6</sup> and, in parallel, the cluster-like appearance of new inventions and technologies. Wallerstein's theory of the world system was born in the 1970s (Wallerstein, 1974, 1983, 1992), based in part on the Kondratyev cycle, which basically classified countries with different levels of development into three types of countries (center, semi-periphery, periphery) and interactions and transactions between states.

One of the most influential theories on the long-term cycles of politically focused global power change is Modelski's long-term cycle model (Modelski and Thompson, 1988), which distinguishes five major global powers since the discovery of the Americas. The first era was the Portuguese in the 15th and 16th centuries, followed by a Holland era and two British eras, which were replaced by the American cycle in the 20th century. Modelski's model, founded mainly on realist international relations theories, concluded that the dynamic of long-term changes in the balance of power shows that a great power on the global political scene emerges and reach its zenith, which is followed by a period of decline in which the political legitimacy of the reigning great power is challenged by a new emergening power. According to the model, each great power cycle lasted about 80-100 years. Central factor of the model is that a great power emerging from the nation-state framework must have the military capability to control the world's sea routes, as this is the means by which it can expand its territory and maintain its privileged

position. The loss or decline of legitimacy of the great power was accompanied by a struggle for control of the waterways, in which the emerging new power challenged the reigning. As it is seen from Table 1 in most cases not the challenging power was going to be the next reigning.

**Table 1** Modelski's Long-term Political Cycles of Great Powers

<b>Cycles</b>			
<b><i>Global or great wars</i></b>	<b><i>Great power – nation</i></b>	<b><i>Challenging legitimacy</i></b>	<b><i>Decline – emerging power</i></b>
<b>Portugal cycle</b>			
1494-1516 Italian and Indian-ocean wars	1516-1539 Portugal	1540-1560	1560-1580 Spain
<b>Dutch cycle</b>			
1580-1609 Indipendence wars of Dutch	1609-1639 Neatherland	1640-1660	1660-1688 France
<b>First British cycle</b>			
1688-1713 Wars of Louis XIV	1714-1939 Great Britain I-II	1740-1763	1764-1792 France
<b>Second British cycle</b>			
1792-1815 Franch Revolution and wars of Napoleon	1714-1939 Great Britain I-II	1850-1873	1874-1914 Germany
<b>American cycle</b>			
1914-1945 First and Second World War	1945-1973 US	1973-2000	2000-2030 Soviet Union

Source: Modelski and Thompson (1988).

Modelski's model was criticised from several perspectives, the most important was that his cycle model was too ethnocentric, i.e. that it was too European and Western-focused, and does not take into account the other significant powers (e.g. the Chinese Empire, India, the Habsburg Empire) that existed in the past or operated in parallel with the great power in question. A closely related criticism was that Modelski's great powers were primarily politic-military entities and he did not take into account the economic power and influence. The critics argued that a great power position cannot be properly understood without taking economic power into account. The other significant observation of the critics was that the emergence of a hegemonic power, as the model would suggest, has not been a feature of world history, but rather nation-state-based empires existed that temporarily could at the expense of other nations rise above other powers due to its relative advantages (Denmark, Friedmann, Gills and Modelski, 2000). For all its flaws, Modelski's 80-100 year cycle theory, and the studies about the great powers and empires over such a time span, has inspired and influenced the thinking of many authors, and has led to many other theories. In many of the contemporary publications on the struggle of great powers, especially the US and China, we can discover the marks of the great power cycle model of Modelski.

### ***2.1. The Legitimation Problems of the US in the 21st Century According to Modelski Model***

Modelski's cycle theory is an important starting point for the analyses of the rivalry between China and the United States in the 21st century. The obvious shortcoming of the theoretic model of Modelski that he could not foresee in 1988 that China would replace the Soviet Union in the geopolitical space. In 1988 the Chinese reforms were still in their infant

state and their results, which we nowadays see, were not yet tangible. But the 30 years passed since have shown that a development-focused state-capitalist system combined with gradual liberalisation, putting emphasis on individual self-interest, can achieve outstanding results (Boros, 2019a). By 2011, China had become the world's second largest economy and is steadily catching up with the US. This is significant because since the mid-2000s and especially after Xi Jinping ( 习近平 ) came to power China has been assertively formulating its own global policy objectives, which in many perspectives are against the United States' interests.

It is general geopolitic opinion that after 1990 the US became for the first time in world history a hegemonic power, but much geopolitical literature afterward reconed this hegemonic power fragile for various reasons. Kissinger (2001 and 2015) thought the multiplication of power sub-centres and thus the multiplication of interests as the main challenge. He saw the possibel solution in intensive diplomatic relations and a balancing act between the various sub-centres. Brzezinski (1993, 1997, 2012), based on traditional geopolitical thinking of Halford Mackinder on heartland, considered the preservation of US influence in Central Asia as the key to maintain hegemony. The loss of control over the region could be accompanied by a rapid decline of US hegemony. Friedman (1996 and 2015) and Matolcsy (2004), drawing on the unique military strength, geo-economic and political set-up and innovative capacity of the United States, concluded that the US hegemonic role is sustainable, but only if it succeeds in containing potential rivals through regional and domestic tensions.

The beginning of the decline of the hegemonic power of the US, or the intensification of its legitimacy problems, or the increasing visibility of the challenger power, China, is better linked to a slightly longer period than to a specific date – namely the years 2001-2012 (Boros, 2019b). During the period, US attention was mainly focused on the

Central Asian region, while China “quietly” rose to a regional power in the Pacific region. The most important events that influenced the balance of power between the US and China during the Bush administration (2001-2009) were: the war on terror in Central Asia, China’s WTO membership (2001) and its economic rise and expansion in Southeast Asia, and the economic crisis of 2007/2008.

The Barack Obama administration reallocated the extra resources from the conclusion of the wars on terror to the Pacific region. In doing so, the US began to implement a form of “soft restraint” against China. On the economic side, the US sought to maintain cooperation with China and to resolve problems diplomatically, as well as to strengthen the US economic cooperation in the Pacific. Militarily, the focus of the US Navy<sup>7</sup> has shifted from the Atlantic to the Pacific. Key events affecting the balance of power between the US and China during the Obama administrations (2009-2017): Trans-Pacific Partnership – TPP, Trade in Services Agreement- TiSA, Pivot/Rebalance toward Asia (2012), Senior Dialogues.

