SWP Research Paper

Barbara Lippert and Volker Perthes (eds.)

Strategic Rivalry between United States and China

Causes, Trajectories, and Implications for Europe

Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

SWP Research Paper 4
April 2020, Berlin

- Rivalry between the United States and China has become a paradigm of international relations over the past two years. It shapes both strategic debates and real political, military and economic dynamics.
- The dimensions of Sino-American competition over power and status include growing threat perceptions and an increasingly important political/ideological component.
- The US-China trade conflict is politically instrumental and closely bound up with the development of the world order.
- The crux of the technological dimension is not who sets the standards, but geopolitical power projection through "technopolitical spheres of influence". The development and use of technologies thus become part of a systemic competition.
- Through their respective leadership styles, Presidents Trump and Xi foment bilateral conflicts and — each in their own way — damage international rules and institutions.
- The Sino-American rivalry also undermines multilateral institutions such as the World Trade Organisation. While Washington has withdrawn from a number of multilateral institutions, Beijing is expanding its influence in contexts like the United Nations.
- Europe needs to escape the bipolar logic that demands it choose between the American and Chinese economic/technological spheres. The European Union must develop a China policy for its drive towards sovereignty (strategic autonomy). That requires a "supranational geopolitics".

SWP Research Paper

Barbara Lippert and Volker Perthes (eds.)

Strategic Rivalry between United States and China

Causes, Trajectories, and Implications for Europe

Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

SWP Research Paper 4
April 2020, Berlin

SWP Research Papers are
peer reviewed by senior
researchers and the executive board of the Institute.
They are also subject to fact-checking and copy-editing.
For further information
on our quality control procedures, please visit the
SWP website: https://www.swp-berlin.org/en/about-swp/quality-management-for-swp-publications/.
SWP Research Papers reflect
the views of the author(s).

SWP
Stiftung Wissenschaft und
Politik
German Institute
for International
and Security Affairs

Ludwigkirchplatz 3 — 4
10719 Berlin
Germany
Phone +49 30 880 07-0
Fax +49 30 880 07-200
www.swp-berlin.org
swp@swp-berlin.org

ISSN 1863-1053
doi: 10.18449/2020RP04

Translation by Meredith Dale

(English version of
SWP-Studie 1/2020)

Table of Contents

Volker Perthes

Dimensions of Strategic Rivalry: China, the United States and Europe's Place

Rivalry between the United States and China has become a paradigm of international relations over the past two years. It shapes strategic debates and real political, military and economic dynamics, and is likely to continue to do so for some time. That is not to say that the competition between Washington and Beijing, or even great power rivalry in general, determine all other international problems and conflicts. But the rivalry does increasingly frequently form the lens through which other actors view important developments and events. At least for the United States, it can be said that strategic rivalry with China has edged out the "War on Terror" paradigm that had prevailed since 2001.

All contributions to this publication were written before the Corona crisis began. Like any global crisis, the pandemic will leave an impact on patterns of international governance and cooperation, and probably on the structures of the international system. It is possible — but by no means certain — that the aftermath of the crisis may actually see global governance structures strengthened in individual policy realms, particularly with regard to global health. This cannot happen without the buy-in of most, if not all, the major powers. But even with heightened co-operation in some policy fields, the rivalry between the United States and China will likely remain a — if not the — defining issue in international relations for some time to come. In some areas, the pandemic may actually fuel the competition. This is already seen in the ideological realm where China, after first being criticised for the way it handled the virus outbreak, now highlights the advantages of its own — authoritarian — governance system in responding to such crises. The pandemic may also witness some nations gaining soft power by showing solidarity, while others lose some of theirs for not doing so.

Since 2017 China has been treated as a "long-term strategic competitor" in official US government strategy documents. And in its London Declaration of December 2019 NATO spoke for the first time of the challenges (and opportunities) presented by China's influence and international policies.[1] China's political elite is — rightly — convinced that the United States is seeking at the very least to prevent any further expansion of Chinese influence. And while disputes over trade policy and trade balances feature most prominently in the US President's statements and directly affect the global economy, they in fact represent but one aspect of the rivalry and by no means the most important. The conflict is, as Peter Rudolf shows, multidimensional.

Analytical clarity is an absolute prerequisite if Germany and the European Union are to pursue their own autonomous strategic approach to the Sino-American rivalry: Only if we understand the multidimensionality of the conflict constellation will we be able to find appropriate political answers and develop the necessary instruments.

Global Power Rivalry

The issue at hand is global power equilibria and their status within the international system. There are grounds to believe that US President Donald Trump regards superiority — and above all military dominance — as an end in itself rather than simply a means to promote particular interests and values. President Xi Jinping appears to be driven more by a Chinese vision of world order in which superiority is both means and end. But the conflict also has security-related, economic, technological and ideological

1 "London Declaration Issued by the Heads of State and Government Participating in the Meeting of the North Atlantic Council in London 3—4 December 2019", press release 115, 4 December 2019, https://www.nato.int/cps/en/natohq/official_texts_171584.htm (accessed 9 December 2019).

dimensions, as well as what one could call a personality dimension. The contributions in this volume examine each of these dimensions and their contexts, as well as the repercussions of US-China rivalry on international institutions and on Europe. The issues of relevance also encompass the respective influence of the established and the rising superpower on other states, regions and societies.

From the Chinese perspective, as Hanns Günther Hilpert and Gudrun Wacker show, the United States will never voluntarily cede significant international influence to China. America regards China as a revisionist power whose long-term aim is global supremacy. This, as the contribution by Marco Overhaus, Peter Rudolf and Laura von Daniels demonstrates, is a matter of broad consensus in the United States, across both main parties and throughout business, politics and society as a whole. More considered positions do exist, but they tend to be marginalised. Real debate is confined largely to the question of the means by which the conflict is to be conducted.

For that reason too, hard security challenges escalate, leading to the emergence of a classical security dilemma. As Michael Paul and Marco Overhaus outline, this applies especially strongly to China as a great power that is expanding its radius of action and in the process transitioning incrementally from the doctrine of coastal defence to maritime “active defence”. But it also applies to the United States, which sees China’s growing military capabilities as a threat not only to its own military bases in the Pacific, but also to its system of partnerships and alliances in the Asia-Pacific region — and in the longer term to its nuclear deterrent.

Conflicts over Trade, Economic and Financial Policy

Economic competition and conflicts over trade, economic and financial policy form a real dimension of rivalry in their own right, which predates the protectionist course adopted by the United States under President Trump. Washington’s criticisms of Chinese trading practices, unfair competition and rule violations are widely shared in Europe. The trade conflict is, as both Hilpert and von Daniels explicate in their contributions, closely bound up with questions of world order that are of vital importance, especially from the European perspective. That applies for example to the future of binding multilateral trade rules and institutions. These issues are also of domestic political relevance in both states, with strong mobilising potential that is not fully contingent on the extent to which global developments actually affect the employment situation in particular sectors. All in all, however, Hilpert argues, the material benefits accruing to both sides from their economic cooperation have declined in comparison to the period between 1990 and 2015. Bilateral trade between the United States and China is no longer a stabilising factor capable of ameliorating political conflicts. Instead trade conflicts are politically instrumentalised, although they may also represent the most easily untangleable knots in the complex web of US-China rivalry. Or put another way: the strategic rivalry between the United States and China will continue to exert decisive influence on international politics for the foreseeable future, even if Washington and Beijing succeed in resolving important trade issues and manage to conclude a trade agreement before the upcoming US presidential elections.

Technological Dimension

The technological dimension of the rivalry runs deeper and will outlast any putative resolution of the trade disputes. Both absolute and relative prizes are at stake: the question of who will secure the largest piece of the cake in the long term, for example by defining the technical standards. And technological competition is always also a question of security. There is no other plausible explanation for the sharpening of competition and the growing mistrust that has in the meantime noticeable restricted exchange and cooperation in the technological sphere. As Matthias Schulze and Daniel Voelsen explain, this competition also connects with geopolitical questions in the traditional sense: “Technopolitical spheres of influence” built on digital products and services are no longer purely territorial, but still allow geopolitical power to be projected and international dependencies to be cemented.

In this connection, questions of the development and use of technologies increasingly connect with political and ideological aspects. They become part of a system opposition or systemic competition concerning the internal order: the relationship between state and society, between government and governed. Hilpert addresses this political/ideological dimension, which located in a global competition between liberal and democratic paradigms on the one side and authoritarian on the other. Everywhere, including Europe, this might ostensibly be an internal debate, but it is codetermined by the polarisation between the United States and China. Defending democratic values and liberal elements in the world order is plainly not a priority for the serving US President. But for Congress both these concerns are front and centre in the Sino-American rivalry and both chambers have been working to promote more decisive policies in this respect — most recently with the Hong Kong Human Rights and Democracy Act in November 2019.

The debate in the United States is characterised by fear of the rise of China and the possibility of being overtaken. This is perhaps why, as Hilpert outlines, the Chinese elites also still feel insecure, threatened by liberal values and world views. That remains the case despite China having disproven the West's liberal expectation that democracy and rule of law would emerge more or less automatically if the country developed economically and generated growing prosperity. China's development model has been successful, and liberal values still remain attractive especially to young, well-educated and mobile members of Chinese society. This explains the Chinese leadership's nervousness over Hong Kong, its apparently exaggerated fear of colour revolutions, and its comprehensive efforts to secure its grip on power and ideally establish its own type of harmonious society by technological means.

Technologies are, as Schulze and Voelsen point out, not value-neutral. The more technological developments touch on fundamental questions of political and social order, the more technological competition will be tied to the political/ideological dimension of strategic rivalry, be it in data gathering and processing, artificial intelligence or biotechnology. Germany and the European Union will also have to address questions such as what it would mean for the European model of state and society, which is committed to the protection of individual rights, if Chinese technology investments were to enable a large-scale outflow of personal data. There is also a need for a critical investigation of how the development and export of surveillance technologies and social control techniques by Chinese high-tech firms not only assists authoritarian and repressive regimes but also promotes the dissemination of illiberal concepts of governance and society.

Different Leadership Styles

One can debate the extent to which the personal factor, the specific traits of Trump and Xi, represents a separate dimension of the US-China rivalry in its own right. In any case, Günther Maihold argues, their different but in both cases very personal styles of leadership will continue to influence relations between the United States and China. Trump's transactional and Xi's externally and internally transformative style are highly incompatible. They tend to undermine whatever basis of trust still remains, restrict the possibilities of diplomacy and exacerbate bilateral conflicts. Other powers, including the European Union, might in certain cases gain room for manoeuvre of their own. But they will principally have to put their efforts towards upholding international rules and international institutions, which are being harmed in different ways by both Washington and Beijing.

International Effects

Even if the constellation of conflict and competition described here is understood as a bilateral rivalry and to some extent plays out as such, its significance and consequences are global: It affects relationships with other powers, influences regional dynamics even in Europe, shapes the work of international organisations and forums (such as the G20 or the United Nations and its agencies), and, as Laura von Daniels describes, often enough undermines multilateral institutions. This is especially clear in the case of the World Trade Organisation, whose rules have been violated by both sides and whose very function the Trump Administration has sought to impair. China is establishing new international forums and organisations in line with its own Sinocentric concepts of order, especially in its own regional environment. But unlike the United States, China is showing no signs of withdrawing from international and multilateral institutions. Instead it is working actively to expand its influence at the United Nations and within its agencies and programmes. One channel by which this occurs, not least in the case of UN peacekeeping, is for China to assume greater responsibility and a larger share of the costs. But at the same time it seeks to establish its own political terms and values in the language of the United Nations. Whereas Trump took the United States out of the UN Human Rights Council, China has been working establish its own ideas within it, for example by relativising the importance of individual human rights.

The European Union and its member states are affected directly and indirectly by the Sino-American rivalry. Europe's take on China has become more critical, in Germany probably more so than in other EU member states. Europe no longer sees China just a negotiating partner with different interests and an economic competitor, but also a "systemic rival promoting alternative models of governance".[2] Nevertheless, from the European perspective China remains a vital cooperation partner for tackling global challenges, first and foremost but not exclusively in connection with climate protection. Europe cannot have any interest in a "decoupling", in the sense of a broad severing of technological and economic ties of the kind being discussed and to an extent also prepared in the United States. Like many other states and regional groupings, Europe will also have to resist the bipolar logic pressing it to choose between an American and a Chinese economic and technological sphere. Instead it will have no alternative but to work towards sustainable long-term ties on the basis of real interdependency and shared rules. Equidistance to China and the United States, as occasionally proposed by interested parties in European debates,[3] is not an option however. For that the gap between Europe and China — in terms of questions of values, the political system and the rules-based international order — is too large. And however great the differences may appear, the ties that bind the Euro-American community of values and security are likely to remain a great deal closer than the relationships of either the United States or the states of Europe to any other international partner.

New Strategy for Europe

Europe will, as Annegret Bendiek and Barbara Lippert underline, have to discover its own strengths and develop a China policy that is not conceived as a "country strategy", but as part of a comprehensive European strategy of self-assertion, or, in other words, part of a striving for greater European sovereignty or strategic autonomy.[4] Especially in connection with China, this demands more supranationality, or what Bendiek and Lippert call a "supranational geopolitics". Work is already under way on instruments that could serve a confident, prudent European policy towards China, such as foreign investment screening complemented by national legislation. The trick is to prepare Europe for harsher competition by strengthening social and technological resilience, without weakening cooperation and interdependency. Such a strategy should apply to not only the direct relationship to China but also to Europe's international and global profile as a whole. Many states and societies in Asia and Africa value China's economic engagement and its Belt and Road Initiative, but fear one-sided dependencies. Here the European Union's connectivity strategy towards Asia represents a sensible approach. The same applies to the already considerable funds that Europe provides for African infrastructure, for example via the European Investment Bank. Finally, European states will have to expand their engagement in the United Nations and other multilateral organisations and forums. In the process they may find themselves having to fill gaps created by the disinterest or withdrawal of the current Administration in Washington. That offers an opportunity to demonstrate that Europe's understanding of multilateralism and international rules differs fundamentally from Sinocentric multi-bilateralism.

2 European Commission, *EU-China – A Strategic Outlook*, Joint Communication to the European Parliament, the European Council and the Council, 12 March 2019, https://ec.europa.eu/commission/publications/eu-china-strategic-outlook-commission-contribution-european-council-21-22-march-2019_de (accessed 4 December 2019).

3 For example Xuewu Gu, "Der dritte Weg: Warum Europa den Alleingang wagen muss", *Handelsblatt*, 22 December 2019, https://www.handelsblatt.com/meinung/gastbeitraege/gastkommentar-der-dritte-weg-warum-europa-den-alleingang-wagen-muss/25253468.html (accessed 4 December 2019).

