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PAMIR Executive Brief

China Update

19 April 2023

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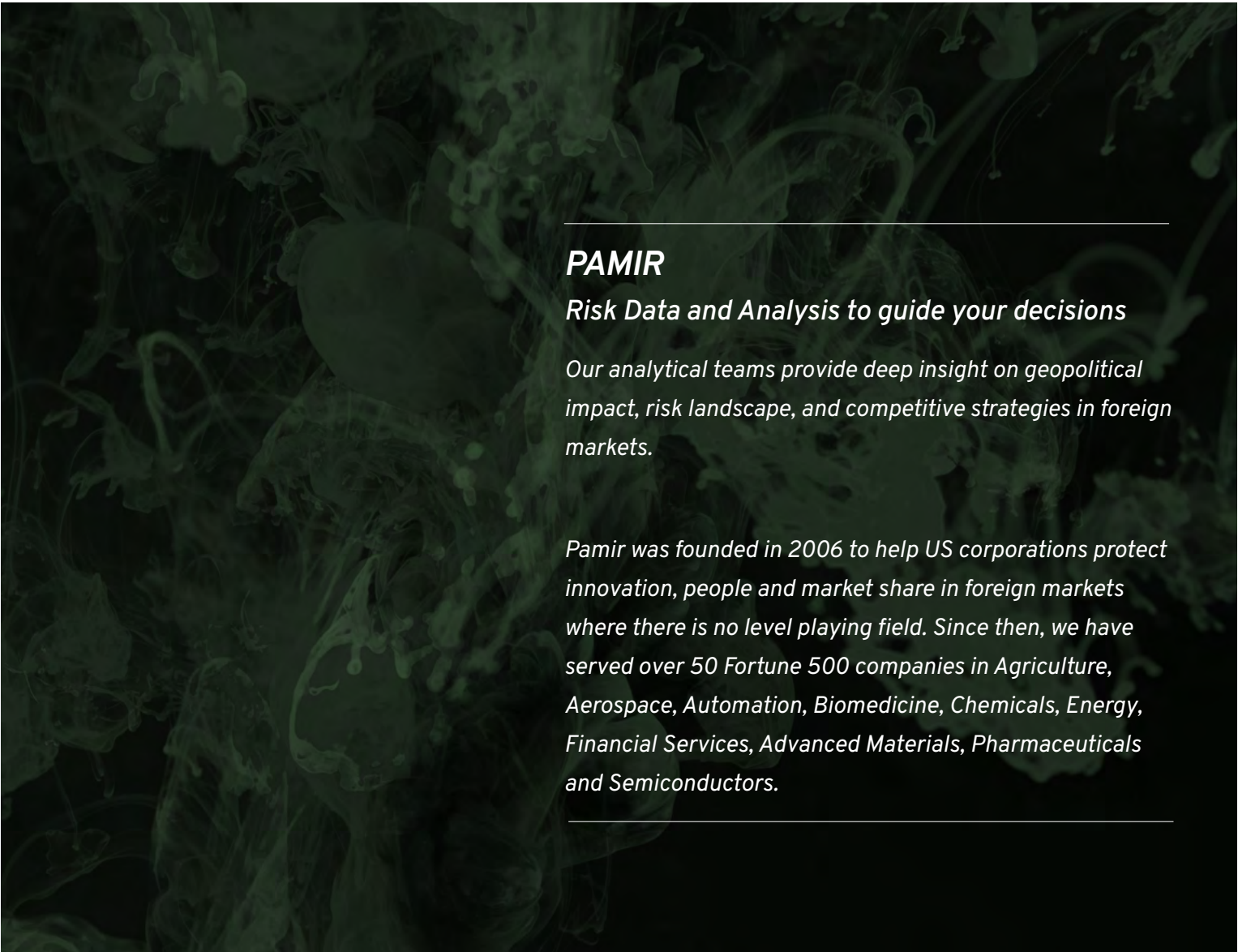
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Executive Summary

- China's "Spring Diplomacy" offensive succeeded in landing multi-billion-dollar deals for Airbus planes and Brazilian goods and spotlighted cleavages in the EU approach to China as reflected in divergent messaging from French President Emmanuel Macron and EU Commission President Ursula von der Leyen.
- Wang Jisi, influential Chinese political adviser, confirms that US-China mutual distrust is deepening and curtailing prospects for improving bilateral relations.
- Japan's Foreign Minister Yoshimasa Hayashi visited China to stabilize bilateral relations amid China's rising concern over Japan's role in what Beijing perceives as US efforts to form a NATO-like bloc in Asia against China.
- US military deployment in the Philippines and closer US-Philippines military cooperation prompted condemnation from China's Foreign Ministry, further fueling tensions in the South China Sea.