The policies and actions of the Obama administration have reinforced China’s greatest geopolitical fears – “containment and restraint” – which led the leadership of the Chinese Communist Party to become increasingly vocal in its criticism of US policy in the Pacific. With Xi Jinping’s accession to power in 2012, Deng Xiaoping (鄧小平)’s foreign policy of ‘quiet construction’ was replaced by a more assertive advocacy of national interests. In many cases, China launched new regional and global initiatives of its own after Xi came to power that challenged the US centered international economic development system. The most important Chinese initiatives were: BRI – Belt and Road Initiative (2013), Asian Infrastructure Investment Bank – AIIB, New Silk Road Fund, New Development Bank – NDB. The new financial and development institutions were seen by many analysts as a



challenger to the institutions created under the Bretton Woods agreement (IMF, World Bank) (Morris, 2016), which aims to weaken China's influence on the Asian continent.

Under Donald Trump's presidency, US policy towards China underwent significant changes. The functioning bilateral political relations of the Obama administration gradually deteriorated along economic interests. The process culminated in the trade war started in 2018 and is still ongoing today. The US also pursued an increasingly assertive military policy, forging closer military ties with its allies (more frequent military joint exercises) and executing high value arms sales to allied countries in the region (Japan, South Korea, Singapore, Taiwan). In the military field, the US has taken an increasingly assertive and vocal stance on the issues of South and East China Seas and Taiwan, which are of paramount importance to China in terms of sovereignty and territorial integrity. The US policy of "soft containment" of the Obama administration became more hardline under President Trump, with the economic side escalating into war and the military side becoming more tense. Overall, the policy of "soft containment" was replaced by a policy of "hard containment".

The different "spaces" and "interfaces" of geopolitics have undergone significant change in recent decades. Traditional spaces (land, sea, airspace) have gradually been complemented by new spaces, namely the outer space and cyberspace. The race to conquer and defend these new spaces is ongoing and intensifying, but the information about it is very much blurred for the public. The geopolitics of these new spaces is equally focused on the acquisition of strategic locations (Dolman, 2002). Space and cyberspace overlap each other, for example much of the data in the virtual space that forms part of cyberspace flows via satellites, which are positioned in space. The evolution of cyberspace has been explosive over the last two decades, making it an increasingly

important issue for the national security. These new spaces are frequently called the new oceans of the geopolitics.

**Table 2** China Policy of the Administrations of Obama and Trump

	Obama administration (2009-2017)	Trump administration (2017-2021)	Xi Jinping (2012-)
Name of the policy	<b>SOFT CONTAINMENT</b> (Containment with multilateral encirclement)	<b>HARD CONTAINMENT</b> (Containment with patriotic rhetoric)	<b>ASSERTIVE GREAT-POWER STANCE</b>
Economy and trade	Multilateral trade and service agreements with Pacific allied countries (TPP, TiSA)	Patriotism (America first) Trade war against China Decoupling the countries	BRI (breaking the economic encirclement) Bilateral trade and investment agreements
Politics	Senior dialogue (bilateral political and economic forum) Including China into global order	Gradually degrading bilateral political relations Treating China as a treat to US's hegemony	Assertiveness (equality with US) Building up bilateral international cooperation (economic, financial, resource) Stronger defensive ties with Asian countries (Russia, Iran)
Military	Pivot/Rebalance to Asia (60% of the fleet of Pacific, decreasing land forces)	Strengthening the allied countries with armaments Regular patrolling of US Navy in South China Sea (Freedom of navigation)	Regional hegemony: pushing out US from Pacific shores (3 line strategy) New military technologies (air, naval, cyber)
New fields (space and cyber)	Consultation, race and collaboration	Isolation and decoupling policy (included in the Trade war)	Competing for leadership in new technologies (MI, robotics, super computers, biotechnology)

Source: Author.

China's ambition in the new spaces is to become an innovator in technologies compared to the follower role it played in the past, while the US aims to maintain its dominant technology leader position and retain its influence on the global technology market. The cracks between these two ambitions generated a number of conflicts in the past. Under the Obama administration, the Senior Dialogue sought to resolve the issues diplomatically, while under Trump, the issues were resolved through tougher means. Recent example, the US launched the trade war against China in 2018 along three main issues: the imbalance in the US-China trade, China's ongoing violation of intellectual property rights, and the protection of industries of national interest. Only the first issue could be closely linked to the classic trade war; the other two were already an integral part of the competition for new spaces and the technologies that dominate them. Today, the two superpowers are fighting for leadership in the technologies of the future in the new spaces.

### **3. Change of the Geopolitical Influence of the USA And China between 2018 And 2020**

#### ***3.1. Geopolitical Power Index and the Asian Power Index***

In the geopolitics it is an important for actors to be aware of the geopolitical strength of rival countries in terms of measurable and exact systems. The history of indices measuring geopolitical power has a long history, the US and Germany developed most of the quantifying geopolitical index systems. As the social sciences and measurement methodologies have evolved, the approach to geopolitical indices has become more sophisticated and more and more software elements have been incorporated into the indices (Höhn, 2011).

The Lowy Institute's 26-country model is a relatively new index first published in 2018. The index is useful and acceptable for examining the aspirations of China in reflection to the US because, although China is the world's second most powerful power, it still does not have all the characteristics of a global superpower (Kiczma and Sulek, 2020). Economically China is already a global superpower, but militarily Beijing is not recognised as a global superpower yet. Therefore, China's first step is to become a real global power is to limit the US's global naval power and capabilities at least in the core territories and nearby seas of China. In line with this thought, Chinese military efforts in recent years aimed at cutting back US global power in "their" Pacific region. In the long term China's strategic goal, in accordance with the three line strategy elaborated in the mid 1980s, is to make its navy the predominant naval force against the US Navy as far from its shores as possible. The current situation resembles to the early 20th century (1895-1915) Atlantic effort, when the US Navy pushed gradually the navy of the British Empire out of the nearby Atlantic Ocean and Caribbean Sea, resulting in the new policy, called the Great reapproachment, of the British Empire toward the US.