4 For an in-depth treatment, see Barbara Lippert, Nicolai von Ondarza and Volker Perthes, eds., *European Strategic Autonomy: Actors, Issues, Conflicts of Interest*, SWP Research Paper 4/2019 (Berlin: Stiftung Wissenschaft und Politik, March 2019), https://www.swp-berlin.org/en/publication/european-strategic-autonomy/.

Peter Rudolf

The Sino-American World Conflict

The strategic rivalry between the United States and China risks spiralling into a multi-layered world conflict that presents economic and military dangers.* The rivalry between the two great powers is beginning to structure international relations and bears the potential to bring forth a new "geo-economic world order". In comparison to past decades, the question of who gains more from economic exchange and concern over the problematic security implications of economic interdependence now play a much more important role. If economic and security interests are placed on a permanently new footing under these aspects, the level of integration could decline to a point where it could be regarded as a kind of deglobalisation.

China's Rise as Threat to American Predominance

In the United States the rise of China is widely regarded as a danger to America's own dominant position in the international system. Although the idea of an unstoppable Chinese economic and military expansion and a relative loss of power for the United States is based on questionable assumptions and projections, China is genuinely the only country with the potential to threaten the status of the United States. Power shifts, it is argued, could endanger the stability of the international system, if the predominant and the rising power prove incapable of reaching an understanding over governance and leadership in the international system. This is the implication of the power transition theory that has been avidly discussed in both countries and in recent years coloured the public debate in the guise of the "Thucydides Trap". The theory itself is problematic, its explanatory value contested. But as an interpretive framework it influences perceptions both in the United States and in China. On the one hand this framework highlights the risks of a transition, on the other it sees individual conflicts of a more regional or local nature coalescing to a global hegemonic conflict.

On the Structure of the Sino-American Conflict Syndrome

A string of elements make up the US-China conflict syndrome. Its basis is a regional — and increasingly also global — status rivalry. China's growing power has awakened American fears over its status as the only international superpower. Some would argue that states (or the protagonists representing them) seek status as an end in itself, as postulated in approaches grounded in social psychology. In this understanding, higher status engenders the psychological gratification of superiority over other individuals or states, and the prospect of losing this status threatens one's own identity. But status is also associated with material gains. In the longer term, China threatens not only America's status as the leading power, but also the privileges and economic advantages that ensue from that status. China could, the sceptics argue, acquire dominant global political, economic and technological influence, set rules and standards across the board, and establish a kind of "illiberal sphere of influence". In this case the United States would no longer be able to guarantee the security and prosperity it has enjoyed to date.

This competition for influence melds with an ideological antagonism. Of course, the human rights situation in China has always been a cause of intermittent friction in US-China relations. But as long as China's rise was not perceived as a global challenge and as long as the hope survived that China would eventually liberalise, China was not perceived as an

* This chapter summarises the findings of a longer study by the author, which also includes extensive references and sources. Peter Rudolf, *The Sino-American World Conflict*, SWP Research Paper 03/2020 (Berlin: Stiftung Wissenschaft und Politik, February 2020), https://www.swp-berlin.org/en/publication/the-sino-american-world-conflict/.

ideological antagonist in the United States. From the Chinese perspective this ideological dimension has always been more salient, given that Western concepts of liberal democracy and freedom of expression threaten the ideological dominance of the Chinese Communist Party. It must be expected, however, that the systemic conflict will loom increasingly large on the American side, sometimes interpreted as a clash between "liberal democracy" and what is occasionally referred to as "digital authoritarianism". Highlighting the ideological conflict might be employed to mobilise sustained domestic support for a power clash with China that cannot come free of economic costs.

Even if the ideological conflict is not the most important layer, it must certainly be expected that an increasingly pointed "ideological difference" will intensify threat perceptions and thus strengthen the security dilemma between the United States and China. Since the Taiwan crisis of 1995/96 both sides (again) see each other as potential military adversaries and align their planning accordingly, so the security dilemma shapes the structure of the relationship. Neither side is especially sensitive to the reciprocal threat perceptions this produces, because the antagonists each see themselves as defensive, peaceful powers but suspect the respective other of aggressive offensive intentions.

Dimensions and Dynamics of the Rivalry

Given that China and the United States are potential military adversaries — and not merely systemic antagonists competing over status — the relationship between the two must be understood as a complex strategic rivalry. This is especially clear on China's maritime periphery, where the rivalry is dominated by perceptions of military threats and the American view that China is seeking to establish an exclusive sphere of influence in East Asia. In the South China Sea Washington's insistence on unhindered access and freedom of navigation collides with China's efforts to create a security zone and counter America's ability to intervene. The geopolitical conflict over the South China Sea is, moreover, interwoven with the nuclear dimension. China appears to be turning the South China Sea into a protected bastion for nuclear-armed submarines to safeguard its second-strike capability vis-à-vis the United States.

Technological dimension of global competition for influence.

There are also military threat perceptions — albeit less important — in the global competition for influence, which in the meantime also encompasses the Arctic. The present US Administration is convinced that China's growing global economic and political presence comes at the expense of the United States. In response Washington is applying pressure and incentives to dissuade other states from expanding their economic relations with China.

The global competition for influence is intimately bound up with the technological dimension of the US-China rivalry, which concerns technological predominance in the digital age. What makes this dimension of the conflict so crucial is that technological leadership creates global competitive advantage and secures the basis for military superiority.

As reflected in the campaign against Huawei, we are witnessing a turn away from the positive-sum logic in economic relations with China. As long as Washington was not afraid of the rise of a strategic rival the economic logic predominated. And in absolute terms the United States profited from economic exchange relations. That China may have derived relatively larger benefits played no real role. This economic logic of absolute gains was tied to an expectation that economic interdependence would have cooperation-promoting and peace-stabilising effects. Now fears that China is growing into a global strategic rival are eclipsing the economic logic. Under Trump the security logic now dominates both rhetoric and practice, in association with concerns over the relative distribution of gains and the view that economic interdependence has negative consequences for the technological basis of military superiority.

Consequences

If the strategic rivalry between the United States and China consolidates into a lasting global conflict constellation this could set in motion a kind of deglobalisation, ultimately leading to two parallel orders, one dominated by the United States, the other by China. If the US-China conflict continues to sharpen and accelerates the bipolarisation of the international system, the basis for global multilateralism could disappear. And the US-China world conflict confronts Germany and the European Union with the question of the extent to which and terms under which they should support the United States against China. One thing appears certain: Whether President Trump is reelected or a Democrat enters the White House in January 2021, the strategic rivalry with China will shape US foreign policy.

Washington views the world, and Europe, through a "China lens".

Washington will likely view the world, and Europe, above all through a "China lens". If this leads the United States to fixate even more strongly on the Indo-Pacific and competition over influence with China, it may treat crises in Europe and the European periphery as secondary. Washington's pressure on its allies to take a clear position on the sharpening US-China conflict and clearly side with the United States is likely to grow rather than wane.

Hanns Günther Hilpert and Gudrun Wacker

Chinese Narratives about the United States

The power of the United States has always exerted a special fascination on China's political elites, while at the same time representing a permanent source of insecurity. In view of this obsessive fixation on America, the political scientist Graham Allison struck a nerve when he applied the metaphor of "the Thucydides Trap" to describe Sino-American relations.[1] According to Allison's comparative historical study, the growing influence of a rising power automatically leads to geopolitical power shifts and adjustment processes, and potentially even to armed conflict. He argues that the process in Ancient Greece described by Thucydides — where the rise of Athens made war with Sparta inevitable — is a real risk today in the relationship between China and the United States. Such warnings naturally contradict China's own rhetoric of peaceful rise.

From the Chinese perspective, the country's gain in economic and political importance is nothing more than a resurgence.

China sees its own rise as natural and inevitable. And on the other side, in Beijing's view, a frustrated America is seeking to preserve its own supremacy by containing China geopolitically and hindering its economic, technological and military development. The Chinese firmly believe that their success story of the past four decades rests not on American weakness but in the first place on the hard work and ingenuity of the Chinese people, the commercial aptitude of its businesses, and the intelligent and far-sighted policies of the state and party leadership in Beijing.

One can only speculate about how the United States is really perceived in China, because official statements and public media representations are closely controlled, while academic publications are either subject to self-censorship or are intended to convey certain political messages to the other side. In the following we therefore describe the America-related narratives that are identifiable in China's official and published sources. Social media sources are included too, along with personal discussions with researchers in China.

China as "Champion of the South"

From the Chinese perspective, the country's gain in economic and political importance is nothing more than a resurgence. Until the late eighteenth century China's per capita income exceeded that of Western Europe or North America, and China was the uncontested leading power in Asia. Only after the arrival of Western colonialism and imperialism was China plunged into a decline lasting roughly a century, during which it suffered economic exploitation, political humiliation and military invasion (the "century of humiliation"). Chinese views of America and the West remain correspondingly ambivalent today. On the one hand the United States engenders fascination for its capacity to innovate, its economic strength, its universities, its military capabilities, and its political system; all these earn respect and admiration in China. On the other, the negative experiences of the past create distance and mistrust towards the West. More recently, the global financial crisis, America's military interventions in the Middle East and Trump's erratic style of politics have greatly eroded the West's reputation.

Despite its economic success and great power status, China still sees itself as part of the Global South. To this day the political leadership speaks of China as the "the world's largest developing country". In fact the North/South dimension — citing a global development and power gap between the West and the rest of the world — probably features more prominently in the Chinese discourse than the more ideological East/West divide: China presents itself as the trailblazer and advocate of the emerging economies and

1 Graham T. Allison, *Destined for War: Can America and China Escape Thucydides's Trap*? (Boston, 2017).

developing countries, not as the systemic adversary of the United States and the West. From this perspective America represents the paradigm for modernisation: China needs to reduce the gap with the United States and catch up in order to make the world a fairer and more just place. This self-assessment also modifies the triumphalism that always resonates in Beijing's recurrent narrative of a rising China and declining America.

America Blocking China's Progress

Beijing has always viewed America with deep mistrust, suspecting it of seeking to internally corrupt and transform China — and the rest of the Communist world — by means of "peaceful evolution", in other words infiltration and subversion from within. These fears were confirmed with shocking rapidity in 1989, when the Tiananmen massacre was followed almost immediately by collapse of the Soviet empire. Since then the perception of the United States as an obstacle on China's road to restoring lost greatness has been, at least implicitly, a consistent motif in the Chinese discourse.

Fate of Soviet Union warns China to avoid open competition with the United States.

The fate of the Soviet Union also left an indelible mark on the attitudes of all subsequent generations of Chinese leaders. They concluded that open competition with the United States was to be avoided, whether in the form of an arms race or through confrontation in other fields; real conflict was out of the question. Accordingly, they responded to what they perceived as America's attempts at containment with the rhetoric of cooperation ("win-win") and concepts such as a "new type of great power relations", in which each side would respect the other's "core national interests". Although realistic Chinese analysts understand the relationship between rising and declining powers as an unavoidable zero-sum game — where one side's gains are the other's losses — they nonetheless see the Chinese and US governments as bearing a responsibility to prevent conflict (and certainly war) from breaking out.[2]

Beijing's fears that Washington was ultimately seeking regime change in China deepened in the wake of the so-called "colour revolutions" of the 2000s and the Arab Spring of 2011. The Chinese wonder whether the United States would accept their country's rise and its possible leading role in new technologies (artificial intelligence, 5G) if it was a democracy based on the Western model. Is preserving American supremacy Washington's prime interest — or would it be conceivable for it to give up this role in particular areas if China were to change fundamentally, in other words democratise?

A US-Dominated World Order

China also takes an ambivalent view of the post-1945 liberal world order and the values and institutions upon which it is built. That order and the globalisation process it gave rise to have enabled China to industrialise and modernise via market opening and market reforms, to largely eliminate absolute poverty, and to acquire international power and prestige. But ultimately, the Chinese believe, the Western liberal system remains a manifestation of American hegemony. Beijing does not expect the United States to concede China the voice that its economic and political weight would merit.[3] Chinese leaders are convinced that America and the West will never voluntarily grant China greater influence at the international level. In line with this, they believe, the role of a "responsible stakeholder" — as first demanded of Beijing in 2005 by the then US Deputy Secretary of State Robert Zoellick — would primarily strengthen America's claims to hegemony but not benefit China's economic development, still less its political rise. In any case, China regards the West's advocacy of a liberal world order and universal human rights as a hegemonic discourse.

The United States under Donald Trump

Donald Trump's election as US President in 2016 was officially welcomed; scholarly assessments of the implications for the bilateral relationship were cautiously optimistic. Although Trump railed against China in

2 For example Yan Xuetong, *Leadership and the Rise of Great Powers* (Princeton, NJ: Princeton University Press, 2019).

3 Evan S. Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification*, RAND Project Air Force (Santa Monica, CA: RAND Corporation, 2009).

his election campaigning, most Chinese believed he was merely replicating a familiar pattern. Previous presidential candidates — Carter, Reagan, Clinton, Bush jr. — had presented China as competitor and adversary in their campaigns. But after taking office each newly elected Administration sooner or later found its way back to a pragmatic and cooperative policy towards Beijing. In the case of Trump, as a businessman, it was also assumed that a viable basis would be found. On that assumption, official and media responses to Trump's attacks were restrained (except over Taiwan). There was also little public criticism of his competence and leadership style. Even on Chinese social media the initial responses to Trump's election tended to be positive. He was principally characterised as an unorthodox personality, and his disdain for political correctness was seen as refreshing.[4]

Open admission that the dangers presented by Trump were underestimated.

In the meantime, deep disillusionment seems to have set in.[5] It is openly admitted that Trump's unpredictability, his willingness to escalate, and the dangers he poses to Chinese economic growth had been underestimated. The President's trade-related accusations concerning China are rejected as unfounded, illegitimate and without substance.[6] The nationalist *Global Times* these days bluntly asserts that Washington has swung behind a course of containment, which is manifested in its Indo-Pacific strategy.[7] The newspaper also demonstrates the new mood of self-confidence, asserting that China can no longer be contained and any attempt to do so would harm America more than China. But even the *Global Times* does not restrict itself to promoting a confrontative stance towards the United States. Instead it expresses cautious optimism that a solution to the trade dispute can be found. A new Cold War, it says, is "unrealistic".[8] The dominant tone of official and published statements is that, in light of the bilateral tensions in the economic field, both sides need to seek compromise in order to avoid inflicting harm on themselves. But sceptics warn that a lasting and dependable trade peace will not be possible with President Trump.

