

Addressing China's Global Strategy

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In December 1978, Deng Xiaoping launched the so-called Open-Door policy which led to the emergence of a new China, which led to three decades of double-digit GDP growth. Over the years, China has also become increasingly powerful politically, diplomatically, militarily. Around the same time, in 1979, the United States established diplomatic relations with the People's Republic of China – as a result of the efforts by Henry Kissinger and Richard Nixon, who had visited Beijing in 1972. To these two facts, we should add a third one: the inclusion of China in the World Trade Organisation, in 2001, which led both American and European governments to start believing in the 1980s that engaging with China would help the West to make China “more like the West”. It has not been the case, although multinationals poured into China hundreds of billions of dollars in investments (for example, U.S. FDI to China between 1990 and 2015 reached \$228 billion) and the West opened widely its doors to Chinese products, notably after 2001.

Let us now look at the past year, since the 19th party congress of the Chinese Communist party, in October 2017:

- Xi Jinping was re-appointed as state president – a function that now has no term limit. He stated “China’s rejuvenation” without reference to Deng’s low-profile approach on the international system.
- China wants to take “center stage”. It no longer wants to be confined to be an economic power. Xi acknowledged China’s intention of reaching the top position in a number of key-sectors such as robotics, AI, electric cars, biotech and aviation.
- The PRC expanded its programs such as the Belt and Road Initiative (BRI), the internationalization of the RMB; it raised the budget of the foreign ministry – and of course the Defense budget continued its double-digit growth – as it has been the case since the 1980s

This strategy has been met with a strong pushback:

- In America, Donald Trump launched its offensive against China as a strategic competitor. It started with trade sanctions before the summer, it continued with a reinforcement of CFIUS; and visa threats against Chinese scholars and students. Vice President Mike Pence delivered an offensive speech in September, where it declared the Administration's full engagement against China's rise. He repeated this strong message just in November at the APEC meeting which ended with no joint communique due to the US-China row.
- A number of countries in South Asia, Central Asia, Eastern Europe and Africa have started complaining about the burden associated with being part of BRI. The debt trap faced by Sri Lanka and the Maldives are well known.

The Kissinger doctrine of "adopting a strategy of non-confrontation" becomes harder to sustain. There is clearly a cold-war type confrontation between the two largest powers in the world, the existing one and the emerging one. As for Europeans, they should avoid remaining on the side-lines.

China's ambition is now clearly across the board – and across the world. There is simply no single region or continent where Chinese companies have not stepped foot.

Republicans and Democrats have reached a consensus on the ways to address the China question, especially with regard to trade and security. In a 2012 Foreign Affairs article, Kissinger wrote that a confrontation in Asia-Pacific would be detrimental to US interests as China would be a formidable adversary. But Asia is the area that China wants to control the most even

though – "No Chinese government official has proclaimed officially the ambition of displacing the US as the preeminent power in the Western Pacific". Looking at what China is currently doing in the South China Sea and its ambitious geo-economic plan under the "Belt and Road" banner, it is hard to see a country without geopolitical ambitions. China says it wants to preserve the current international framework but it also promises to offer a connectivity that has not adequately been addressed by existing international institutions.

China will do everything it can to increase its influence in the current world institutions and to enhance its own concepts through the BRI, the Shanghai Cooperation Organization, the Asian Infrastructure Investment Bank and others.

The CCP is mainly focused on the preservation of its domestic power and the continuation of its economic growth, now around 6 percent. The party wants to remain at the core of China's society and is therefore enhancing its influence at both private Chinese firms and foreign companies.

In reality, the country is facing massive problems and it has acknowledged that an enhancement of its 1990 "going out" policy is the way to address problems ranging from overcapacities to the rising production costs that are affecting both foreign and Chinese companies. The CCP has prioritized the role of state-owned enterprises in delivering its long-term goals in sectors such as hi-tech manufacturing – if necessary by acquiring overseas technologies. The party wants to attain great-power status by 2049 at the latest. "Going out" means economically but also strategically with potential actions in the South China Sea or even Taiwan.

Despite the recent Trump-Xi meeting, the US-China relationship will not show sign of improvement for quite some time. In a way, Beijing has been shocked by Trump. A Chinese retrenchment is not impossible if the trade war and the pushback continue. China will almost certainly roll back some of its commitments and prioritize them, giving greater attention to strategically important projects

Where does this leave Europe?

In one of his answers to Karl Kaiser's interview just days before the 2018 Bonn Security Forum, Henry Kissinger had this apparently benign answer on China: "In Europe, he said, there is the beginning of a questioning".

Europeans have indeed started to realize that the time of competition is gradually being replaced by the time of adversity. Chinese investments have been massively targeting Europe – just like the rest of the world. This gives China a true influence in the affairs of many nations.

With the U.S.-China relationship at one of its lowest points, Beijing will probably change tactics and seek alliance with Europeans.

Europe is split between those who consider China as a rival and those who welcome Chinese capital without questioning either its motives or rationale. China multiplies predatory investments across Europe. For

example, it has taken over Athens' Piraeus harbour. In Portugal, China has invested in projects ranging from energy to transport, insurance, health, financial services, real estate and media. Meanwhile, in Germany, there are serious concerns on the technology front, as China has opened set goals in sectors such as artificial intelligence, robotics, alternative-energy vehicles, medical devices or aviation. If it cannot achieve it alone, snapping foreign innovative firms will be another way.

Although many Europeans are considering China not playing fairly (no reciprocity), China's "queue-jumping" is not well understood. Xi's recent state visit to Spain and Portugal has shown that there is too little information about the Chinese economy or Chinese politics. Fortunately, the EU has adopted an investment screening mechanism, two years after the governments of France, Germany and Italy advocated for such a scheme. It should serve as a wake-up call. The EU will produce a non-binding alert mechanism for future investments and a centralized database of current investments while leaving the final decision of approving deals to individual member states. With regard to the BRI, the EU has also launched a counter offensive, named the EU-Asia connectivity strategy which should start offering an alternative to countries that have felt left out by the EU after the 2008 financial crisis.