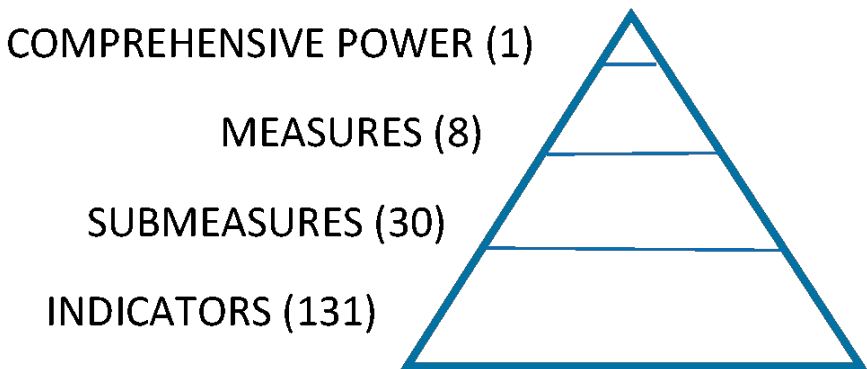
The Asia Power Index can help us to get a more tangible grasp of the results of our days and of recent events and acts the two great power implemented, and to make claims based on quantitative indicators and measures about whether the level of rivalry between two countries has approached the level of the Thucydides Trap. According to Modelski's model hypothesis, a true Thucydides Trap will be the situation when the US loses its global influence over the world's oceans and seas, which it has had since World War II, and cannot move freely in China's maritime domain. Today, this process is to be compounded by the competition for the information oceans (cyberspace and space). We do not yet know what event will signalise to the US and the world that China believes the

time ripe to declare this. We also do not know whether the US will be able to give a restrained response similar to the British example or whether it will opt for a different solution.

### ***3.2. Methodology of Asian Power Index***

The Lowy Institute Asia Power Index consists of eight measures of power, 30 thematic sub-measures and 131 indicators. Over half of these indicators involve original Lowy Institute research, while the rest are drawn from hundreds of publicly available national and international sources.

**Figure 1** Model of Asia Power Index 2020



The selection of indicators was driven by an extensive literature review and expert consultations designed to address these methodological hurdles. As such, each indicator represents a carefully selected proxy for a broader category of variables often more difficult, if not impossible, to measure comparatively. The methodological

framework of the Index is informed by the OECD's *Handbook on constructing composite indicators*. A distance-to-frontier approach is used to compare a country's results with the best performing and worst performing countries in each dataset. The distance-to-frontier method allows for different indicators to be made comparable across a diverse set of metrics, while preserving the relative distance among the original data values. The method also reflects the notion that power in international relations is relative, measured as a comparative advantage in a given frame of reference.

**Table 3** Weightings of the Measures

MEASURES	MEASURE WEIGHTINGS
<b>1. Economic capability</b>	17.5%
<b>2. Military capability</b>	17.5%
<b>3. Resilience</b>	10.0%
<b>4. Future resources</b>	10.0%
<b>5. Economic relationships</b>	15.0%
<b>6. Defence networks</b>	10.0%
<b>7. Diplomatic influence</b>	10.0%
<b>8. Cultural influence</b>	10.0%

The Lowy Institute has assigned a set of weightings to the component parts of the Asia Power Index that reflect their relative importance for exercising state power. These authoritative weightings reflect the collective judgement of Lowy Institute experts based on relevant academic literature and consultations with policymakers from the region. They take into account the dimensions of power considered most advantageous to countries given the current geopolitical landscape of the region. In the following analyses we accept the weightings of the Lowy Institute.

The Index model was reviewed after development in three stages. First, the analytical assumptions and findings were submitted through an extensive peer review process. Second, a team of fact checkers verified that the raw data points and their normalised scores were factually correct and drew on the latest available data. Third, PwC provided a limited integrity review of the spreadsheets and formulas used to calculate the eight measures of the Index<sup>8</sup>.

### ***3.3. The Comprehensive Analyses of Asian Power Index Changes in the Pacific Region***

In the following analysis we use a bottom-up analysis methodology, moving from the details through the process towards the big picture and concluding remarks. The analysis of the indicators (Table 4) has been complemented by an individual grouping that better fits the traditional geopolitical fields of power divisions. At the level of indicators, we look at the catching-up process, while at the level of indicators we look at both the process and the status in 2020. At the level of comprehensive power, we look at the aggregate balance of power in 2020 and draw conclusions on the stage of the competition between the two great powers. The analysis covers the period 2018-2020, i.e. the policy

outcomes of the Trump administration's period and the baseline situation of the Joe Biden administration.

### *3.3.1. Changes of the Indicators*

The indicators' model uses a distance-to-frontier approach, which shows which major power is the leading force in the given indicator and is proportionally weighted with the other countries. The number of indicators with a maximum score (100) determines the relative weight of the two major powers in the region through the number of indicators in which they are considered to be the reference point.

Out of 131 indicators in 70 (53.4%) were ranked first for one or both great powers. China has 29 indicators with a score of 100 (22.1%) and the USA has 41 indicators (31.3%). The average value of the point difference for indicators where one of the major powers had a score of 100 was 7.41, implying with a bias that in 2020 the US had an overall moderate advantage over China in the indicators where it was strongest. In Table 4. the measures marked with different colours. The two grey categories cover the traditional and modern geopolitical indicators, the yellow the economic, the red the military power and blue the soft power and influence. For the 34 geopolitical indicators, China had a maximum score of 9 and the US 8. For the 33 economic indicators, China had a maximum score of 17 and the US 7. For the 36 military power indicators, China had a maximum score of 1 and the US 18, while for the 28 soft power indicators, China had a maximum score of 4 and the US 8. While China enjoyed a significant advantage over the US in economic power, the US had a significant advantage over China in military power and soft power, while the scores were balanced in geopolitical power.

The green colored values in Table 4 indicate the major shifts and highlighted values in the current period. China has robustly increased



its regional economic advantage over the past three years (rows 11-12) and had maximum score in 15 of the 33 indicators between 2018-2020. The US's first place in military capabilities (rows 17-18) is unquestionable and unchallenged. The score of 100 were in a 18:1 distribution to the favour of the US and large US lead, over 15 points, in 21 out of 37 indicators. China, however, is gradually catching up with significant changes in China's favour in medium and small changes. China has made the most progress between 2018-2020 in the deployment of its military, in increasing combat readiness, in developing missile systems, air and cyber forces, and in procuring foreign military equipment.

China's progress in the geopolitical power indicators (row 5) was largely determined by its expected future regional and global geopolitical capabilities. China is already a dominant geopolitical factor in the region today, both because of its geographical features and the size of its economy, and is expected to become even more so by 2030 if its economies and military power develop with similar intensity. Within the soft power (lines 23-24), the US was active in the region mainly in foreign policy, often taking the initiative or supporting China's counter interests at the regional level. Of the 28 cultural influence measures within the soft power, the US indicators showed a large lead in favour of the US in 13 indicators in 2020. On the other hand China has made significant progress in regional infrastructure connectivity, information flow and regional cultural projection<sup>9</sup>, which made the country's lagging smaller. China was also active in international politics, not only Beijing's own diplomatic efforts significant but also the lobbying power through the UN and its institutions. To summarise, in the last three years China reduced the distance in several soft power indicators compared to the US, but its overall soft power gap is still significant.