Official statements and media reports are highly critical when it comes to the recent protests in Hong Kong. Here the United States is sharply attacked, with the US Congress and the CIA accused of supporting the protests financially as well as verbally. Here again we see the narrative that the United States is seeking to weaken the Chinese system and ultimately achieve regime change in Beijing. This is because in Hong Kong "core national interests" such as China's territorial integrity are at stake.

Back to the Future?

China's America analysts differ in their expectations of future developments in the Sino-American relationship. One camp hopes that both sides will return to pragmatic and constructive relations, whether by reaching an agreement with Trump over the trade dispute or by his losing the next election. Another camp interprets the shift in Washington's policy towards China as permanent and structural. They believe that a bipartisan consensus in the United States will determine the bilateral relationship for the foreseeable future ("no turning back").[9] More reform-oriented Chinese academics regard the pressure applied by the Trump Administration as counterproductive because it leads to a hardening of the defensive stance in the Chinese leadership. From this perspective, such fun-

4 Diandian Guo, "'Congratulations, It's a Boy!' — China's (Mixed) Reactions to President Trump's Election Victory", *What's on Weibo:* Reporting Social Trends in China website, 9 December 2016, https://www.whatsonweibo.com/trumps-election-victory-chinese-media-responds/ (accessed 19 December 2019); Camille Boullenois, "The Roots of Trump's Behavior and Strategy", in *The Trump Opportunity: Chinese Perceptions of the US Administration*, ECFR China Analysis 262 (London: European Council on Foreign Relations [ECFR], June 2018), 3f., https://www.ecfr.eu/page/-/ECFR-262-China_Analysis_Chinese_perceptions_of_the_US_administration.pdf (accessed 19 December 2019).

5 Xue Li, "China and US: Are They Rivals or Enemies?", *Global Times*, 20 August 2019; "Trump's Impeachment Probe Jolts US Politics", *Global Times*, 13 October 2019.

6 For example, Yongding Yu, "A Trade War That Is Unwarranted", *China and World Economy* 26, no. 5 (2018): 38–61.

7 For example in Ding Gang, "'Balance of Power' a Strategic Trap for India", *Global Times*, 11 September 2019.

8 "Goodwill Reciprocity Needed to End Trade War", *Global Times*, 12 September 2019.

9 An Gang, "Time for China to Forge a New Strategy towards the US", *China-US Focus*, 4 June 2019, https://www.chinausfocus.com/foreign-policy/time-for-china-to-forge-a-new-strategy-towards-the-us (accessed 19 December 2019).

damental attacks to the system principally harm the pro-reform forces.

This is indirectly confirmed when official media write that the ongoing trade disputes have bolstered China's determination to resist American bullying and defend its own rights and interests. Chinese observers of the economic conflict also sometimes point out that aside from trade and growth losses, opportunities for China also arise. For example Washington's technology boycott could accelerate China's efforts to achieve autonomy in this field. They also note that Washington's destructive, anti-WTO trade policies and its withdrawal from a series of international organisations and agreements has enhanced Beijing's role at the global level.[10]

A Differentiated Perception of Europe

China's perspective on Europe is less characterised by extremes. Although Europe — at the opposite end of the Eurasian landmass — is a pillar of the West and political ally of the United States, the Chinese regard it (unlike the United States) as presenting little obstacle to its own development, and in fact tending to be useful. In China it is also noted that Europe works to preserve multilateralism and the liberal world order and indeed has its own political and economic problems with the Trump Administration.

China as champion of multilateral international order?

China likes to present itself as a defender of multilateralism against Trump's disruptive attacks on the international order, and offers itself as an alliance partner to other states. But Germany and Europe should not be misled by Beijing's rhetoric. In fact China opportunistically breaks multilateral rules as soon as that serves its interests: In its external economic policy China ignores fundamental WTO principles of non-discrimination and transparency, just as it ignored the Permanent Court of Arbitration's ruling in its territorial dispute with the Philippines. There is certainly a fundamental difference between the European and the Chinese understandings of multilateralism.[11]

10 Jiakun Jack Zhang, "Chinese Perceptions of Trump's Trade Policy", in *The Trump Opportunity* (see note 4), 5ff. (7).

11 Hanns Maull, *The "Alliance for Multilateralism" by Germany and France: About Time, But It Needs To Be Serious*, Point of View (Berlin: Stiftung Wissenschaft und Politik, August 2019), https://www.swp-berlin.org/en/point-of-view/2019/the-alliance-for-multilateralism-by-germany-and-france-about-time-but-it-needs-to-be-serious/ (accessed 19 December 2019).

Marco Overhaus, Peter Rudolf and Laura von Daniels

American Perceptions of China

A China-critical consensus has coalesced in Washington over the past fifteen years, encompassing both parties in Congress as well as a broad spectrum of economic and societal actors. The most prominent factors working to give China a negative image in the United States have been its activities in the South China Sea, which are perceived as aggressive, its mercantilist trade practices, and the hardening of authoritarian tendencies.

This development is closely associated with a belief that the engagement that the United States had pursued since Nixon's visit to Beijing 1972 has failed. This interpretation is summed up in the Trump Administration's first National Security Strategy of 2017: "For decades, U.S. policy was rooted in the belief that support for China's rise and for its integration into the post-war international order would liberalize China."[1] There is almost unanimous agreement in Washington that the hope that China would become a "responsible stakeholder" — as formulated in 2005 by then US Deputy Secretary of State Robert Zoellick — has been dashed.[2]

United States sees China growing from regional to global challenge.

In the United States, the rise of China is increasingly seen as a danger to its own dominant position in the international system. The Trump Administration's strategy documents describe China as an essentially revisionist power seeking regional hegemony in the Indo-Pacific and in the long term aiming for global supremacy.

Multiple factors have come together in recent years to consolidate the fundamental China-critical mood in the US political system.[3] China's rise and the associated gains in power and influence in ever more policy areas and world regions have strengthened fears and knee-jerk rejection in the United States. These have been boosted by President Xi Jinping's course of authoritarianism and nationalism.

As far as American domestic politics is concerned, China offers an ideal bogeyman for Donald Trump's agenda and election slogans. But others outside the Trump camp also see an opportunity to blame China for deindustrialisation and other economic and social problems in the United States — even if these are actually attributable to a mix of policy failures and technological change.

Normative, Security and Economic Dimensions of Criticism

American criticisms of China have normative, security and economic dimensions. The normative dimension, China's threat to human rights and democratic values, has been central to the American debate since the bloody suppression of the student movement on Tiananmen Square in 1989. Human rights groups traditionally find it hard to gain a hearing against the powerful China lobby in American business, but feel their concerns have been confirmed as Beijing expands its surveillance state and constructs so-called reeducation camps in the autonomous region of Xinjiang.[4]

1 President of the United States, *National Security Strategy of the United States* (Washington D.C., December 2017), 25.

2 Although this interpretation of "failed engagement" with China predominates in the United States today, other voices also exist. See Alastair I. Johnston, "The Failures of the 'Failure of Engagement' with China", *Washington Quarterly* 42, no. 2 (2019): 99–114 (110).

3 David Shambaugh, "The New American Bipartisan Consensus on China Policy", *China-US Focus*, 21 September 2018; Zack Cooper and Annie Kowalewski, *A US Perspective* (Washington, D.C.: American Enterprise Institute [AEI], 21 December 2018); Richard C. Bush and Ryan Hass, "The China Debate Is Here to Stay", *Order from Chaos* blog, The Brookings Institution, 4 March 2019.

4 On the changing context and mood, see Paul Sonne, "As Trump Escalates China Trade Dispute, Economic Ties Lose

The human rights situation in China has led to bipartisan initiatives in Congress, seeking to persuade the Administration to show a more forceful response to the repression of the Uigurs, for example through sanctions against Chinese officials.[5]

Pro-democracy and human rights groups possess a powerful supporter in Congress: Nancy Pelosi, the Democratic Speaker of the House of Representatives, calls for a hard economic course against China, including import tariffs, also on the basis of human rights concerns.[6]

By the early 2000s, the security dimension of the rivalry between the United States and China was attracting growing attention. Since the National Security Strategy of 2002, US Administrations have explicitly raised the question of the modernisation of the Chinese armed forces.[7] Initially the foremost concern was that China would sooner or later intimidate US allies in the region, above all South Korea and Japan; today the security threat has come to be regarded as global. One reason for this is the perceived convergence of the economic and security components of the rivalry. This perspective surfaces for example in the Pentagon's annual report on China's military strength, which reviews Chinese investments in security-relevant areas and regards this as a matter of great concern. This applies in the first place to investments in technologies that have direct military uses. But the Pentagon also worries about strategic benefits of Chinese investments in foreign infrastructure, such as port facilities, which are part of the Belt and Road Initiative.[8]

Large parts of the US private sector shares the Trump Administration's criticisms of "predatory" Chinese economic practices, the biggest complaints being state subsidies for Chinese firms, forced technology transfer from foreign companies, and theft of intellectual property. But not all sectors and companies support Trump's protectionist tariffs and his hard economic line against China.

President Trump continues to receive support from business sectors that have suffered from intense competition, such as producers of steel and aluminium. The escalation of trade sanctions is opposed by companies that are negatively affected, directly or indirectly, by import tariffs on semi-finished products or counter-tariffs imposed by China and other trading partners. This applies to US importers, for example the retail sector, and increasingly to export-oriented businesses such as the farm sector, car-makers, and IT and communications companies.

After Trump threatened to raise tariffs again in two stages by the end of 2019, criticism from US businesses, Republicans in Congress and also the trade unions swelled to a level that even he was unable to ignore.[9] Instead of imposing new tariffs, the Administration agreed to a limited "Phase One Deal" with China,[10] which might be followed by another agreement and a mutual dismantling of tariffs.

As far as the geographical dimension of the Sino-American conflict is concerned, it should be noted that Washington has come to regard China as a threat to US and Western interests even in regions outside the Indo-Pacific "core" of the rivalry. This applies across the board to Africa and the Middle East, but is currently manifested most clearly in the Arctic. As well as a struggle over the resources there, Washington also fears the Chinese could establish a military presence.[11]

Stabilizing Force in Matters of National Security", *Washington Post*, 19 May 2019.

5 Edward Wong, "Lawmakers Push Trump to Act against China on Uighur Detention", *New York Times*, 14 December 2018.

6 Council on Foreign Relations, "A Conversation with House Speaker Nancy Pelosi", 13 June 2019, https://www.cfr.org/event/conversation-house-speaker-nancy-pelosi (accessed 26 August 2019); Kenneth Rapoza, "Dear Chinese Government, The Democrats Won't Save You", *Forbes* (online), 5 December 2018, https://www.forbes.com/sites/kenrapoza/2018/11/05/dear-chinese-government-the-democrats-wont-save-you/#73b31c795f51 (accessed 26 August 2019).

7 On the security dimension of the Sino-American conflict, see also the contribution by Marco Overhaus and Michael Paul in this volume, pp. 20ff.

8 Department of Defense, *Military and Security Developments Involving the People's Republic of China 2019: Annual Report to Congress* (Washington, D.C., 2 May 2019), 11, https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019_China_Military_Power_Report.pdf (accessed 8 October 2019).

9 Rebecca Klar, "Trump Fires Back at AFL-CIO Chief Trumka: 'No Wonder Unions Are Losing So Much'", *The Hill*, 2 September 2019, https://thehill.com/homenews/administration/459610-trump-lashes-out-at-afl-cio-chief-trumka-no-wonder-unions-are-losing (accessed 4 December 2019).

10 Wang Cong, "Experts Dismiss Negative Media Reports about Phase One Deal", *Global Times*, 25 December 2019.

11 See also the contribution by Marco Overhaus and Michael Paul in this volume, pp. 20ff.

Congress in the China Debate

The US Congress tends to support and intensify the Administration's hard line on China, rather than moderating it. This holds true for both parties.[12] Leading Democrats in Congress and almost all Democratic candidates in the primaries for the 2020 presidential elections propagated policies similar to Trump's on China, even if they criticised his style of politics by tweet and accused him of neglecting allies in Asia and Europe. Chuck Schumer, Democratic Senate Minority Leader, said in May 2019: "We have to have tough, strong policies against China or they'll continue to steal millions of American jobs and trillions of American dollars."[13]

Congress's initiatives and legislative proposals do reflect a changing mood in the business community and the society. But China-critical statements by politicians from both parties already had a great influence on the public mood before Trump was elected.

President and Congress follow a hard line on China but differ over means.

The difference between the position of the Trump Administration on the one side and the two parties in Congress on the other lies in the question of which means are most suitable for the competition with China. Both Republicans and Democrats criticise the way the President's threats of tariffs and other measures alienate America's allies in Europe and Asia and thus weaken Washington's hand against Beijing. As presidential and congressional election campaigning gets under way in the United States, the Democrats are loudly voicing this criticism.

Opinions also diverge between Administration and Congress over Trump's preferred instrument against China, unilateral import tariffs. Both the private sector and the two political parties are increasingly concerned about negative repercussions of the trade conflict with China, above all for American consumers and the agricultural sector. In view of the looming presidential and congressional elections in November 2020, Trump and the Republicans risk paying for their tariff policies at the polls. Republican Senate Majority Leader Mitch McConnell, for example, said that the trade conflict could harm the United States.[14]

Outside of the "hard" areas of security policy and the economy, there is another new worry: Chinese influence spreading in the United States via channels such as the Confucius Institutes, and via Chinese grants for or investments in think-tanks, universities, media and business.[15] Congress responded to this mood with a number of hearings and legislative proposals, including the Foreign Influence and Transparency Act and the Countering Foreign Propaganda Act.[16] Concerns over Chinese influence go hand in hand with fears of espionage.[17] With the trade conflict in the background, this anti-Chinese mood in politics and business has also coloured public opinion.[18]

Moderate Voices Unheard in Washington

There are foreign policy specialists and China experts in the United States who draw attention to the dangers of a largely confrontative policy, do not regard the earlier China policy as wholly mistaken, and attempt to counteract the narrowing of the discourse.

12 For detail see Robert Sutter, "Congress and Trump Administration China Policy: Overlapping Priorities, Uneasy Adjustments and Hardening toward Beijing", *Journal of Contemporary China* 28, no. 118 (2019): 519–37.

13 "McConnell, Schumer Call for China Trade Solution", *AP Archive*, 14 May 2019, https://www.youtube.com/watch?v=iXx_LV8MyR8 (accessed 20 December 2019).

14 Majid Sattar, "Lebenszeichen der Freihändler? Die Sorge vor einer Rezession treibt Amerika um", *Frankfurter Allgemeine Zeitung*, 21 August 2019.