US-China Relations

Diplomatic Tensions

Since the end of March, China has launched a “Spring Diplomacy” offensive designed to undermine the US-EU alliance against China, consolidate Global South support, and expand China’s influence in international affairs.

Courting Europe

China recently hosted visits by Spanish Prime Minister Pedro Sanchez Perez-Castejona, President Emmanuel Macron of France, the EU Commission President Ursula von der Leyen, and Germany’s Foreign Minister Annalena Baerbock. After an official session in Beijing, President Xi flew to Guangzhou and held a four-hour “informal meeting” with Macron, after which the two issued a joint communiqué that covered the whole spectrum of bilateral relations and international issues. China also signed billions in commercial contracts, including a \$20 billion contract to purchase 160 Airbus planes.

- After the visit, Macron questioned US policy, saying, “Is it in our interest to accelerate on the subject of Taiwan? The worst thing would be that we Europeans must become followers on this topic and adapt to the American rhythm and a Chinese overreaction.” He warned that if there is conflict between the US and China, Europe “would not have the time or the means to build our strategic autonomy.” His post-visit remarks were well received in China and widely criticized in the West.
- Macron’s comments were not welcome in France or Europe, and he offered reassurances that France stands “for the status quo in Taiwan” and “supports the One-China policy and the search for a peaceful resolution to the situation.” A French National Assembly delegation began its Taiwan visit on 16 April with a contingent from the French Senate’s Taiwan Friendship Group to follow on 24 April.



**CHINA
SIGNED A
\$20 BILLION
CONTRACT
TO PURCHASE
160
AIRBUS PLANES**

Latin America, Southeast Asia

The president of Brazil, prime ministers of Singapore, Malaysia, and Cote d'Ivoire, as well as the ASEAN secretary general, all visited China.

- In addition to expressing political support to China on many international issues, Brazilian President Lula brought over 200 business executives to Beijing to sign multi-billion-dollar trade and investments deals. China has been Brazil's largest trade partner for the last 14 years. Bilateral trade was \$171.5 billion in 2022.
- Singapore Prime Minister Lee Hsien Loong supported China's effort to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
- Malaysia Prime Minister Anwar Ibrahim proposed establishing a separate payment system to replace the US dollar in bilateral trade. Malaysia's largest bank noted on 17 April that, despite some dilution, the US dollar will remain the dominant currency in international trade, however. The USD constitutes 60% of global external reserves versus less than 3% for the Chinese yuan.



Middle East, Centra Asia

Following the China-brokered Iran-Saudi Arabia rapprochement, foreign ministers of Saudi Arabia and Iran met in Beijing on 6 April and agreed to re-open embassies and consular offices. The two sides also agreed to start talks to end hostilities in Yemen. On 12 April, in Uzbekistan, China's Foreign Minister attended the 4th Foreign Ministers' Meeting among the Neighboring Countries of Afghanistan. China had hosted last year's meeting that produced the Tunxi Initiative for Afghan reconstruction.

“Wang confirmed Beijing has no expectation for improving China-US relations... He expressed fears that “there could be a military showdown between China and US over Taiwan and the South China Sea.””

Mutual Distrust Deepens

WANG Jisi, 75, has been a long-serving, senior adviser to the Chinese government on US-China relations. He previously served as Dean of the Institute of International Strategic Studies of the Central Party School and member of the Foreign Policy Advisory Committee of China’s Foreign Ministry.

In a Foreign Affairs article published on 6 April, Wang and co-author Scott Kennedy, senior adviser at the Center for Strategic and International Studies, conclude after conducting nearly a year of interviews that the US and China “believe the other is entirely to blame for deterioration” in relations. Chinese officials are convinced the US wants “to contain, surround, and suppress China...For its part, the US is convinced that Beijing wants to unravel the post-WWII international order.”