**Table 4** The Changes of Indicators of China or the US Compared to Each Other in Each Measure, 2018-2020

Line	Changes of Asia Power Indicators			Number of maximum level (100) indicators	Considerable change	Medium change	Slight change	Total	No Change
					below -15 over 15	between -15 to -5 between 15 to 5	-5 to 0 0 to 5		0
1	Geopolitical Power	3. Resilience (Indicators: 24)	China	5	0	3	7	10	8
2			US	5	2	0	4	6	
3		4. Future resources (Indicators: 10)	China	4	2	2	2	6	0
4			US	3	0	1	3	4	
5		TOTAL	China	9	2	5	9	16	8
6			US	8	2	1	7	10	
7	Economic Power	1. Economic capability (Indicators: 21)	China	8	2	3	10	15	0
8			US	5	1	1	4	6	
9		5. Economic relationship (Indicators: 12)	China	7	2	4	3	9	1
10			US	2	0	2	0	2	
11		TOTAL	China	15	4	7	13	24	1
12			US	7	1	3	4	8	
13	Military Power	2. Military capability (Indicators: 22)	China	1	1	6	6	13	1
14			US	13	2	4	2	8	
15		6. Defence networks (Indicators: 14)	China	0	1	2	2	5	6
16			US	5	0	0	3	3	
17		TOTAL	China	1	2	8	8	18	7
18			US	18	2	4	5	11	
19	Soft Power	7. Diplomatic influence (Indicators: 13)	China	3	1	3	3	7	1
20			US	3	2	2	1	5	
21		8. Cultural influence (Indicators: 15)	China	1	4	2	7	13	0
22			US	5	0	1	1	2	
23		TOTAL	China	4	5	5	10	20	1
24			US	8	2	3	2	7	
25		TOTAL		25	52	72			17

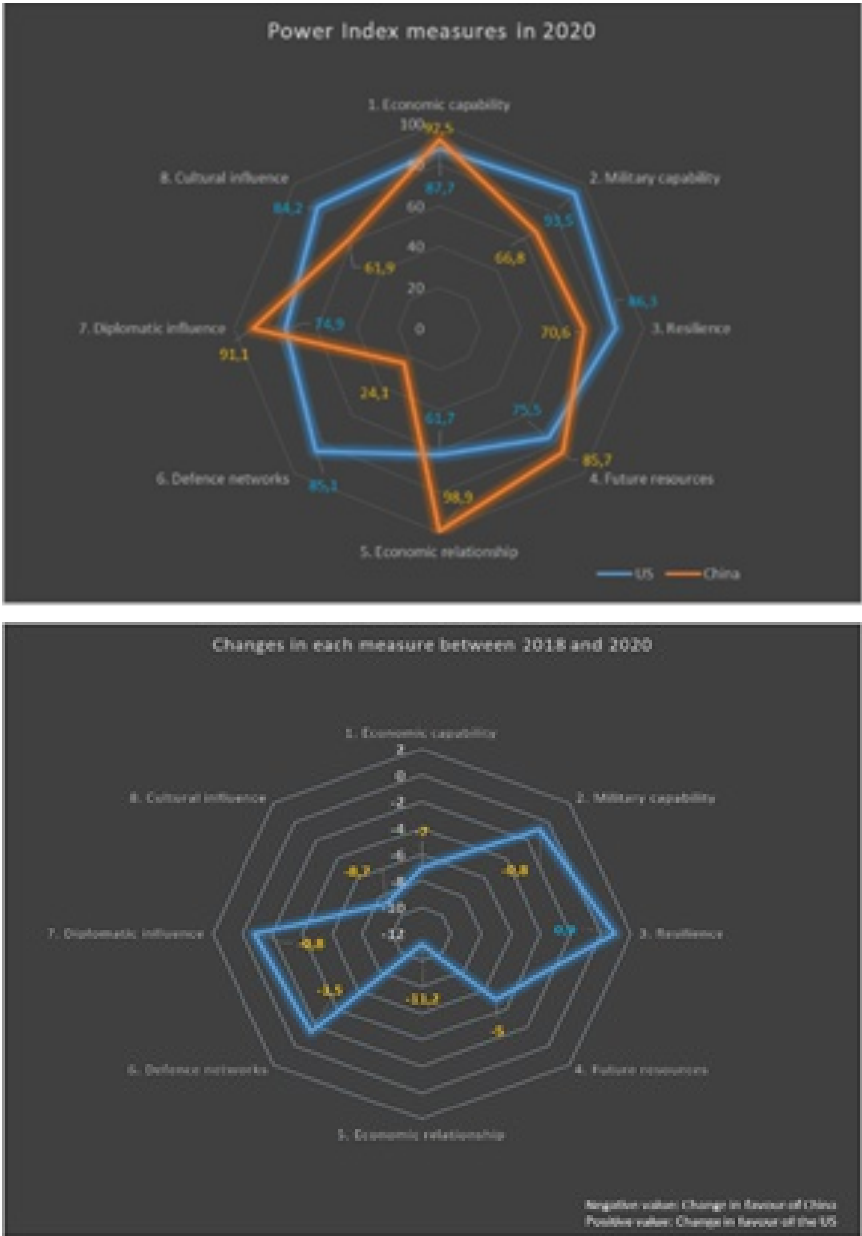
Source: Author.

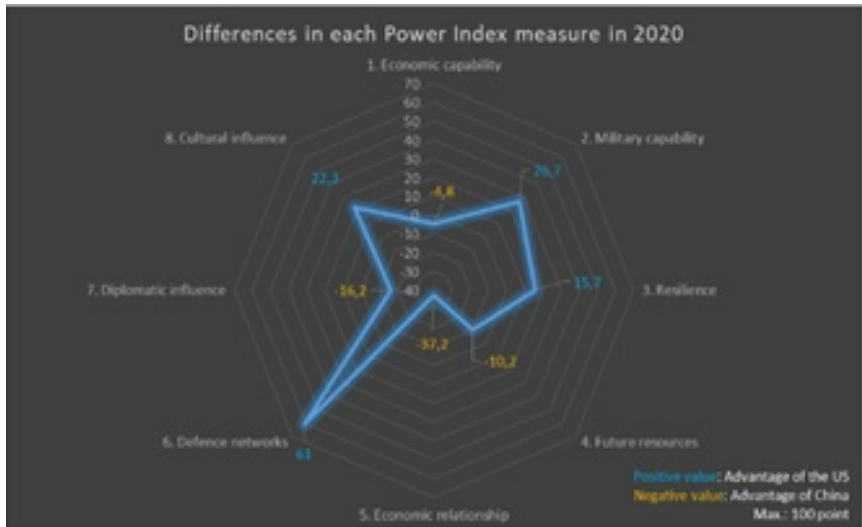
China's acceptance and role in the Pacific region was slowly and steadily built up over the past decades in accordance with Deng Xiaoping's foreign policy guidelines. Xi Jinping's more assertive foreign policy from 2013 on the other hand encouraged many countries in the region to reconsider its position and make steps towards the US. The disenchantment of the countries in the region because of the regional and global foreign policy China is pursuing today could also lead to a deterioration of economic relations of China in the region, which could pose significant challenges to the maintenance of China's further economic expansion.