15 For an examle of these new sensitivities, see in particular Larry Diamond and Orville Schell, eds., *China's Influence and American Interests: Promoting Constructive Vigilance: Report of the Working Group on Chinese Influence Activities in the United States*, rev. ed. (Stanford, CA: Hoover Institution Press, 2019).

16 Rush Doshi and Robert D. Williams, "Is China Interfering in American Politics?" *Lawfare* blog, The Lawfare Institute, 1 October 2018.

17 These fears sometimes appear paranoid. In one example, it was suggested that if a Chinese manufacturer won the contract to build new trains for the Washington Metro, it might install malware in the security cameras allowing users to be identified with facial recognition software, their movements tracked and their conversations eavesdropped. See Robert McCartney and Faiz Siddiqui, "Could a Chinese-made Metro Car Spy on Us? Many Experts Say Yes", *Washington Post*, 7 January 2019.

18 Peter Rudolf, *The Sino-American World Conflict*, SWP Research Paper 03/2020 (Berlin: Stiftung Wissenschaft und Politik, February 2020), 30, note 177, https://www.swp-berlin.org/en/publication/the-sino-american-world-conflict/.

However, they tend to be marginalised. Fundamental discomfort over the trend in US policy towards China was expressed in an open letter to the President and Congress initiated by a group of China experts and signed by another hundred individuals including many who worked on China in earlier Administrations. They advise explicitly against treating China as a "an economic enemy or an existential national security threat". "The fear that Beijing will replace the United States as the global leader is exaggerated," they say, adding that "it is not clear that Beijing itself sees this goal as necessary or feasible".[19]

Proponents of this position, which amounts to a kind of "smart competition", warn against abandoning all cooperation with China and seeking to prevent any increases in Chinese influence. From this perspective, US policy towards China with its mixture of cooperation, deterrence and pressure has been broadly successful over the past decades. But in their view there is a need for a correction, a change in the mix towards pressure and deterrence in order to respond to China's more strongly mercantilist economic policy and its growing assertiveness in foreign policy.[20]

In terms of German and European interests it would be desirable if US critics of a one-sidedly confrontative China policy were able to gain a better hearing in Washington. A US China policy that prudently weighs the cooperative and confrontative approaches would reduce the pressure on Berlin and other European capitals to choose between the United States and China in many important areas.

19 M. Taylor Fravel et al., "China Is Not an Enemy", *Washington Post*, 3 July 2019.

20 Orville Schell and Susan L. Shirk (Chairs), *Course Correction: Toward an Effective and Sustainable China Policy*, Task Force Report (New York: Asia Society, Center on U.S.-China Relations, February 2019). Kurt M. Campbell and Jake Sullivan argue similarly in "Competition without Catastrophe: How America Can Both Challenge and Coexist with China", *Foreign Affairs* 98, no. 5 (2019), https://www.foreignaffairs.com/articles/china/competition-with-china-without-catastrophe (accessed 20 December 2019). Campbell, who served as Assistant Secretary of State for East Asian and Pacific Affairs under President Barack Obama, was also a member of the Task Force on US-China Policy that produced the cited report.

Michael Paul and Marco Overhaus

Security and Security Dilemmas in Sino-American Relations

Any military conflict between the United States and China would have enormous regional and global impacts. Both Beijing and Washington insist that their own intentions are fundamentally defensive while accusing the other of adopting an aggressive stance.[1] In both the US Administration and Congress the view predominates today that China — like Russia — is a "revisionist power" seeking to challenge the dominance of the United States and undermine the rules-based international order.

Moreover, Washington believes that China — unlike Russia — possesses the political, economic and increasingly also military means to expand its influence globally. Beijing in turn accuses the United States of keeping China down and working to impede its progress. The historical experience of vulnerability and the "century of humiliation" (1840—1949) shapes China's strategic culture to this day and represents an important element of the Chinese nationalism that connects nation and party.

Against this background, the relationship between the United States and China exhibits characteristics of a classical security dilemma, where each side's striving for greater security ultimately generates more insecurity on both sides. In this case the problem is exacerbated by the constellation of a rising power encountering an established one.

Beijing's Perspective

China finds itself in a geopolitical environment that is one of the world's most difficult. It lacks the "insular" security of the United States.[2] Its 22,000 kilometres of land border touch on fourteen neighbouring states, four of which possess nuclear arms (Russia, India, Pakistan and the erratic dictatorship in North Korea). With more than 18,000 kilometres of coastline, its waters adjoin those of another six neighbouring states, some of which host US military bases. In recent decades China has peacefully resolved many of its border conflicts. But its rise to become a great power also brings forth complex new security problems.

Beijing promises new strength against historical humiliation by foreign powers.

China is pursuing an ambitious foreign policy and equipping its armed forces to fulfil the security needs of state and party. Growing national prosperity is a development goal of the Communist Party. So political stability depends heavily on maritime trade routes that need to be secured by an expanded navy. But China's military build-up stands increasingly in contradiction to the official rhetoric of a peaceful development path. Its military power enables Beijing to pursue a robust foreign policy that increasingly troubles its Asian neighbours and the United States. For example, Japan regards China's regional policy as

1 Peter Rudolf, *The Sino-American World Conflict*, SWP Research Paper 3/2020 (Berlin: Stiftung Wissenschaft und Politik, February 2020), https://www.swp-berlin.org/en/publication/the-sino-american-world-conflict/; Michael Nacht, Sarah Laderman and Julie Beeston, *Strategic Competition in China-US Relations*, Livermore Papers on Global Security 5 (Livermore, CA: Lawrence Livermore National Laboratory, October 2018), 53, https://cgsr.llnl.gov/content/assets/docs/CGSR_livpaper5.pdf (accessed 11 October 2019).

2 The Atlantic, Pacific and Arctic Oceans grant the United States a level of security that can only be threatened by a rival of equal strenght on the opposite side of the Atlantic or Pacific. See Michael Paul, *Kriegsgefahr im Pazifik? Die maritime Bedeutung der sino-amerikanischen Rivalität* (Baden-Baden, 2017), 29—35.

Map 1

"incompatible with [the] existing international order" and as a "serious security concern for the region".[3]

The Chinese leadership paints the country as a historical victim, having suffered humiliation at the hands of foreign powers. Beijing promises new strength and vigour, both externally and towards its own population. From this point of view, even its claim on the South China Sea appears historically justified. In other words it invokes a moral exceptionalism to legitimise the unlawful appropriation of territory.

President Xi Jinping has gone as far as making the fate of his country dependent on use of the seas.[4] His

3 Ministry of Defense, *Defense of Japan 2019* (Tokyo, 2019), https://www.mod.go.jp/e/publ/w_paper/2019.html (accessed 10 March 2020), 44.

4 "Whether we are able to solve successfully problems of the oceans is related to the existence and development of our nation, the rise or fall of our country. … We must

"Chinese Dream" of a great renaissance of the Chinese nation begins at the sea: The only way forward is to break free of the Yellow River — as a metaphor for parochialism and stagnation — and turn to the great blue ocean and the outside world. The Indo-Pacific sea routes are of vital importance for China; its naval build-up is designed to secure them and to project power globally.[5]

Against this background, China is undergoing a transition from coastal defence to "active defence". This means first of all controlling the space within the "first island chain", which includes the Yellow Sea bordered by Korea and Japan, the western part of the East China Sea with Taiwan, and the South China Sea. Beijing would also like to bring under its control the area further east, within the "second island chain" that extends from the Kurils through Japan and then via the Bonins and the Marianas to the Carolines. That would leave Beijing in control of the sea routes of East Asia. But its naval thinking is already turning to more distant goals.

The economically plausible expansion of China's naval activities is already altering the balance of power in the eastern hemisphere. Beijing is pursuing risk mitigation and is concerned — like the United States — to protect strategically important routes in order to safeguard its supplies in the event of crisis. China's role in the global economy makes securing its sea routes a political imperative and an integral aspect of the national interest, given that 90 percent of its trade in goods and 40 percent of its imported oil are transported by sea.[6] To that extent the creation of an ocean-going navy can be regarded as the maritime continuation of the reform policy initiated by Deng Xiaoping in the early 1980s.

Today the Chinese armed forces are capable of controlling the waters within the first island chain (at least temporarily). The Taiwan crisis of 1995/1996, when the United States deployed two aircraft carriers to force China to back down, is regarded as the trigger of this capability-building process. The Taiwan crisis was the turning point that exposed the weaknesses of the Chinese armed forces at that time.

In the meantime China has acquired the world's largest navy in numerical terms — implying a great deal about intentions but revealing little about capabilities.[7] The Chinese navy possesses more than three hundred warships, while the US Navy's fleet, with responsibilities around the world, has numbered between 279 and 290 vessels in recent years. Now China's fleet is to be further modernised and equipped for operations on the high seas. But it is questionable whether it can also become the qualitative — and not just quantitative — equal of the US Navy. That would require even more naval investment, training and exercises. It will be long after the conclusion of the Chinese military modernisation programme in 2035 before China can match the United States on the high seas and in complex operations involving carrier groups.

Washington's Perspective

Seen from Washington, China does not yet represent a direct threat to the continental United States. Nevertheless, three aspects of military developments in China are regarded as a danger to America's security and vital interests. Firstly, the United States sees its role as world power challenged by China's ongoing naval expansion. The United States has dominated the oceans of the world as Great Britain once did, and has used that power to secure the freedom of the seas. Unhampered navigation is a global common good, comparable to the skies, outer space and cyberspace.

Like China, the United States also regards the oceans and sea routes as the basis for its own economic strength, accounting as they do for more than 90 percent of long-distance international trade and secure supplies of raw materials and industrial products. But the oceans also enable power projection and military intervention. As China steadily upgrades the capabilities of its armed forces, they are increasingly

adhere to a development path of becoming a rich and powerful state by making use of the sea." Xi Jinping, "Further Have Concern for, Recognize, and Manage Oceans to Make New Achievements Continuously for Pushing Forward the Construction of Sea Power", in *Xi Jinping's Important Exposition*, 30 July 2013, quoted in Paul, *Kriegsgefahr im Pazifik?* (see note 2), 25.

5 Paul, *Kriegsgefahr im Pazifik?* (see note 2), 49—72.

6 Gabriel B. Collins, "China's Dependence on the Global Maritime Commons", in *China, the United States, and 21st Century Seapower*, ed. Andrew S. Erickson, Lyle J. Goldstein and Nan Li (Annapolis, MD: Naval Institute Press, 2010), 14—37 (18).

7 Andrew S. Erickson, "Numbers Matter: China's Three 'Navies' Each Have the World's Most Ships", *The National Interest*, 26 February 2018; Charlie Lyons Jones, "Xi Believes a 'Peace Disease' Hampers China's Military Modernization", *Strategist*, 26 August 2019.

in a position to close down the US Navy's access to the Asia-Pacific region and thus challenge America's status as a global power.[8]

Washington sees China's growing military capabilities as a threat.

Secondly, the United States regards China's growing military capabilities as a threat to its military bases in Japan, South Korea and the US territory of Guam. One reason why the Trump Administration withdrew from Intermediate Range Nuclear Forces Treaty with Russia was the hope that this would enable it to better counter the Chinese threat. Admiral Phil Davidson, Commander of the US forces in the Indo-Pacific, told a congressional hearing in 2019 that 95 percent of Chinese ballistic missiles would not be permitted under the INF treaty. In his view for the US to have "a land-based component with that kind of capability restores maneuver to the force."[9]

Washington maintains a system of alliances and partnerships with countries that feel threatened by China. For example Washington has declared that the Senkaku/Diaoyu Islands, which are administered by Tokyo but also claimed by Beijing, fall under its bilateral defence agreement with Japan. A military conflict between China and an alliance partner would put Washington in a tight spot, at least assuming the Trump Administration continues to value the credibility of American security guarantees.

Thirdly the American perspective on China is strongly shaped by longer-term developments. China is expanding its military capabilities in order to be able to project power through and beyond the first and second island chains.[10] This stokes fears in Washington that China could also come to directly threaten the United States.

China opened its first foreign military base in August 2017, at the Horn of Africa, and Washington expects others to follow.[11] Finally Beijing is building additional competence and capabilities in precisely those spheres of military operations that are by definition global: space and cyberspace. From the US perspective, China's military capabilities in those areas represent an imminent danger.

The Nuclear Component

Nuclear weapons play an important role for Chinese foreign and security policy.[12] They are not as yet central to the security competition between the United States and China. From China's perspective they symbolise great power status and serve above all as a deterrent to other nuclear-armed states. In the first place this means the United States, to deter it from military intervention or any direct threat to the Chinese mainland. China officially pursues a policy of no first use (NFU). But US missile defence initiatives and the expansion of conventional US forces leave Beijing fearing losing its second-strike capability and thus its nuclear deterrent vis-à-vis Washington. This threat perception is strengthened by the fact that the United States does not openly recognise the principle of mutually assured destruction with respect to China and keeps this question intentionally ambivalent.

The nuclear threat from North Korea serves the United States as justification for establishing its own missile defences in North-East Asia. But the Chinese leadership does not regard the existence of North Korean missiles alone as enough to justify the American behaviour. Beijing believes Washington's assertions are an excuse to install a system capable of

8 Department of Defense, *Military and Security Developments Involving the People's Republic of China 2019: Annual Report to Congress* (Washington, D.C., 2 May 2019), 31, https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019_China_Military_Power_Report.pdf (accessed 8 October 2019).

9 U.S. Senate Committee on Armed Services, Stenographic Transcript before the Committee on Armed Services United States Senate: *Hearing to Receive Testimony on the United States Indo-Pacific Command and United States Forces Korea in Review of the Defense Authorization Request for Fiscal Year 2020 and the Future Years Defense Program*, Washington, D.C., 12 February 2019 (accessed 27 February 2020). This argument has been challenged, though, by some experts. They raise the question where — on the territory of which alliance partners — the United States would be able to station ground-launched intermediate-range missiles and which targets in China they could reach from there. See Shahryar Pasandideh, "The End of the 'INF Treaty' and the US-China Military Balance", *Nonproliferation Review* 26, no. 3–4 (2019), 267–87, doi: 10.1080/10736700.2019.1646466.

10 Department of Defense, *Military and Security Developments Involving the People's Republic of China 2019* (see note 8), 54, 62.

11 Ibid., 16.

12 Michael Paul, *Chinas nukleare Abschreckung: Ursachen, Mittel und Folgen der Stationierung chinesischer Nuklearwaffen auf Unterseebooten*, SWP-Studie 17/2018 (Berlin: Stiftung Wissenschaft und Politik, August 2018), https://www.swp-berlin.org/publikation/chinas-nukleare-abschreckung/.

threatening strategic stability, specifically to neutralise the Chinese and Russian nuclear deterrents in a military conflict. Finally, Washington's ability to intervene militarily can also be supported by missile defence systems.