The authors believe relations will continue to deteriorate but aver that “talking and listening would increase opportunities of finding ways to peacefully manage differences.”

At a seminar in Singapore on 3 April, Wang attributed the deterioration of US-China relations to US domestic politics.

For decades, US policy was based on the notion that, with economic growth and China’s young generation, China would eventually transition to a country “not so much of communism, but of capitalism...more like the US.” Since China failed to meet this expectation, countering China is now a point of US bipartisan consensus, in Wang’s view.

- Wang commented that because China is “more concerned about its internal security” than its external security, Beijing sees the US as “interfering in China’s internal affairs” like Xinjiang, Tibet, Hong Kong, and Taiwan, and consequently China intends to counter US “interference”.
- Wang claimed that when former President Trump started confronting China, Beijing thought Washington would be satisfied if China made some economic concessions. The Chinese leadership perceived that the US was pursuing both economic gains and an ideological agenda to depose the Chinese Communist Party, as Wang explained.
- Wang confirmed Beijing has no expectation for improving China-US relations, stating “I talked with some Chinese policymakers and others. They told me, how can we improve our relations with that country that is trying so hard to contain China? I do not buy the notion that more talks will produce more results.” He expressed fears that “there could be a military showdown between China and US over Taiwan and the South China Sea.”

East and Southeast Asia

Japan

Japanese Foreign Minister Yoshimasa Hayashi visited Beijing on 1-2 April in the first such visit in more than three years and at a point when bilateral tensions are at an unprecedented level. Both sides acknowledged their relationship is “at a critical juncture” with a necessity to work for “a constructive and stable China-Japan relationship.” Pamir observes that the Hayashi visit may have temporarily stabilized Japan-China relations, but bilateral tensions will likely increase, particularly as US-China relations deteriorate and cross-Strait tensions increase.

CHINESE AND JAPANESE FOREIGN MINISTRIES DISCUSSED FIVE KEY BILATERAL ISSUES:

1. Security

China sees Japan’s increasing military development as a deviation from Japan’s pacifist constitution. China described the reinforcement of the US-Japan alliance as part of US efforts to form a NATO-like bloc in Asia against China. China urged Japan, the host of the upcoming G7 Summit, to “guide the tone and course of the meeting in a correct manner and do more things conducive to regional peace and stability.” Japan expressed Tokyo’s serious concerns over China’s military activities near Japan, including joint exercises with Russia, as well as near the disputed Senkaku/Diaoyu Islands.

2. Taiwan

China emphasized the Taiwan issue “is at the very core of China’s core interests, which bears the political foundation of China-Japan relations.” China urged Japan to abide by the related principles enshrined in the four political documents guiding China-Japan relations. Japan highlighted the importance of peace and stability across the Taiwan Strait.

3. Discharge of nuclear-contaminated water

China said, “The discharge of nuclear-contaminated water from the earthquake-damaged Fukushima Daiichi Nuclear Power Plant into the ocean is a major issue bearing on the health and security of humanity, and Japan should handle the disposal responsibly.” Japan responded that its discharge would meet all safety requirements.