### *3.3.2. The Power Index measures and Comprehensive Power Index*

The indicators aggregated at the level of the measures allow us to draw very similar conclusions as at the level of the indicators. China has made significant progress in four measures between 2018-2020 (Figure 2, upright, measure: 1, 4, 5, 8), which is a significant shift over a short time horizon. Economic development and relations remained the most active field of China's international policy, while its military and diplomatic capabilities caught up slower and to a lesser extent. China's military has undergone a major transformation over the past decade. The emphasis of the military shifted from land forces to naval, missile and cyber warfare, while command and control systems were consolidated between the different forces for more effective responsiveness (Wuthnow and Saunders, 2017). According to some US military reports, China is already ahead of the US in some military capabilities (U.S. Department of Defense, 2020).

**Figure 2** Asian Power Index Measures of the USA and China and the Change and Differences of Measures





Source: Author.

The improving resilience measure of the US was significantly influenced by two factors, resulting that this is the only measure in which the US could rise its advantage compared to China. The first was the emergence of the US shale oil and gas industry from 2010 and thus the independence from foreign oil and gas import and the start of export (Filimonova, Kozhevin, Nemov, Komarova and Mishenin, 2020), while the second is that the US started to counterbalance China's monopolistic position in the rare earth market. The Trump administration set up as a priority (and Biden administration also supports) the exploration of the rare earth reserves in the country for the establishment of a future extraction and mining site and processing industry. In the medium to long term, the extraction and processing of its own rare earth reserves will provide the US with the opportunity to expand its own

manufacturing capabilities for semiconductors and microchips, which are essential for modern technologies<sup>10</sup>.

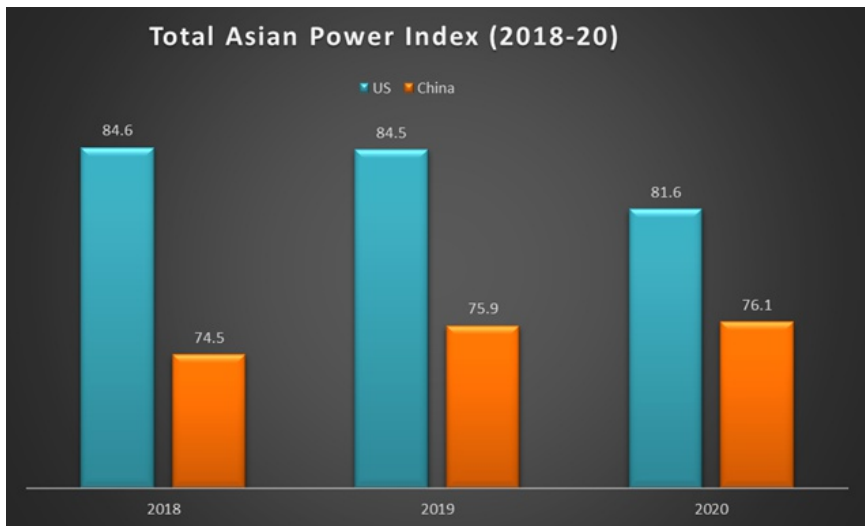
Overall, China has made significant progress in its regional and global capabilities compared to the US by 2020 compared to 2018. The Trump presidency, despite the much smoke and flames of its policy, did not succeeded in restraining China to a large extent. China has continued to increase its regional influence despite the economic and diplomatic efforts of the US. Today, the two great powers geopolitical influence is evenly matched in the region, China is ahead of the US in four measures (1, 4, 5, 7) but Washington is still holding the leading position in four measures (2, 3, 6, 8).

China's biggest shortfall was in the defence network measure (number 6), which can be largely explained by China's still effective military principle of non-alignment. Beijing has not entered into a strategic-level military alliance with any country, Beijing is only the member of the multilateral Shanghai Cooperation Organisation (SCO), which primary focus is the economic cooperation and development and only the secondary is the loose cooperation of the the joined countries. The US has been a major military player in the Southeast Asian region since the 19th century and has close alliances with many countries in the region. Southeast Asia contains two U.S. treaty allies in Thailand and the Philippines, important security partners like Singapore, and key emerging partners such as Vietnam and Indonesia (Stromseth, 2020). In the defence network measure it would be more useful to extended comparison to global level to get more realistic picture of the global competition between the U.S. and China. On China's side it is necessary to take into consideration the positive factor of the developing tactical-strategic alliance with Russia and Iran, and the fact that Beijing will fill the void left by the US military withdrawal from Afghanistan and Iraq. On the other hand the US also have more allied

countries in the framework of the NATO. But the majority NATO forces belongs to the US so that is more of a political factor than a military. If we asses the overall picture, the outlook is more favourable for China's defense nwtwork measure.

In the long turn, the resilience measure (number 3) may be worrying for China, as the country's basic features in terms of geography/ social dimensions are weaker<sup>11</sup> than the US's. China is more vulnerable in the resources per capita and in higher number of problems with its neighbours compared to the US. China's weaknesses in Washington's hands represent powerful leverage power which they may use more intensively in the future.

**Figure 3** Total Asian Power Index 2018-2020



Source: Author.

According to the Total Asia Power Index 2018-20 (Figure 3) China narrowed its overall gap from a medium level gap in 2018 (9.9 points) to

a near-small gap in 2020 (5.5 points). In our view, as a result of the changes over the past three years, the competition between the two superpowers has reached nowadays what we might call a phase of the real Thucydides Trap. In the next section, we will examine how the Biden administration plans to reform Trump's legacy in each geopolitical dimension and what steps it is taking to counter and slow China's rise.