North Korea's successful tests of long-range missiles have not changed the Chinese assessment. For the United States the specific threat presented by long-range missiles is central.[13] That is why Trump refrained from criticising North Korea's tests of short-range ballistic missiles in August 2019. China's threat analysis, meanwhile, continues to centre on the expandability of the US missile defence system, specifically on flexibly deployable Aegis vessels and land-based systems. Ultimately, if US, South Korean or Japanese radar systems on land and at sea can track the trajectory of a North Korean missile, then they can certainly also do the same for Chinese missiles. Here Beijing's threat perception coincides with Moscow's. That congruence is one of the foundations of the "comprehensive strategic partnership of coordination" between China and Russia, which is manifested in arms cooperation and joint military manoeuvres.

One American response to the North Korean missile issue is the development of strategic conventional systems. The US Prompt Global Strike programme proposes hypersonic glide vehicles (HGVs) capable of conducting conventional strikes anywhere in the world within an hour, ostensibly in order to prevent the launch of an intercontinental missile from North Korea. But such highly advanced technology is not required to overcome North Korea's primitive air defences. Chinese experts therefore suspect that China's nuclear arsenal is the real target. They fear that in the event of conflict the United States could launch a preemptive disarming attack.

In the meantime China and Russia have themselves acquired HGV technologies. From the Chinese perspective the advantage of hypersonic glide vehicles, whether conventionally or nuclear armed, is that they cannot be detected and destroyed by any currently available defence system. In other words, China is using a US-initiated technology to counter a challenge presented to its own nuclear deterrent by the American decision to deploy missile defence systems.

The ongoing modernisation of the Chinese nuclear arsenal is also of concern to the United States.[14] China wants to introduce new intercontinental missiles, develop a new air-launched ballistic missile and with Russia's support establish a missile early warning system. This generates suspicions over China's future nuclear strategy. Washington is increasingly clear that it is no longer in a bilateral security dilemma — as in the Cold War — but a multilateral one. The situation is exacerbated by North Korea's development of long-range nuclear missiles. Instead of arms control the United States is relying in the first place on flexibilising its own options. This further increases the danger of an arms race.

13 Michael Paul and Elisabeth Suh, *North Korea's Nuclear-Armed Missiles: Options for the US and its Allies*, SWP Comment 32/2017 (Berlin: Stiftung Wissenschaft und Politik, August 2017), https://www.swp-berlin.org/en/publication/north-koreas-nuclear-armed-missiles/.

14 Department of Defense, *Military and Security Developments Involving the People's Republic of China 2019* (see note 8), 65.

Hanns Günther Hilpert

Trade, Economy and Finance: Rivalries, Conflicts, Escalation Risks

Sino-American foreign economic and finance relations have never been free of conflict. But for a very long time they could be regarded as a stabilising factor within the bilateral Sino-US relationship, from which both sides could draw enormous benefits. US businesses made fabulous profits from exports to and investments in the Chinese market, and transferred capital, management expertise and technology. By exporting to a US market whose capacity to absorb goods appeared infinite, China in turn accumulated immense surpluses which it reinvested in US treasury bonds and thus co-financed America's consumption-driven economic boom. That symbiotic relationship — sometimes referred to as "Chimerica" — no longer exists.[1] Rather the Sino-American rivalry is currently nowhere as openly confrontational as at the economic level. What is more, both sides instrumentalise trade policy in their technology competition as well as for foreign policy and security purposes.

United States and China on Economic Collision Course

Objective economic causes can be identified behind this shift from cooperation to confrontation. The advantages both sides derive from economic cooperation have become smaller. But status competition in the context of the new great power rivalry and increasingly critical perceptions on both sides have also played a major role.

China's meteoric economic and technological rise has created a situation where economic relations between America and China are today far less complementary and much more competitive. It has become harder for US companies to increase sales and make profits in the Chinese market — especially as administrative restrictions are increasing rather than decreasing — and many service branches in which US businesses possess competitive advantages remain closed to them. Conversely the United States has become reluctant to transfer technology. And now that China's purchases of US treasury bonds have fallen in the wake of shrinking current account surpluses, Chinese savings have ceased to contribute to financing America's domestic economy in any significant way.

United States accuses China of unfair competition.

While complementarity is diminishing, competition has become fiercer, especially in manufacturing. China's rise to become the world's foremost industrial manufacturer and exporter has accelerated structural change, particularly in the United States, and has triggered social upheavals in America's "Rust Belt", which are concentrated in particular sectors and regions. The impact of this "China shock" was felt much more strongly in the United States than for example in Germany. An empirically well-founded study by the Massachusetts Institute of Technology (MIT) has shown that imports from China accounted for about one quarter of the decline in manufacturing jobs in the United States between 1990 and 2007.[2] The competitive challenge posed by China now extends far into the spheres of high-tech. With its industrial policy strategy "Made in China 2025", Beijing has laid out its intention to achieve global market leadership in ten key high-value-added sectors. Already today US and Chinese companies compete fiercely in the fields

1 Niall Ferguson and Moritz Schularick, "Chimerica and the Global Asset Market Boom", *International Finance* 10, no. 3 (2007): 215–39.

2 David H. Autor, David Dorn and Gordon H. Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States", *American Economic Review* 103, no. 6 (2013): 2121–68.

of communications technology and artificial intelligence for the lead in both development and setting standards and systems. The United States accuse China of unfair competition, for example by closing its markets with protectionist measures, discriminating against foreign suppliers, and exerting direct and arbitrary influence on markets and crucial businesses.[3]

Power Shifts and the New US Trade Policy

China's challenge to the United States is not restricted to industrial competition, but also extends to its position and status as the leading global trading and economic power. In terms of purchasing power parity China is already the world's largest economy. And at market prices China's gross domestic product already shows the largest gross fixed capital formation and the largest industrial value creation. In absolute terms China is the largest contributor to world economic growth as well as the largest exporter and largest trading nation.[4] If current growth trends continue, China will replace the United States as the world's largest economy by 2030, although this is by no means a foregone conclusion. With reference to this shift in economic power, official Chinese voices counter US criticisms – arguing that the accusation that the People's Republic is employing unfair trade practices is merely a pretext for a foreign policy of containment.[5]

Trade conflict is understood as a system-to-system conflict.

Another reason why this geo-economic shift is problematic is that America and China have different ideas about international order. Washington wonders whether the Chinese economic model (a politically authoritarian, interventionist, mercantilist state capitalism) can be compatible with a world trade and finance system built on liberal principles. The question has grown in urgency as the expectation in the West that China would become economically and politically liberal has been disappointed, an expectation that was linked above all to the country's accession to the World Trade Organisation. In fact the influence exerted by party and state on the economy has increased under Xi Jinping, and the exercise of power has become more authoritarian and doctrinal. The trade conflict is therefore also understood as a system-to-system conflict.[6]

At the same time America's trade policy has witnessed a paradigmatic and political turn to protectionism. The guiding principle for US trade policy today is no longer free trade, but "fair and reciprocal" with bilateral trade balances becoming the decisive criterion. In his statements and actions, US President Donald Trump casts aside the established tenets of trade theory and the empirical experience of trade policy.[7] In political practice his motto is "America First", prioritising US interests over obligations deriving from international treaties and multilateral rules. And he has no qualms about imposing unilateral protectionist measures to exert pressure on trade partners. He accepts the erosion or even destruction of international rules as a price worth paying, and in some cases even actively pursues this.

Trade policy has become a central issue for Trump's presidency. Here the Administration's interest is not solely in domestic value creation and employment, but also and above all the overarching category of national security. Washington believes that protecting the national interest requires America's strategic industries to possess supply chains that are independ-

3 Dennis Shea, "China's Trade-disruptive Economic Model and Implications for the WTO: Statement Delivered at the WTO General Council", U.S. Mission to International Organizations in Geneva website, Geneva, 26 July 2019.

4 C. Fred Bergsten, "China and the United States: The Contest for Global Economic Leadership", *China and World Economy* 26, no. 5 (2018): 16ff.; Feng Lu, "China-US Trade Disputes in 2018: An Overview", *China and World Economy* 26, no. 5 (2018): 92ff.

5 "People's Daily 2018", quoted in Chi Hung Kwan, "The China-US Trade War: Deep-Rooted Causes, Shifting Focus and Uncertain Prospects", *Asian Economic Policy Review* 15, no. 1 (2019): 73–74.

6 C. Fred Bergsten, *China and the United States: Trade Conflict and Systemic Competition*, Policy Brief 18–21 (Washington, D.C.: Peterson Institute for International Economics [PIIE], October 2018), https://www.piie.com/system/files/documents/pb18-21.pdf (accessed 29 December 2019); for a European perspective, see Clemens Fuest, *Der dritte Systemwettbewerb*, ifo Standpunkt 200 (Munich: ifo Institut für Wirtschaftsforschung, 2018).

7 The renowned economist William Nordhaus speaks of a "Trump doctrine". William Nordhaus, "The Trump Doctrine on International Trade: Part One", Vox CEPR Policy Portal, 8 October 2018, https://voxeu.org/article/trump-doctrine-international-trade-part-one (accessed 29 December 2019).

ent of China.[8] In general, the economic and technological rise of the strategic rival China must certainly not be further accelerated by economic exchange with America. In order to throttle the modernisation of the Chinese People's Liberation Army, the Trump Administration believes it is necessary to pursue a strategy of economic decoupling from China. Tariffs, investment controls and supplier boycotts are the effective trade policy instruments of such a decoupling.[9]

From Integration to Decoupling

The Trump Administration has confronted all America's major trading partners with unilateral demands and measures. But China has borne the brunt of trade confrontations. The new US National Security Strategy published in December 2017 identifies China's trade and economic policies as one of America's central foreign policy and security challenges and threats.[10] The investigation report under Section 301 of the Trade Act of 1974, published by the United States Trade Representative, in March 2018, describes China's industrial and technology policy as "unfair and inequitable".[11] These two government documents mark the definitive end of American engagement policy towards China. America's trade policy towards China is now definitely in "decoupling mode". In order to correct what it sees as unfair, disadvantageous trade, financial and technology exchange with China, the Trump Administration has imposed a series of measures directed against China:[12]

- Incremental and escalating extraordinary tariffs of up to 25 percent on about half of US imports from China.
- State controls on foreign direct investment in security-relevant sectors have been tightened using administrative measures and legislation, leading to a significant decline in Chinese investment in the United States.
- Department of Commerce controls on export and licensing of security-relevant technologies to China.
- In the area of public procurement Washington has restricted the use of particular Chinese products (telecommunications, visual surveillance).
- Chinese businesses and individuals listed in the Department of Commerce's "Entity List" are prohibited from making purchases in the United States or from US companies. The Chinese technology supplier Huawei was put on the Entity List in mid-May 2019.

China's response to these measures has to date been comparatively restrained. China has refrained from pouring additional oil onto the fire, likely out of concern to avoid a further escalation that would harm its own economy. Thus China has "only" imposed reciprocal retaliatory tariffs on imports from the United States. At the same time, it unilaterally reduced its tariffs on imports from third states, which has the effect of additionally disadvantaging imports from the United States. And Chinese businesses are actively seeking suppliers capable of substituting imports from the United States.[13] Beijing has also considered placing an export embargo on rare earths, which are crucial for high-tech manufacturing. China responded to Huawei's inclusion in the Entity List with an announcement that it would create its own "Unreliable Entities List" of all businesses, organisations and individuals that comply with US boycotts calls, for example against Huawei. The listed entities would face disadvantages in the Chinese market.[14] Chinese consumers also launched campaigns calling for boycotts of American goods.

8 Rana Foroohar, "Globalised Business Is a US Security Issue", *Financial Times*, 16 July 2018.
9 Also Kwan, "The China-US Trade War" (see note 5), 5f.
10 White House, *National Security Strategy of the United States of America* (Washington, D.C., 2017).
11 Section 301 of the Trade Act of 1974 empowers the US Trade Representative to investigate and respond to unfair trade practices by America's trade partners; United States Trade Representative, *Findings of the Investigation into China's Acts, Policies, and Practises Related to Technology Transfer, Intellectual Property and Innovation under Section 301 of the Trade Act of 1974* (Washington, D.C., March 2018).
12 On these measures, see Chad P. Bown and Melina Kolb, *Trump's Trade War Timeline: An Up-to-Date Guide* (Washington, D.C.: PIIE, 23 August 2019), https://www.piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide (accessed 29 December 2019); Kwan, "The China-US Trade War" (see note 5), 6–13.
13 See Chad P. Bown, Eujn Jung and Eva Zhang, *Trump Has Gotten China to Lower Its Tariffs, Just toward Everyone Else* (Washington, D.C.: PIIE, 12 June 2019), https://www.piie.com/blogs/trade-and-investment-policy-watch/trump-has-gotten-china-lower-its-tariffs-just-toward (accessed 29 December 2019).
14 Kwan, "The China-US Trade War" (see note 5), 13f.

Another escalation of the tariff and trade war cannot be excluded.

On 13 December 2019, both sides agreed on a partial Phase One agreement. In it, the United States (and China) renounce the announced increase in special tariffs, while China promises additional imports from the United States amounting to $200 billion for the years 2020 and 2021. China also promises better protection of intellectual property, an end to forced technology transfer and better market access in financial services. The previous special tariffs will remain in place, however. And the controversies over subsidies, state enterprises and technology remain unresolved. It is unlikely that it will be possible to resolve these points as planned in a second partial agreement before the US presidential elections. But even if this were to occur, the fundamental political conflict would remain unresolved and a new trade policy escalation would be possible at any time. What is more, China's additional US imports are likely to lead to correspondingly lower imports from Brazil, the European Union, Japan, etc. and trigger new controversies. Furthermore, Washington is still undecided on the extent to which the US economy should decouple from the Chinese. And China, too, has lost confidence in the reliability and integrity of the American president and is therefore unlikely to be prepared to make concessions.

Consequences and Escalation Risks

The expected continuation of the conflict, and even more so its potential escalation, threaten the very institutional foundations of the world trade and finance system. The Sino-American trade, economic and technology conflict has already caused considerable economic harm, affecting third parties as well as the antagonists themselves.

The tit-for-tat extraordinary tariffs imposed by the United States and China have led to significant reductions in bilateral trade and in some cases drastically increased the cost of the respective imports. Importers have switched to alternative suppliers, to the benefit of states such as Vietnam, Mexico and the European Union. To some extent production has also been relocated. Altogether the supply and sales risks of foreign trade have increased the world over. Investors play for time, investments are being reduced to a risk-limiting minimum. This uncertainty has contributed significantly to the economic slow-down in 2019.