4. Economic Relations

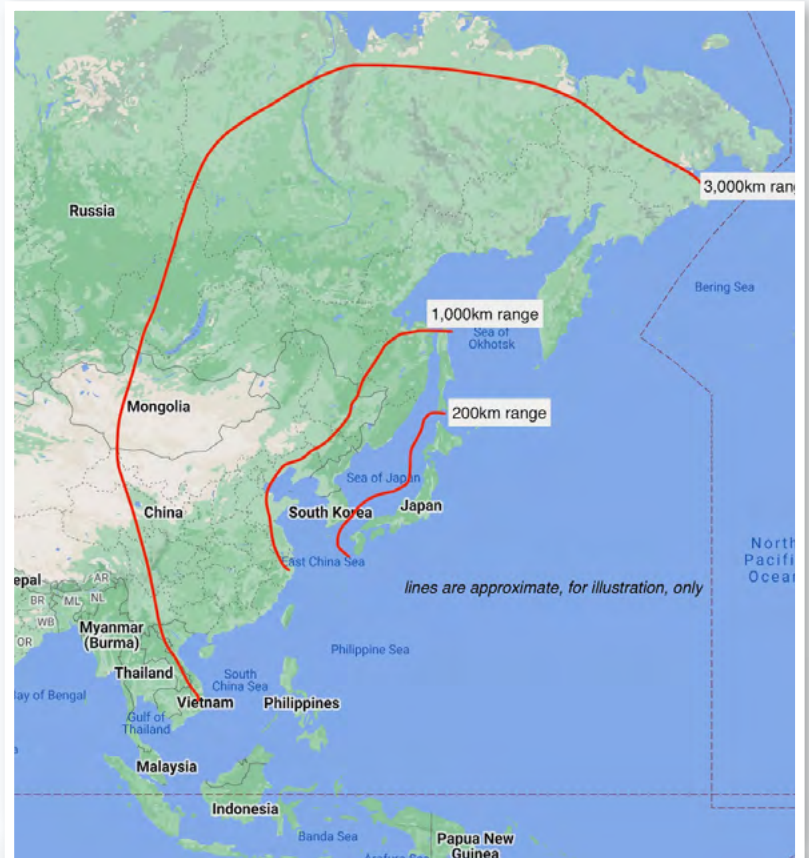
China expressed hope for more cooperation in areas such as the digital economy, green technology, fiscal and financial services, healthcare, and senior care, and suggested the two countries “work together to safeguard free trade, practice true multinationalism, actively promote regional integration, and keep industry and supply chains stable and unimpeded.”

5. Human Rights

Japan expressed “serious concerns” over situations in Hong Kong and Xinjiang. China defended its human rights record and said its “internal affairs” warrant no external interference.

The two sides welcomed the recent opening of the hotline between their militaries under the bilateral Maritime and Aerial Communication Mechanism. They agreed to hold an in-person China-Japan High-Level Consultation on Maritime Affairs, which has been stalled for four years. They also discussed the Korean Peninsula, Ukraine, UN reform, climate change, and implementation of the “2008 Agreement” on resource exploitation in the East China Sea.

On 13 April China’s Foreign Ministry responded to Japanese reporting that Japan’s Defense Ministry had signed \$2.84 billion in contracts with Mitsubishi Heavy Industry to develop a new missile force. Japan’s plan calls for first upgrading the range of its cruise missiles from 200km to 1,000km, deploying hypersonic missiles by 2026, and deploying submarine-launched hypersonic missiles with a range of 3,000km by early 2030. China’s Foreign Ministry said China is seriously concerned over this development. “We strongly hope the Japanese government...remains true to its exclusive defense-oriented policy, keep to the path of peaceful development, and act prudently on military and security issues.”



South China Sea

On 3 April the Philippines identified four additional military bases for US access under the Enhanced Defense Cooperation Agreement between the two countries, which will bring the total number of US bases in the Philippines to nine. Three bases are in the northern Philippines facing Taiwan and one near the disputed Spratly Islands. Responding to the Philippine announcement, China's Foreign Ministry said strengthening of US military deployment in the Philippines "would only lead to more tension in the region."

- On 10 April Philippine President Bongbong Marcos said "China's reaction was not surprising. The Philippines will not allow the bases to be used in any offensive action. This is only aimed at helping the Philippines whenever we need help. If no one is attacking us, they need not worry because we will not fight them."
- On 11-28 April the largest ever US-Philippines joint military exercise, Balikatan, is being held across the Philippines. Soldiers from the US (12,000), the Philippines (5,000), and Australia (111) are participating. The exercise focuses "on maritime security, amphibious operations, live-fire training, urban and aviation operations, cyber defense, counterterrorism, and humanitarian assistance and disaster relief preparedness," according to the US embassy in Manila.
- On 11 April China's President Xi Jinping inspected the naval headquarters of the PLA Southern Theater Command (STC) in southern China and demanded that the Navy "improve its capability to respond to intricate situations and resolutely safeguard China's territorial sovereignty,



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Commenting on the exercise, China's Foreign Ministry said, "Exchange and cooperation between relevant countries should not target any third party and should be conducive to regional peace and stability. US-Philippines military cooperation must not interfere in SCS disputes, still less harm China's territorial sovereignty, maritime rights, and security interests." On 12 April the ministry issued another strong condemnation of US-Philippines military cooperation.