#### **4. Biden Administration's First Actions on China and the Implication of Changes in the China Policy of the US**

As outlined in the first section, the timeframe of geopolitical contests is measured in decades, so our knowledge of the possible courses of action of the recent Biden administration is limited. However, it can be expected that Biden will not completely turn his back on Trump's China policy, which may be due to the fact that US foreign policy is super-powerlike, i.e. it can be only fine-tuned by one president, but the main strategic directions are given through presidential cycles. Biden's China international policy will carry on Trump's strong economic focus and probably will apply the multilateralism in international politics corresponding to the Obama administration.

In the Interim National Security Strategic Guidance issued under the Biden administration in 2021, China is listed in several risk factors, but is listed as the main rival in the category of risk of changes in global power, which implies, that the US considers China to be the major and most important threat (Biden, 2021), suggesting that the origins of US foreign policy strategy will be to counter the geopolitical ascension of China and that other related foreign policy actions will be subordinated to and optimised through this filter.

The Biden administration's initial foreign policy moves indicate tough actions from the US. The President said in his first press



conference<sup>12</sup> that he would not allow China to attain the title of most influential country in the world during his presidency. The rhetorical confrontation was further exacerbated by the Alaska bilateral meeting (March 2021), where foreign ministers went well beyond the scope of diplomatic statements in their usual press briefings. Beyond the long-standing issue of US cyber espionage, the US also raised the issues of human rights (Xinjiang, Hong Kong) and international law (Taiwan), and drew attention to the Chinese blackmail positions offered by Chinese loan-based investments (Sri Lanka). Wang Yi, China's foreign minister replied to the US accusations that the US was interfering in the internal affairs of China, and said that the US should not pretend to represent the world when it only stands up for the interests of the US-led West. The foreign minister said that "the US is using its military power and financial hegemony to impose its distant jurying over other countries and oppress them".

Since an open conflict between the two superpowers can be almost ruled out because of nuclear deterrence<sup>13</sup>, the US' primary strategic objective can be to limit the further growth of China's economic power and influence, while isolating Beijing politically. The expected US economic policy towards China under the Biden administration will be framed by the continuation and expansion of the trade war begun in Trump era, supported by closer multilateral economic, political and military cooperation and coordination with Pacific allies.

The main aim of the Biden administration to isolate China from the US-centered global value chains and technological networks is by relying on multilateral institutions and regional alliances, and further to treat and endanger the main raw material supply chains of China. The US anti-China economic policy needs to be understood primarily at the global level, as China's regional economic power and influence through its trade and investment policy is now beyond the extent that the US can

successfully counterbalance<sup>14</sup>. The US aim is to distance China primarily from the advanced economies (Japan, South Korea and the EU), which will be a difficult task as it conflicts with the sovereign economic interests of individual countries. While China offers tangible deals to individual countries (trade, Chinese market presence, investment and infrastructure), the US can use its international political and ideological influence, its world-leading technologies and its central role in the financial system to exert pressure.

A probable forum for multilateral economic cooperation in the Pacific region will be the CPTPP<sup>15</sup>, which replaced the TPP<sup>16</sup>, left by President Trump, with 11 countries. Biden had already indicated during the campaign that the US should join the agreement in some form, but first the administration would have to convince those within the country who oppose it (McBride, Chatzky and Siripurapu, 2021). Another area for more assertive action against China is the Belt and Road Initiative, which is China's most influential initiative in the global economy. Experts argue that the US cannot and should not respond to BRI symmetrically. Instead, the United States should focus on areas where it can offer, either on its own or in concert with like-minded nations, a compelling sub-alternative to BRI. Such an alternative would leverage core US strengths, including cutting-edge technologies, world-class companies, deep pools of capital (Hillman and Sacks, 2021). In April 2021, two members of the U.S. House of Representatives introduced a bill (U.S. Congress: H.R.2978) that would impose sanctions on countries that participate in BRI projects. If the bill will be approved by the legislative process, many countries will have to take a clearer position on which superpower's economic system they want to integrate more deeply.

The Southeast Asian region is a highlighted tactical area for Washington's policy towards China, because this is the region, where

the easiest to create a political situation in which China would isolate itself internationally. China has been increasingly assertive in the South China Sea and Taiwan over the past decade. China's more assertive foreign policy has provoked a more antagonism from its neighbours, leading them to turn their country's foreign policy more toward the US as the only potential power can defend them. At the regional level, the Trump administration devoted great resources to revitalising the QUAD (Quad-rilateral Security Dialogue) cooperation to counter China's String of Pearls naval policy in the South China Sea and Indian Ocean with the help of the participating countries (Japan, Australia and India). A functional QUAD alliance would pose a significant threat to China's main raw material supply routes from Africa and Near-East region. The Biden administration has already made steps to form closer ties with Japan, its most important ally in the region, as part of the strengthening of the Pacific alliance. Biden welcomed Japan's new Prime Minister Yoshihide Suga (菅義偉) as the first from Asia to renew US security guarantees to Japan<sup>17</sup>.

Bilateral military and defensive ties with the countries of the Pacific and Southeast Asia region were strengthened under President Trump, and it can be expected the Biden administration to continue this policy on multilateral stance with an extension to the economic sphere<sup>18</sup>. The US will be characterised by a more visible but cautious military engagement in Southeast Asia, as neither superpower has an interest in open conflict. The US naval presence may be more visible for public in the future in the region and the US is likely to continue to equip and modernise the militaries of their allies in the region. Biden administration politically will continue to support the anti-China actions of the countries in the region, invoking international conventions and law.

It is questionable, however, what kind of actions the US Navy would and could take if China were to adopt an even more assertive stance in the hotspots of Southeast Asia (South China Sea, Taiwan). According to some reports<sup>19</sup>, China, with the targeted military developments of the past decades (e.g. naval and underwater developments, anti air-craft carrier high-speed precision missiles and cyber capability development), would be able to successfully endanger the US fleet in the region. In such a situation, the US would be unlikely to risk an open intervention, given the financial and reputational losses that could be expected from such a confrontation. A nuclear confrontation would be fatal for both powers. However, if the US succeeds in establishing a closer military alliance around China, that could contain China back for about another decade.

To forge an effective and successful political-economic-military alliance against China, the Biden administration will also need to reorganise the European side of the multilateral US alliance system, which performed well under the Obama administration and was then dismantled by President Trump. The Biden administration immediately after inauguration started to revive the former Trans-Atlantic relationship. Expressive example for the rebuilding of closer ties was the process when the EU Commission signed the bilateral Comprehensive Agreement on Investment (CAI) with China in December 2020 under the Trump administration, and then it was suspended in spring 2021 by the European Parliament, citing human rights issues and unfriendly bilateral diplomatic moves<sup>20</sup>.