Both China and the United States have caused damage to the WTO and the multilateral world trading system through their trade policies: China by its disregard of the fundamental WTO principles of non-discrimination and transparency, the United States through its repeated violations of core terms of the WTO treaty and not least through its punitive tariffs. The indifference of the world's two largest trading powers towards the WTO rules casts a shadow over the organisation's future viability and legitimacy as a multilateral system. The unappetising prospect is a gradual dissolution of the WTO trade framework through bilateral and multilateral trade agreements that are agreed, enforced and broken by virtue of arbitrary political power. A new trade world of that kind might offer some advantages to the United States and China as major political powers, but harm all the others.

It is possible — if not in fact likely — that the struggle over techno-political spheres of influence will see the United States impose further sanctions and supplier boycotts against other Chinese companies and step up its pressure on third states to do the same.[15] Companies in third states could soon find themselves facing the uncomfortable choice of doing business with either America or China. In the case of critical technologies this would create a world divided between Chinese and US standards and systems.

European Union should defend the paradigm of rules-based multilateralism.

The trade war could escalate into the financial markets, too. In August 2019 the US Treasury Department accused China of currency manipulation after the renminbi had devalued significantly over the course of the year. If economic growth declines or even a recession develops, China and the United States (and other states) could be tempted to stimulate their domestic economies through currency devaluation. More broadly, China's threat to sell off all its US treasuries (worth more than $1 trillion) is still in the air, notwithstanding the harm China would do to itself. That would put America's key interest rates

15 On techno-political spheres of influence, see the contribution by Matthias Schulze and Daniel Voelsen in this volume, pp. 30ff.

under severe pressure. Much more concrete are Beijing's plans to introduce a digital currency that could challenge the international dominance of the US dollar (and the euro). Washington is in turn exploring ways to exclude Chinese businesses from the US financial markets and impose financial sanctions against particular Chinese companies and individuals.

Europe's Positioning[16]

As a result of the Sino-American conflict, world trade and the global division of labour are in retreat. Production, income and innovation are suffering globally. The trade practices of America and China and the welfare losses caused by the conflict also affect Germany and Europe, both directly and indirectly. China and the United States each threaten the European Union and European businesses with disadvantages if they fail to take the positions they respectively demand.

Even if there are good foreign policy and security reasons why Europe cannot adopt a position of equidistance to America and China, the European Union should uphold its independent position in the trade disputes and defend the paradigm of rules-based multilateralism. In view of America's and China's breaches of rules and principles, partisanship would run counter to the principles of the European Single Market (non-discrimination, rules-orientation, multilateralism). The European Union would only lose its credibility on trade policy vis-à-vis third countries. Europe's negotiating position as honest broker between the adversaries would be unnecessarily weakened. And even if it did take a side, the European Union would never be more than a junior partner whose own interests always come second.

Orientation on liberal values and multilateral principles is no obstacle to vigorous advocacy for Europe's economic interests. Brussels must insist that future Sino-American trade agreements do not create discriminatory disadvantages for the European Union. In the ongoing bilateral talks with the United States (about an agreement on trade and tariffs) and with China (about an investment agreement) the European Union must demand adequate concessions. And vis-à-vis China it will be necessary to expand the existing trade and investment defence instruments to ensure that European businesses no longer suffer disadvantages from the activities of Chinese state-owned enterprises or excessive Chinese subsidies. Beyond this the European Union should invest in cooperation with like-minded trade partners, for example with Japan, the Association of Southeast Asian Nations (ASEAN), Australia and the Mercado Común del Sur (Mercosur). This could allow the European Union to strengthen its negotiating weight and hedge against systemic risks in world trade.

16 See also the conclusions on trade and regulatory policy in the contribution by Annegret Bendiek and Barbara Lippert in this volume, pp. 45ff.

Matthias Schulze and Daniel Voelsen

Digital Spheres of Influence

Both the United States and China regard technological superiority as a fundamental prerequisite for economic and military strength and thus for their respective place in world politics. The United States still holds the leading position in numerous areas of technology. The Chinese government has explicitly stated its ambition to leave behind its past as the "workshop of the world" and take the lead in cutting-edge digital technologies within the coming years. As China intensifies its pursuit of these objectives, a second — Chinese — technopolitical sphere of influence is emerging. This development creates new political challenges for those states that are technologically dependent on the United States — or increasingly also on China.

Technopolitical Spheres of Influence

In classical geopolitics the term sphere of influence is understood territorially, as a clearly defined area within which an actor exercises exclusive influence. Technopolitical spheres of influence differ from this on account of the characteristics of digital technologies. Firstly, digital products and services are based on various combinations of hardware and software, where no individual state and no single company is in any position to control all the levels of the technology stack. As a result, digital spheres of influence frequently overlap, for example when Chinese network hardware is combined with an American operating system to run European applications.

Secondly, many of the decisive digital technologies at issue here are subject to a network logic. National borders and territoriality are less significant in global communication networks like the internet; what matters, instead, is the centrality of the actors. Central network actors are able to control data flows and access to digital goods and services. They can thus exert economic and political influence on other less central network actors, be these states or businesses. In this understanding, technopolitical spheres of influence are not necessarily exclusive.

Digital spheres of influence follow a network logic.

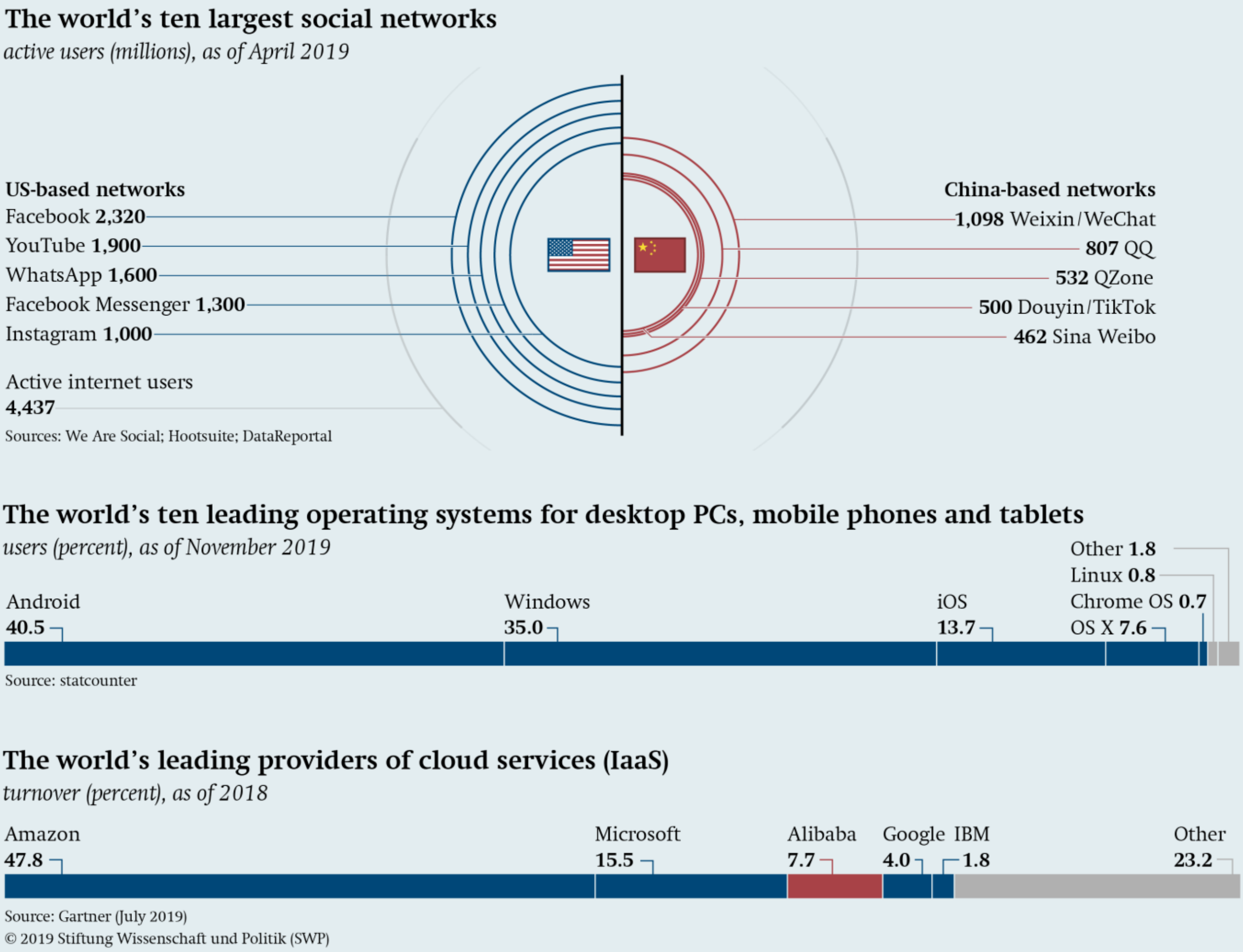
The United States has treated technological superiority as an important element of national security since the 1940s. Initially, the Soviet Union was the greatest threat, joined in the 1980s by the rapid rise of the Japanese computer industry.[1] During the first wave of digitisation in the 1990s, the United States was again in the lead and could thus secure a dominant role in many core technologies of digitisation. Numerous states and businesses became dependent on market leaders from the United States (see figure 1). Today, China is pursuing the twofold goal of first becoming independent from the United States in core digital technologies, and then disseminating its own technologies globally. That approach is articulated unambiguously in the "Made in China 2025" strategy.[2] One decisive instrument to achieve these goals is the digital component of the Belt and Road Initiative, which underlines China's ambition to create its own technopolitical sphere of influence as a counterweight to the American. The first successes of this strategy can be seen in the growing global importance of Chinese firms operating social media platforms, providing cloud services and selling network technologies.

The US sphere of influence has so far been designed to enable as many states and companies as possible to use the products and services of American

1 Mario Daniels, "Von 'Paperclip' zu CoCom: Die Herausbildung einer neuen US-Technologie- und Wissenspolitik in der Frühzeit des Kalten Krieges (1941–1951)", *TG Technikgeschichte* 80, no. 3 (2013): 209–24.

2 Max J. Zenglein and Anna Holzmann, *Evolving Made in China 2025: China's Industrial Policy in the Quest for Global Tech Leadership*, Merics Papers on China 8 (Berlin: Mercator Institute for China Studies [Merics], July 2019), https://www.merics.org/sites/default/files/2019-07/MPOC_8_MadeinChina_2025_final_3.pdf.

Figure 1



companies. In principle, the United States opens its markets to foreign firms, although it does also employ targeted instruments to restrict foreign investment and to control exports. China goes further in this respect: While the state supports the international activities of Chinese enterprises, it strictly regulates, and often limits, access to its own markets.

The two spheres of influence overlap, especially in Europe, where numerous American and Chinese services are present. It is unclear how the spheres of influence will develop in future, for example whether the establishment of trade barriers may make them more closed and exclusive. The future development will depend on domestic factors and, more importantly, the future relationship between the two states. The more they regard their relationship as a zero-sum game the more likely it is that the struggle over technopolitical influence will intensify and lead to further conflicts.

Technopolitical Spheres of Influence as a Means to Project Power

Technological dependency is unproblematic as long as all parties involved see it as a desirable interdependence that increases welfare. Matters become more tricky when central actors like the United States and China leverage dependencies to further their own egoistic interests. Spheres of influence provide these actors with distinct possibilities to exert political and economic influence over states and businesses that depend on them.[3]

Firstly, central actors can define normative standards through their technologies, in a sense conducting a "politics by default". Technologies are not value-neutral, but always permeated by political ideas, values and norms.[4] These become embedded in a technology as standard ("default") configuration, for example in the software code, and as such create political and economic effects. Social networks like US-based Facebook and China's WeChat are influenced by both the values and the legal frameworks of their respective home countries, for example concerning the limits of freedom of expression or the requirements concerning the protection of personal data protection. Amazon's global logistics system and Uber's mobility platform represent concrete expressions of – in this case Anglo-Saxon – ideas about how economic competition should be organised. Through these platforms, their ideas and norms have disseminated across the globe. China in turn is attempting to shape the economic affairs of other states with the global reach of, for instance, the Alibaba Group or the marketplace functions of WeChat.

Path dependencies and lock-in effects play an important role here: If an actor becomes existentially dependent on the products of a central network actor because processes have been optimised for these products, it becomes very difficult and costly to switch. For example, almost all governments are dependent on the Microsoft Windows operating system (see figure 1, p. 31). In the case of network-based technologies like social media and online platforms (app stores and online marketplaces) the effect is amplified by network effects and economies of scale. The stronger the associated path dependencies, the harder it becomes to deviate from the defaults set by digital services, or at least to limit their effects. Even in cases where actors share similar values, such as liberal democratic principles, this can lead to friction. The European Union's long-running conflicts with American firms over their compliance with European data protection rules and labour rights in the so-called gig economy, represent a prominent example.

Digital spheres of influence enable "politics by default".

Secondly there is a power differential manifested in technopolitical spheres of influence. In the described network logic, actors in control of central nodes can manipulate the technologies upon which other states and businesses depend.[5] This is glaringly obvious in the case of cyberespionage and surveillance. Many of the most important internet service providers such as Amazon, Google and Microsoft are based in the United States. That means that the data of their customers outside the United States – in particular the users of cloud services – is often stored in US data centres. As Edward Snowden revealed, US intelligence services also exploit the fact that most of the world's internet communication passes through servers and fibre-optic cables located in the United States, and can therefore be eavesdropped upon. Under court orders, security agencies can also access the cloud data of global enterprises stored in US-based data centres. These opportunities are not available to states that do not have such a central position. This regularly creates political conflicts, for example where European law enforcement authorities wish to access data in the United States for their investigations.

China has responded to these developments by enhancing its own ability to monitor important fibre-optic internet exchange points. Moreover, China, Russia and the European Union are seeking to repatriate their citizens' data from the United States through various data localisation initiatives, as a step towards regaining control. China forces foreign companies to store their customers' data within Chinese territory, where the Chinese security authorities can access it. Recently this has even been expanded to encrypted communication by Western companies that use VPNs (Virtual Private Networks).

Thirdly, technological dependency means that central actors can use their power for acts of sabotage, disrupting or even preventing data flows or the availability of digital services in dependent states. This can include the simple denial of access to services hosted by central actors, restrictions on particular digital products in marketplaces (such as software in major app stores), the suspension of over-the-air software updates, or even the deliberate sabotage of IT systems.

3 Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion", *International Security* 44, no. 1 (2019): 42–79.
4 See also the contribution on "Values and Orders" by Hanns Günther Hilpert in this volume, pp. 35ff.
5 Anne-Marie Slaughter, *The Chessboard and the Web: Strategies of Connection in a Networked World* (New Haven and London: Yale University Press, 2017).