On 10 April the US Navy's 7th Fleet announced that the guided missile destroyer USS Milius had conducted a "normal operation" within 12 nautical miles of Mischief Reef in the Spratly Islands. The PLA Southern Theater Command accused the US ship of "illegally intruding" into China's territorial waters and said its air and naval forces monitored the US ship the entire way. Mischief Reef, the largest of China's artificial islands and land reclamation projects, was once submerged at high tide.

Over the years, China has changed it into an airfield with more than 24 hangars and support facilities.

The 7th Fleet stated, "Under customary international law...features like Mischief Reef that are submerged at high tide in their naturally formed state are not entitled to a territorial sea."

On 4 April Malaysian Prime Minister Anwar Ibrahim told his parliament that Beijing had expressed concerns about an energy project conducted by Malaysia's state-owned enterprise Petronas in Kasawari Field, which is in an area also claimed by Brunei, the Philippines, Taiwan and Vietnam. Kasawari Field holds an estimated 3 trillion cubic feet of natural gas reserves.

Ibrahim said, "Malaysia sees the area as Malaysian territory. Therefore, Petronas will continue its exploration activities there," and noted that Malaysia is open for negotiations "if China feels this is their right." Malaysia media reported that a Chinese coast guard ship was operating near the Petronas project last month. China's Foreign Ministry did not address the Kasawari case but gave a general statement that China would be willing to handle differences with Malaysia through "dialogue and consultation."

Korean Peninsula

On 13 April a North Korean ballistic missile launch led Japan to issue an evacuation order for the northern island of Hokkaido.

At a routine press conference, China's Foreign Ministry dismissed a question about the launch by placing blame on the US: "This round of tension on the Korean Peninsula happened for a reason. Recent massive US military drills near the Peninsula and its deployment of strategic weapons apparently had a negative impact."

On 20 March China and Russia blocked a US-Britain proposal in the UN Security Council to penalize North Korea's provocative ballistic missile firings.

In the first two months of 2023 China exported nearly \$300 million in goods to North Korea for a 158% YoY increase. Imports from North Korea totaled less than one-tenth this amount.



Strategic outcomes

Xi puts his stamp on foreign policy

China's "Spring Diplomacy" reflects increasingly salient traits of Chinese foreign policy under Xi Jinping's leadership: Beijing projects an image of China as a global mediator, casts blame on the US, sows division between the US and its allies, offers economic incentives and market access, albeit limited, and positions China's leadership as a viable alternative to US primacy, particularly among Global South countries. China adroitly seeks ways to widen rifts in US-EU relations; lance fissures in intra-EU dynamics by courting Paris, yet sidelining Brussels; expand economic influence in Latin America by rewarding Lula for Brazil's pro-China stance; broker détente between like-minded regimes, such as Iran and Saudi-Arabia, to amplify an authoritarian alternative model of governance; and amp up aggressive posturing toward US security allies –Japan, South Korea and the Philippines.

LEVEL OF CONCERN



Pamir position

Pamir assesses that as US-China mutual distrust deepens and strategic-level communications stagnate, the probability of misunderstanding, miscalculations and missteps continues to rise. As uncertainty in China's risk environment increases, developing a China risk strategy will help mitigate unintended and unfavorable consequences

Strategic outcomes

Level of Concern indicators - what they mean

- 1 - indicates no change to the status quo
- 2 - indicates escalating tensions
- 3 - indicates aggressive escalation
- 4 - indicates high probability of impending crisis event
- 5 - indicates a full-scale crisis or conflict situation.

How we calculate them

- Frequency of references to subject in Chinese-language official government statements, credible press reporting, and social media
- Frequency of references to subject in English-language official government statements, credible press reporting, and social media from the US, EU, UK, Australia, Japan, etc.
- Consistency of historical, current, and emerging trendlines related to the subject
- Aberrations in official Chinese-language policy formulations
- Strategic shifts in official Chinese government and military signaling through diplomatic, information, military, and economic actions and behavior

Analytic Methodology: internal monitoring with quantitative and qualitative analysis of Chinese media and propaganda; comparative trend analysis, intelligence tradecraft; other proprietary methods.

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