Beyond the aim of disengaging the EU from China, the Biden administration has also not diminished the Trump administration's anti-Russia and anti-Iran policies since the beginning of its term, but rather strengthened them. The Interim National Security Guidance and recent events suggest that the US pursues a kind of Cold War-era ideological

global dichotomy<sup>21</sup>. On the one side is the US-led democratic bloc, while on the other are the autocratic regimes with China as the most powerful country in the lead.

However, the US is not interested in the escalation or overload of its relations with China, so it is expected that the US will initiate multilateral cooperation platforms with China on certain issues of global importance (e.g. climate change, global economic issues). One of the first steps in this direction was President Biden's reengagement in the Paris agreement, as the fight against climate change is a top priority of Biden administration. Another issue in the economic field could be the minimum corporate tax initiated by the Biden administration, which by the concept of the US would be applied uniformly to 135 countries. China's participation and support is essential to make this effort a success<sup>22</sup>.

In the field of technological advancements, China has gradually evolved over decades from a follower and copycat to a market leader. In China's 10th Five-Year Plan (2001-2005), strengthening research and development had already emerged as a specific focus, and was increasingly emphasised in subsequent Five-Year plans. In the 14th Five-Year Plan, ambitious targets were set for innovation-led development, the main directions and areas of which were defined in the framework of the China 2025 Strategy. China is nowadays a market leader in a number of areas with market-leading or equivalent technologies, which is a concern for the US leadership. US technology policy towards China's has become increasingly hardline. Whereas in the early period (1980s-90s) the US voluntarily transferred technologies to China, by the first decade of the 2000s China was copying or appropriating the developments and research results it needed "in its own right"<sup>23</sup>. Under President Trump, the issue has escalated to the point where two of the three main reasons for the trade war are indirectly

related to advanced technologies (intellectual property rights and industries of national security). In addition to defending its own technologies, the US is devoting increasing resources to restricting the use of market-leading Chinese technologies (e.g. 5G network development) in as many countries as possible.

To summarize this section, the actions and plans of the Biden administration and the sketch of the future China policy are collected into Table 5.

## 5. Summary

According to the Modelsky cycle model, the US faced a number of legitimacy challenges after the millennium, which provided an opportunity for Beijing to develop itself to a position to be Washington's biggest and only real geopolitical challenger. In the first part of the paper, we briefly reviewed the main legitimacy challenges that the US faced in its hegemonic power position in the early 2000s and how China began to emerge as an increasing challenger. Prior to Xi Jinping's rise, China had mainly been catching up by developing its own economic system and economic-diplomatic sphere of influence in the region, while the US faced a number of serious global legitimacy challenges in both the military and economic spheres between 2001 and 2012.

In 2012 when Xi Jinping came to power, China took on a new geopolitical power position and a new foreign policy perspective. Beijing's foreign policy moved from a quiet constructionist approach to a more assertive one. In the field of international economics, China established new global and regional initiatives and institutions that can be seen as a challenge to the existing US-led and West-led institutional system and development policy. In the military field, China has become

**Table 5** The Possible China Policy Framework of the Biden Administration

BIDEN ADMINISTRATION	
<b>Name of the policy</b>	<b>MULTILATERAL CONTAINMENT: setting up of democratic and authoritarian committed blocks</b>
<b>Politics</b>	<p>Creating an ideological Cold War-like rift: democratic vs. authoritarian political system race</p> <p>Building stronger international ties (EU and Pacific countries) and creating more visible sphere of influences</p> <p>Acting harder on China in different topics highlighting the values of the democratic systems (international law and order, human rights, cyber theft)</p> <p>Cooperating selectively with China on global issues (e.g.: climate change, global corporate tax minimum)</p>
<b>Economy</b>	<p>Continouing the economic decoupling process</p> <p>Blocking and cutting back the global economic influence of China (BRI)</p> <p>Distancing economically the US allied and cooperative countries in the Pacific region from China</p>
<b>Military</b>	<p>Strengthening alliances and providing armaments and military technology for allied countries in the region</p> <p>Acting in the framework of Freedom of Navigation (1982) on the surrounding seas and oceans of China</p>
<b>Technology</b>	<p>Preserving first place and cutting back the abilities of China (hindering China to obtain the necessary resource and equipment and limiting Chinese technology to spread)</p>

increasingly assertive in pursuing its own security interests along the coastline and nearby seas of the country under the three-lines strategy. Although the implementation of the strategy has been proceeding more slowly than the original plans, Beijing is persistently and purposefully developing its military to achieve the next goal of pushing the US back behind the first line of islands.

During Trump's presidency, the US started to follow a more assertive behaviour against China, strengthening its military presence in the region and supporting allies, while economically the US engaged in a trade and technology war. The numerical results, however, have not confirmed the success of the US efforts to slow China's rise. As we could see China's overall geopolitical power in the region continued to grow and its disadvantage vis-à-vis the US further declined between 2018-2020. The rivalry between the US and China has been a hot topic for years as to whether or not there will be a Thucydides Trap and what form it will take. Both superpowers proclaimed in the past that a confrontation is avoidable and not a necessity. The Asia Power Index suggests that the trap between the two countries is only nowadays beginning to be truly enforced, as China's aggregate geopolitical power disadvantage probably will have narrowed to within reach by 2021.

China nowadays influences the region primarily on the basis of its economic size and the support foreign policy, while its military strategy is systematically and effectively advancing and developing its military based on the weaknesses of the US military in the region and its own defence needs. The relative geopolitical advantage of the US is its military superiority in the region, its alliance system and its cultural and diplomatic influence. The US's more hardline position is reflected in its trade war and its more active diplomatic, military and alliance policy in the South China Sea and Indian Ocean.



The Biden administration intends to restore the United States to its role as the leader of the “free world” and a global defender of human rights and democracy. An expressive example for it was when the new president in his first major press conference talked about the competition between democracies and autocracies. The initial moves of the Biden administration suggest that the US will continue to engage in characteristic rivalry for the time being. While maintaining the trade and technology war, the new administration plans to reorganise the military and alliance systems on a multilateral basis and to separate the allied countries more sharply from China. The Cold War bloc confrontation seems to be returning with a new ideological colour, with the economic and economic and military antagonisms of the past decades expected to take on an increasingly pronounced ideological colour and the rhetoric of the opposing sides to be sharper. The emerging US plan is to replace Russia with allied countries in the Pacific region within the 'greater West' of Kissinger-inspired Chimerica and Brzezinski's “Greater West”, which originally included Russia in addition to the US and the European Union, thus creating a bloc of liberal democracies. Within the bloc, the US leadership would be unquestioned and the combined economic power and military potential of the bloc would continue to exceed the opposing autocratic countries, China in the first place.