An outage of Amazon web services or the major Google services, for example — whether through deliberate attack or accidental failure — would paralyse numerous European companies and websites. The debate over the role of the Chinese technology company Huawei reflects the concerns of Western governments that China could sabotage the new 5G mobile networks. And with its restrictions on exports to Huawei, the United States also demonstrates how production processes within a digital enterprise can be disrupted by interrupting global supply chains.

Options for Third-Party States

No other state can be expected to match the technological prowess of the United States and China in the foreseeable future. Both will attempt to expand their technopolitical influence. That is problematic for technologically dependent states, as the economic pressure grows and their political space shrinks. Essentially, third-party states have the following three options:

Firstly, they can join either China or the United States and place their faith fully in the technologies of one of the two spheres of influence. That would increase their dependency in one direction but not the other. Although this restricts their overall leeway, it also creates possibilities for influence within the relationship. One example of this is the close cooperation between the intelligence services of the United States, the United Kingdom, Australia, Canada and New Zealand ("Five Eyes"), specifically with regard to technological methods of espionage; indications of closer technological cooperation between Russia and China are open to the same interpretation.[6]

Secondly, states can make greater strategic use of existing interdependencies by choosing deliberately and selectively to rely on technologies from both spheres of influence. For Europe, where the two spheres already overlap, this route is the most likely. But in order for this bi-directional interdependence to become truly strategic, Europe needs to review its actual dependencies and decide which are acceptable, and which are not. On this basis it must then consider how dependency in core digital technologies can be compensated by strengths in other economic sectors.[7] Although Europe may be largely dependent on the United States and China for digital technologies, the latter rely on European skills and expertise in other sectors, for example chemical and medical research and industrial manufacturing technologies. In times of escalating political conflict, the European Union could use this as a "bargaining chip". Beyond this, a strategic policy could try to shape the interdependence in such a way that it lies in the interests of both sides to avoid escalation, conflicts and certainly the breaking off of relations.

The attractiveness of the European Single Market is a source of political power. The European General Data Protection Regulation provides an illuminating example. Because the Single Market is so important to American IT businesses, Europe has been able to force them to adopt stricter data protection practices. A similar effect was seen in the past with EU anti-trust cases against internet giants like Google and Microsoft that had abused their quasi-monopoly position.

If the confrontation between the two spheres intensifies, strategic interdependence generates more friction and pressure. Today both the United States and China are exerting strong pressure on third states like Germany over the Huawei issue, and further conflicts over digital technologies must be expected. These include technology for intelligent traffic management, smart cities (where China has a pilot project in Duisburg) and smart grids.

Thirdly, states can attempt to disentangle dependencies. The basic version of this is to reduce dependency in individual technology sectors. In terms of political practice, Estonia is probably the country that has gone furthest down this road. Almost all of its public administration relies on locally developed digital technologies. Russia has also been working for some time to become more autonomous by establishing its own equivalents to dominant US services like Google (Yandex) and Facebook (vKontakte). The plan to place Russia's entire internet infrastructure under state control is also driven by the idea of escaping dependency on the United States.

A more comprehensive version is to develop homegrown alternatives for all key technologies and to begin creating one's own technopolitical sphere of in-

6 Samuel Bendett and Elsa B. Kania, *A New Sino-Russian High-tech Partnership*, Policy Brief, Report no. 22/2019 (Barton: Australian Strategic Policy Institute, October 2019), https://www.aspi.org.au/report/new-sino-russian-high-tech-partnership (accessed 19 December 2019).

7 See also the contribution on "Trade, Economy and Finance" by Hanns Günther Hilpert in this volume, pp. 25ff.

fluence. This option requires considerable financial expense. In high-tech fields such as semiconductor manufacturing or quantum computing a country might have to invest billions over several decades in order to develop its own viable alternatives. Because of the aforementioned network effects and strategic market restrictions it will also be considerably more difficult for latecomers to catch up in digital technologies. If Europe wanted to establish its own third technopolitical sphere of influence, however, this would be required.

Hanns Günther Hilpert

Values and Orders: Ideological Conflicts and Challenges

The Sino-American conflict of values is embedded in the broader ideological conflict between the democratic market economies of the West on the one side and the state capitalist systems on the other. The United States and China are the protagonists, but Europe and Russia also play important independent roles of their own. What the Sino-American conflict of values is not, is a rerun of the ideological confrontation of the Cold War: secular ideologies no longer possess the significance they did during the East/West conflict. The age where worldviews served as motor and motivator of great power conflicts is over. At most, the different ideas about values and order advocated by China and the West serve the purpose of internally creating identity and legitimising power and externally backing up each side's own soft power.

Certainly the differences in terms of values and order are less clear-cut in the new Sino-American conflict of values. China is politically and economically integrated in the Western-inspired international system and does not flaunt itself as a systemic alternative. And the US Administration under President Donald Trump no longer sees itself — in a break with America's post-1945 foreign policy tradition — as the guardian of a liberal world order, but first and foremost as the defender of American interests. Although it is possible and even probable that future US Administrations will reclaim a normative and order-defining leadership role, it is currently Europe that has in the first place assumed the role of protecting liberal Western values and the rules-based multilateral order. Although a hard ideological fight comparable to the Cold War has not to date occurred, both sides do sling normatively charged accusations at each other.

The different world views of China and the West concerning political order and principles represent a challenge for both sides, but for China certainly a larger one than for the United States. China fears for the survival and existence of its own system and for the power of the party, which asserts it is the only force capable of averting chaos, separatism and demise. America and the West worry on the other hand "only" over the possibility of losing their interpretative dominance of international politics, indirectly also over the stability of the multilateral institutions that were established in the liberal spirit of the West. In terms of power politics what the United States wants is to preserve its global supremacy, also in the sphere of soft power.

The West's Liberal Ideas as Threat to the Chinese Communist Party's Claim to Power

Despite the many manifestations of erosion, liberal Western values likely continue to exert a great fascination on Chinese intellectuals and society and possess great appeal — even if there is no reliable empirical research on this. The calls for reforms in spring 1989 were Western-inspired, those who raised them were brutally cut down and silenced on Tiananmen Square. Charter 08 was also orientated on Western values; Liu Xiaobo, recipient of the 2010 Nobel Peace Prize, played a central role in drafting it. Its central demands are: observance of human rights, legislative democracy, division of powers, independence of the judiciary and protection of private property. For China, Western values constitute a real alternative system. Liberal ideas and principles have already been successfully implemented in the Chinese states and entities of Singapore, Taiwan and Hong Kong. Currently the student movement in the Hong Kong Special Administrative Region is defending them vehemently against political assault from China.

Party and state in China identify liberal universalism as a subversive challenge.

Although China currently need not fear a colour revolution, not least on account of its stunningly successful economic development, the ruling party and state have certainly identified the liberal world view and its claim to universality as a subversive challenge. The system responds to threats to its own claim to power with repression, propaganda and censorship. Political dissent and regional autonomy strivings are decisively rejected, in some cases by repressive means including imprisonment and re-education. Religions like Christianity and Islam are forced to Sinicise their symbolism, liturgy and language. Since 2018 the work of domestic and foreign NGOs has been subject to sweeping legal and administrative restrictions. It is practically impossible to use foreign-controlled social networks like Facebook, Twitter and Google in China. A school and textbook reform realised in stages between 2004 and 2010 now propagates less favourable views of Western democracy and liberal capitalism.[1] State-controlled media dismiss the Western democracies – especially the American one – as dysfunctional while trumpeting China's economic, social and political progress.[2] China's "Great Firewall" permits extensive censorship of the internet, with IP range bans preventing access to particular websites. Content filtering of keywords blocks access to information the regime wishes to suppress. About fifty thousand censors monitor discussions in chatrooms and social networks and intervene wherever individual complaints appear to be coalescing into collective dissatisfaction.

Abroad too, China also vigorously defends its power and interests. The goal is pro-China media coverage – and policy – in foreign countries. The international presence of Chinese state media has visibly expanded (newspapers and international programming from China Global Television Networks, CGTN). Less well known is the mobilisation of the roughly sixty million ethnic Chinese living abroad – regardless of their citizenship – for China's positions and interests in the scope of a sophisticated diaspora policy.[3] Important channels for expanding influence abroad include the Confucius Institutes and the Chinese Students' and Scholars' Association. Pressure is occasionally placed on foreign companies operating in China, for example to show Taiwan as part of China on maps (United Airways, Christian Dior), to remove politically sensitive images from advertising (Daimler, Leica), to keep staff who participated in the demonstrations in Hong Kong off flights to China (Cathay Pacific), or to avoid critical political statements (National Basketball Association). Decision-makers abroad are influenced by means of a broad spectrum of instruments, beginning with attractive invitations to China and the intermediation of lucrative business deals but also including intimidation, bribery and blackmail.[4]

China's New Paradigms for International Cooperation

Although vague in substance and indeterminate in its objectives, the Belt and Road Initiative (BRI) initiated by President Xi Jinping reveals the contours of a new Sinocentric world order. In fact, though, the Chinese see the BRI not as a counter-model to the West's global order but a necessary complement. It is intended to secure and guarantee markets and resources in an international environment that is politically stable and China-friendly. It should also enable open, flexible and inclusive cooperation with foreign countries in the scope of economic, political and cultural networks. In bilateral and multilateral contexts China vigorously presses for international political recogni-

1 For an empirical study, see Davide Cantoni, Yuyu Chen, David Y. Yang, Noam Yuchtman and Y. Jane Zhang, "Curriculum and Ideology", *Journal of Political Economy* 125, no. 2 (2017): 338–92.

2 For the first five years of Xi Jinping's presidency (2013–2017), see Emily S. Chen, *Is China Challenging the Global State of Democracy?* Issues & Insights, vol. 19, WP 5 (Honolulu: Pacific Forum, June 2019), 3f.

3 On China's diaspora politics, see Carsten Schäfer, "'The Body Overseas, But the Heart Remains in China'? – China's Diaspora Politics and Its Implications", *Border Crossing*, 9 (2019) 1, 29–42.

4 "How China's 'Sharp Power' Is Muting Criticism Abroad", *Economist*, 14 December 2017; Anne-Marie Brady, *Magic Weapons: China's Political Influence Activities under Xi Jinping*, paper presented at the Conference on "The Corrosion of Democracy under China's Global Influence", supported by the Taiwan Foundation for Democracy, Arlington, Virginia, 16–17 September 2017, https://www.wilsoncenter.org/sites/default/files/for_website_magicweaponsanne-mariesbradyseptember 2017.pdf (accessed 24 October 2019); Jessica Chen Weiss, "A World Safe for Autocracy? China's Rise and the Future of Global Politics", *Foreign Affairs* 98, no. 4 (2019): 92–102 (98f.).

tion of the BRI. The objective of the BRI is not to supplant Western ideas and institutions; after all, rising China has profited enormously from the stability and openness of the Western system. But the end of that journey could be a new world order inspired by Chinese civilisation into which the existing multilateral institutions would then be incorporated. Indeed Chinese universalism is based not on values and norms, but on the conviction that Chinese civilisation — rooted in Confucian morality — is superior to all others.[5]

China may not be working actively to supersede the Western system, but that does not mean it has become a stakeholder either. On the contrary, given the opportunity China has no qualms over measures and policies that undermine the Western order or delegitimise multilateral institutions. Two examples: China refused to recognise the 2016 ruling of the Permanent Court of Arbitration in The Hague in its dispute with the Philippines; it also flouts fundamental principles of the World Trade Organisation, such as non-discrimination and transparency. Other problems include China's support for repressive regimes with loans, investment, arms, surveillance technology and in some cases a veto in the United Nations Security Council, as well as the de facto undermining of constitutional and civil society structures in the course of commercial engagement abroad. But China strictly observes the principle of non-interference and refrains from actively promoting authoritarian regimes.[6]

China's symbiosis of growth and stability offers developing countries and emerging economies an alternative to the Western model.

More critical (from the Western perspective) than China's ambivalent diplomacy and foreign policy is the exemplary nature of its transformation and modernisation process. For developing countries and emerging economies, and especially their ruling elites, China's successful symbiosis of economic growth and authoritarian political stability represents an attractive alternative to the Western model. The Chinese example shows how development on the basis of given local circumstances is possible — but also how repression creates internal political stability, how societies can be prevented from forming a critical public sphere and how nationalism can be used to consolidate power in a system. China shows state leaders and developments planners in Asia, Africa and Latin America very clearly that economic progress and globalisation must not necessarily rely on the Western paradigm.[7]

Facing a New Systemic Competitor?

China's seemingly unstoppable economic rise has shaken the West's self-image of its democratic market economy as the most successful and humane system. Even if China might be a special case on account of its size, dynamism and culture, its development does demonstrate that a combination of authoritarian rule and oligarchical capitalism not only functions but can also produce outstanding results in terms of income and productivity growth, political stability and international status.[8] Moreover this realisation hits a West that is experiencing growing doubts about its own ability to generate growth, innovation and prosperity, at a time where stagnating wages, social inequality, climate change and technological transformation cloud the prospects of creating a positive, hopeful future for the people. The West is also having to deal with a situation where its own leading power, the United States, is consistently undermining the normative foundations of the liberal order in its actions at home and abroad.

China contradicts — at least provisionally — the widely shared liberal expectation that growing prosperity will automatically bring in its wake a political liberalisation towards democracy, pluralism and rule of law. In China the opposite appears to be the case: successful economic development has strengthened

5 For a comprehensive survey of the BRI, see Nadine Godehardt, *No End of History: A Chinese Alternative Concept of International Order?* SWP Research Paper 2/2016 (Berlin: Stiftung Wissenschaft und Politik, January 2016); Bruno Maçães, *Belt and Road: A Chinese World Order* (London, 2018).

6 Also Chen, *Is China Challenging the Global State of Democracy?* (see note 2); Weiss, "A World Safe for Autocracy?" (see note 4), 95–102.

7 Michael Hüther, Matthias Diermeier and Henry Goecke, *Die erschöpfte Globalisierung: Zwischen transatlantischer Orientierung und chinesischem Weg* (Wiesbaden, 2018); Dan Banik and Benedicte Bull, "Chinese Engagement in Africa and Latin America: Does It Matter for State Capacity?", *Third World Thematics: A TWQ Journal* 3, no. 4 (2018): 532–51.