On the other side, a new “Greater Eurasia” seems to emerge on the horizon, especially as Turkey, after Iran, started to thighten its relations with the Chinese-Russian cooperation. The economic centre of gravity of Greater Eurasia will be Beijing, while in international politics there could be selective joint action along strategic and tactical interests, with minimum standard being that no country in the framewok of the “Greater Eurasia” should be threatened economically or politically by the “Greater West” bloc. The involvement of the European Union used

to be an essential element of the Chinese vision of the “Greater Eurasia”, but the Biden administration’s plan for a closer transatlantic alliance may make China to reconsider its positions. The US and the EU prepares to take coordinated action against China and Russia, which could lead Beijing and Moscow to take more coordinated counter actions. The “ideology” of the “Greater Eurasia” bloc is also emerging, whose main features are the rejection of west dominated ideological standards and the promotion of mutually beneficial, mostly economies based cooperation between sovereign states without the involvement and mediation of the US.

The rivalry between China and the US from a broader perspective, we agree with Matolcsy’s (2019a) idea that in the future the US and China, two superpowers with different attitudes will produce the most important global public goods such as stability, peace, open markets and the possibility of technology-driven development. The strategic objective of the so far hegemonic power, the US, is to control the world seas, the leading technologies, the information ocean and the global monetary system, which is a *sine qua non* for the US to maintain its global leadership. In a parallel with 17th-century history, the American Empire (“New Spain”) has learned the lesson of the 30-year war: it cannot defeat the rising China (“New France”) on its own, because the geopolitical power of China is too advanced for that. Accordingly, the Biden administration moves towards a cross-bloc rivalry in which the two superpowers have unchallenged positions within their own bloc, but the combined geopolitical power of the US-led “Greater West” bloc exceeds that of the “Greater Eurasia” bloc.

However, since open military conflict between the leading superpowers and blocs cannot be complied with the emerging globalised world of 8 billion people, because it would be fatal for both sides due to unpredictable outcomes and consequences (Matolcsy

(2019b)). Should the United States intend to resolve the presently forming Thucydides Trap situation by retaining some form of its global power and leadership, it should conclude a new agreement with China. The Biden administration's current policy towards China can be considered as a strengthening of the negotiating position prior to the new agreement. However, the road to a new geopolitical agreement may take a longer time, as the time horizon for major geopolitical changes stretches over decades. Historically, the future agreement can be analogised to the British Empire's Great Reapproachment policy of the early 20th century, when the British Empire was forced to recognise the new emerging power of the US. An optimal agreement may include that China will not seek global hegemony, but at the same time the US recognise China's primacy of geopolitic power within China's sphere of core interests and mutually identify global issues on which they can act together. The inertia of the decade long geopolitical power changes suggests that China is moving inexorably towards some form of global leadership, and the new agreement could be the way for the US to abnegate its position peacefully as a hegemonic geopolitical power and remain the leading power of the "Greater West".

## Notes

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- 1. In terms of purchasing power parity, the gross domestic product (GDP) per capita rose from less than USD 4,000 in the 1960s to close to USD 11,000 by 2018, and the volume of world trade, which greatly fueled growth, rose from US\$1,200 billion a year above to US\$20,000 billion.

2. The total population of the world's countries was 3 billion in the 1960s, now 7.7 billion, and current trends suggest that we could reach 10 billion by 2050. Geographically unequal distribution – overpopulated rejuvenating areas and depopulated aging areas – is going to characterize the distinct countries and continents.
3. Global debt stood at USD 184,000 billion at the end of 2017, or 225% of global GDP, or USD 86,000 per capita. See Global Indebtedness (Lentner, 2015).
4. The World Bank estimated that as a result of climate change, 100 million could fall back below the poverty line by 2030 and almost 150 million would be forced to leave their homeland by 2050, not to mention the health, food security and economic damage of extreme weather conditions.
5. <<https://power.lowyinstitute.org/>>
6. Core invention in each Kodratyev cycle: 1. steam, 2. railway, 3. electricity, 4. oil/car, 5. informatics/laser.
7. Control over the global seas is the core issue in Modelski's theoretical model.
8. <<https://power.lowyinstitute.org/methodology/>>
9. This indicator does not measure if the projection is good or bad, it refers to the search engines frequency on the country.
10. A semiconductor and microchip industry is dominated by Taiwan and the Republic of Korea. <<https://www.cnn.com/2021/04/17/the-new-us-plan-to-rival-chinas-dominance-in-rare-earth-metals.html>>
11. Northeast-Southwest line: east 85-90% of the population and economic activity is eastern from the line.
12. Washington, 25th March 2021. <<https://www.youtube.com/watch?v=W3cGU4-zwMM>>
13. <[https://www.scmp.com/news/china/military/article/3131873/chinas-new-nuclear-submarine-missiles-expand-range-us-analysts?module=lead\\_hero\\_story\\_2&pgtype=homepage](https://www.scmp.com/news/china/military/article/3131873/chinas-new-nuclear-submarine-missiles-expand-range-us-analysts?module=lead_hero_story_2&pgtype=homepage)>

14. See the previous section. The US had had opportunity to counterbalance China's economic ascension in the region in the Bush era, but the US resources was used in the war on terror in Central Asia.
15. Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
16. Trans-Pacific Partnership.
17. <<https://www.indiatimes.com/news/india/here-is-all-you-should-know-about-t-string-of-pearls-china-s-policy-to-encircle-india-324315.html>>
18. <<https://thediplomat.com/2020/09/how-the-us-can-win-back-southeast-asia/>>
19. <<https://www.uscc.gov/hearings/world-class-military-assessing-chinas-global-military-ambitions>> Panel II: Drivers, Ambitions, and Resources of a World-Class Military and Panel III: Building a World-Class Military: Missions, Modernization, and Bases.
20. <<https://www.china-briefing.com/news/the-eu-suspends-ratification-of-cai-investment-agreement-with-china-business-and-trade-implications/>>
21. Interim National Security Strategic Guidance (2021).
22. <<https://www.theguardian.com/politics/2021/apr/11/bidens-plans-for-a-global-corporate-tax-rate-could-make-the-world-a-fairer-place>>
23. Forced technology transfer: The market size and income opportunity of China are so great that most of the technology leader companies were forced to agree to share their technology with China. <<https://www.law.ox.ac.uk/business-law-blog/blog/2019/07/reform-chinas-forced-technology-transfer-policies>>

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