8 C. Fred Bergsten, *China and the United States* (see note 6); Hüther, Diermeier and Goecke, *Die erschöpfte Globalisierung* (see note 7).

the power vertical and forms a narrative component of identity-building Chinese nationalism. The party, the state and society are undergoing a phase of ideologisation, disciplining and caderisation. China's authoritarian state capitalism has become a powerful alternative to the democratic capitalist societies of the West. But where China is going, and how, remains uncertain. On the one hand it is conceivable that the regime can reinforce its resilience by employing digitalisation to efficiently expand its social control and minimise the systematic deficits of state economic planning. On the other, China could be brought crashing down by the consequences of its dysfunctional policies, if it fails to get a grip on the problems created by internal debt, industrial overcapacity, growing inequality, pollution and corruption. The result would be a systemic crisis.[9]

Germany and Europe must take systemic competition with China seriously.

In conclusion, the trajectory and outcome of the systemic competition between China and the West are fundamentally open. It cannot be excluded that two different systems can be compatible and coexist in a networked global economy — but it is unlikely. In the long run, it is more likely that one system will prevail or even displace the other. The systemic competition with China is definitely of great relevance. Germany and Europe have a vital interest in upholding their liberal values internally and preserving a liberal order internationally. In the fields of foreign policy and external economic policy, Germany and Europe cannot regard the systemic competition with China as a trivial matter of opinion. Instead they must place European values and interests where they belong — front and centre in relations with China.

9 George Magnus, *Red Flags: Why Xi's China is in Jeopardy* (New Haven: Yale University Press, 2018); Heribert Dieter, *Chinas Verschuldung und seine Außenwirtschaftsbeziehungen: Peking exportiert ein gefährliches Modell*, SWP-Studie 18/2019 (Berlin: Stiftung Wissenschaft und Politik, August 2019).

Günther Maihold

Trump and Xi: Clash of Leadership Styles

The strong personalisation of Chinese and American politics in the era of Xi and Trump shapes relations between the two states. Nor are third states untouched by Xi's and Trump's leadership styles, whether in the sense of having to deal with the repercussions or through the temptation to emulate them. The influence of individual decision-makers and their leadership styles is a decisive factor for the orientation of foreign policy activities.[1] The same applies to assessments of prospects of success, acceptance among supporters and chances of realisation in the international sphere. Especially in presidential political systems, the leadership ability and style of the head of state are crucial for managing processes of change and gaining new supporters. An examination of leadership styles therefore provides insights into the dynamics of governance.[2]

The presidents of China and the United States have redefined the field of foreign policy, both in the internal structures of their states and in their external relations. In the United States President Trump has minimised the influence of the State Department, in China the Communist Party under President Xi has taken control of foreign policy decisions. The processes of both international politics and domestic power resources are strongly determined by the different leadership styles of the two presidents. By centralising the structures of the Communist Party Xi has stopped the outflow of political decision-making power to bureaucratic instances and counteracted the erosion of political control capacity. Trump has established direct relationships with his base by bypassing the structures of the Republican Party apparatus and creating a personal "fan club". But the leadership styles of the two presidents cannot be explained solely in terms of their respective character traits. They also depend on the way presidential power is embedded in the institutional contexts of the respective systems of government.

Donald Trump's Transactional Leadership Style[3]

US President Trump presents himself as a "deal-maker", a "hard negotiator" who trusts his own negotiating skills more than those of the diplomatic corps. He pulls out all the stops in pursuit of the self-aggrandisement he flaunts above all for his followers at home. In such a "transactional" approach to foreign policy, the mixing of political agendas makes everything "negotiable".

Personal arrangements and rituals of reciprocal recognition supplant treaties between states.

Here personal arrangements with other heads of state and rituals of mutual recognition supplant treaties and agreements between states and ministries.[4] The method depends on transversal linkage of all possible policy areas in order to generate political

1 On this, see Michael Foley, "Doing Leadership: Types, Styles, and Contingency", in idem, *Political Leadership: Themes, Contexts, and Critiques* (Oxford, 2013), 31–57 (50ff.); and Thomas Preston, Leadership and Foreign Policy Analysis, in *Oxford Research Encyclopedia, International Studies* (December 2017), https://oxfordre.com/internationalstudies/view/10.1093/acrefore/9780190846626.001.0001/acrefore-9780190846626-e-255 (accessed 3 December 2019).

2 Corresponding analyses are also conducted under the title "Operational Code". In the case of China the problematic situation with sources makes such investigations very difficult.

3 Bernard M. Bass, "From Transactional to Transformational Leadership: Learning to Share the Vision", *Organizational Dynamics* 18, no. 3 (1990): 19–31.

4 This is also described as a "patronalistic modus operandi"; see Reinhard Wolf, "Eingebildete Missachtung, Narzissmus und patronalistisches Denken: Die Wurzeln von Donald Trumps Aversion gegen die liberale Weltordnung", in *Angriff auf die liberale Weltordnung: Die amerikanische Außen- und Sicherheitspolitik unter Donald Trump*, ed. Christopher Daase and Stefan Kroll (Wiesbaden, 2019), 39–58 (50).

pressure and demonstrate personal autonomy of action. Where the inherent logic of individual policy areas is ignored or sight is lost of the associated side-effects, tried and tested corridors of action become closed off. Trump's leadership style therefore reflects all the contradictions of the heterogeneous expectations placed upon his behaviour, which he must fulfil in domestic politics and vis-à-vis his supporters. The diplomatic apparatus has little chance of moderating this, still less correcting.

Xi Jinping's Transformative Leadership Style

By carrying through an extreme centralisation of the foreign policy apparatus, the Chinese head of state has succeeded in melding institutional action with personal power.[5] Xi presents himself as the "chairman of everything" at home and abroad, securing this role by seeking and finding strong support in the party and government hierarchies.[6] By virtue of his central position in both party and state Xi holds all the cards.[7] He took control of the field of foreign policy by establishing the Central Foreign Affairs Commission of the Central Committee of the Communist Party and placing it under his authority. Xi's streamlining of the government and party apparatuses represents part of the process by which the Chinese system has transitioned from a fragmented form of authoritarianism to an autocratic one.[8] Xi Jinping's leadership style and cult of personality can be described as "transformative". This applies not only to his domestic power base, which Xi has strengthened in the course of the party reform and the associated shift from collective to personalistic leadership.[9] The transformative aspect is also visible externally: The Belt and Road Initiative (BRI) established an overarching global narrative that supports China's claim to an outstanding role, under which many actors that have to date operated only nationally are now expected to operate internationally. The BRI is perceived in international politics as a "grand strategy" and has had the effect of causing numerous actors to orientate on China. Even in dealings with regional neighbours in East and South-East Asia, Xi has chosen a risk-taking style of diplomacy dedicated primarily to achieving China's objectives.

Collision of Leadership Styles: Loss of Trust and Compliance

With their different leadership styles, Trump and Xi are plainly and increasingly turning out to be incompatible. From the Chinese leadership's perspective Trump is personally unreliable and largely unpredictable. In the eyes of the White House Xi's leadership style confirms existing reservations, with his great concentration of power, strong internal control, an economic trajectory perceived as expansionist, and the corresponding strategic narrative. In view of the centralisation and personalisation of power in the field of foreign policy, the specific styles of leadership determine which corridors of action are open to the actors, under consideration of the institutional and political circumstances. The clash of the two leadership styles implies high costs to generate and preserve mutual trust.

The logic of the kind of "transactional leadership" Trump adopts rests largely on an understanding that in a situation of mutual dependency, a relationship of recognition and trust requires a (not necessarily symmetrical) exchange of positions in order to reach an understanding. Here norms, standards and principles are relatively marginal. What is more important is to select situational responses that are regarded as appropriate where particular goals and interests are being pursued. In this leadership style the stability of a relationship is valued less highly than short-term positional gains.[10] The substance of "the deal" re-

5 Sebastian Heilmann, "Introduction: China's Core Executive: Leadership Styles, Structures and Processes under Xi Jinping", in *China's Core Executive. Leadership Styles, Structures and Processes under Xi Jinping*, ed. Sebastian Heilmann and Matthias Stepan, Merics Papers on China 1 (Berlin: Mercator Institute for China Studies [Merics], June 2016), 6–10 (8).
6 See the summary in "Xi Jinping's Leadership: Chairman of Everything", *Economist*, 2 April 2016, https://www.economist.com/china/2016/04/02/chairman-of-everything.
7 Weixing Hu, "Xi Jinping's 'Major Country Diplomacy': The Role of Leadership in Foreign Policy Transformation", *Journal of Contemporary China* 28, no. 115 (2019): 1–14.
8 Heilmann, "Introduction: China's Core Executive" (see note 5), 10.
9 Susan L. Shirk, "China in Xi's 'New Era': The Return to Personalistic Rule", *Journal of Democracy* 29, no. 2 (2018): 22–36.
10 Wolf, "Eingebildete Missachtung, Narzissmus und patronalistisches Denken" (see note 4), 46.

mains largely open and negotiable. But if compliance between the two sides is weak — in the sense of the expectation that the other side will actually implement agreements that have been reached, for example in the trade sector — it is impossible to develop a viable relationship. If the actors tend — sometimes for domestic political reasons — to overload the relationship with issues from other policy areas, such as the North Korea problem, this directly endangers the entire relationship model. This injects uncertainty into the realisation of achieved agreements and calls their durability into question. It is also a challenge to consolidate agreements that are heavily characterised by personalised leadership styles and at the same time to take into account the interests and reservations of institutional actors such as the Senate and State Department (to include them and their positions in formulating "the deal").

By contrast the "transformational leadership" represented by Xi's leadership style offers the opportunity to generate a degree of long-term engagement and commitment — above and beyond specific agreements — through a strategic narrative like "Belt and Road", which is capable of fostering permanent relationships between states. This applies not only to the United States and China, but also to third states, as the latter are included in the logic of the narrative and subject to its imperatives. But that can also have negative consequences. In the perception of partners the narrative is closely tied to a leader whose position has been strengthened by a concentration of power. For this reason it also supports the assumption that China is seeking sweeping hegemony and to that end exerting influence or pressure on decisive societal forces in the prospective partner countries. Rigid internal procedures aiming to secure party control also harm external relations by disincentivising cooperation. At the same time the United States fears that China might be harbouring expansionist intentions. The consequence of this is that all concrete agreements are immediately interpreted in a different light, as in the case of Huawei. This erodes mutual predictability and removes the basis of trust.

Competition of Leadership Styles

The ramifications of the contrasting leadership styles are visible both in the direct relationship between Trump and Xi and in their relationships with third states. There is no lack of evidence showing how Trump has instrumentalised foreign policy issues for domestic political ends, one example being his plan to build a wall on the Mexican border to stem migration and violence. China has also been affected by this approach to politics, where the US President called China a "currency manipulator" and "rule breaker" (in relation to both trade rules and intellectual property rights). Trump sees China both as a strategic adversary on trade questions and as a useful factor in specific situations like North Korea. But the decisive yardstick is always US domestic politics. China is regarded as a "revisionist power", as a "rival" seeking to "shape a world antithetical to US values and interests" — to displace the United States and restructure the world order.[11]

With this thrust Trump is pursuing an approach that is strongly oriented on bilateral relationships and tailored to the concept of "deal making". Trump makes agreements contingent on his personal esteem for his counterpart. This underlines the — politically desired — rejection of multilateral formats, in which the President tends to participate only reluctantly. His uninhibited style of communication and the strongly emotional appeal of his politics are incompatible with Chinese etiquette and create disconcertion in the Beijing leadership — especially when China finds itself dragged into US election campaigns. From the Chinese perspective this is disrespectful both to the customs of international relations and personally towards Xi.

Xi's foreign policy activism signalises a clear change of course.

All these elements are regarded as "anti-diplomatic behaviour", not only because Trump rejects diplomatic forms and niceties, but also because he presents his positions in a confrontative manner interspersed with threats. His attempts to force compliance through (trade) sanctions must inevitably elicit a harsh response from his Chinese opposite number because they violate the fundamental principles of status recognition and respect in Chinese foreign policy and self-image. Trump's aversion to multilateralism is in accordance with his transactional approach, which is orientated on straightforward bilateral relationship

11 As formulated in the National Security Strategy, see "Trump Labels China a Strategic 'Competitor'", *Financial Times*, 18 December 2017, https://www.ft.com/content/215cf8fa-e3cb-11e7-8b99-0191e45377ec.

models. Trump's predilection for top-down solutions thus also fits with his emphatic rejection of bureaucratic coordination processes, which boosts his credibility among his supporters.

Unlike his immediate predecessor Hu Jintao, President Xi Jinping is willing to take certain risks in international relations, even if this involves standing up to the United States. Channelling the national confidence he himself propagates, Xi's foreign policy activism and intense interactions with other states signalise a clear change of course from that of his predecessor.[12] The growing "hard balancing", as pursued in maritime and territorial questions by certain states in the closer neighbourhood – including Japan – tests China's rhetoric of partnership and cooperation. But it changes nothing in Xi's maxim that his foreign policy should first and foremost serve core national interests.[13] His "major country diplomacy with Chinese characteristics" departs from past doctrines of a cautious and almost "invisible" foreign policy and instead posits a clear leadership role for China including a greater say in international affairs.[14] Mutual respect is the central value – especially in the relationship with the United States – in relation both to territorial integrity and to recognition of different development models. China under Xi expects its own importance to be adequately acknowledged. Xi desires greater visibility and enhanced international status for his country – and for himself. This shift is underlined by China's presence on the multilateral stage and in multilateral organisations such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (BRICS Bank). Xi's personal relationship with his American counterpart is secondary to the desire for concrete improvements for his country.[15] This is the absolute opposite of Trump's approach, where good personal relations are the precondition for working through the long list of problems on the bilateral agenda. Xi's leadership by contrast relies on a "highly scripted style",[16] from which one does not deviate on account of personal relationships. Although the strategic competition is cast in the form of "consultation and cooperation" in the sense of close partnership, it is driven by the unspoken model character that China claims for itself.[17]

Strategic Competition

The collision of leadership styles is part and parcel of the strategic competition. The person-centredness of foreign policy action and formal authority determine the leadership style applied. The clash of these contrary styles not only creates or deepens conflicts in the direct relationship, but also erodes the basis of trust between the affected states. This may even create openings for third states, and opportunities for gains if they seek a balance between the leadership styles and their protagonists. This competition of leadership styles creates a disadvantageous context that makes it difficult to find viable solutions for overarching issues and global problems, for example in climate protection or arms control.

The European Union clearly favours multilateral formats for order and cooperation. These demand investment and preparation if they are to prevent Trump's unilateralism or compensate his lack of consideration for alliance interests. Moreover Europe has only limited ability to bilaterally contain the status conflicts between the United States and China that have sharpened with the end of the collective leadership model in China and the ensuing concentration of power in Xi's hands. The reason for this is that both countries, as the Huawei case demonstrates, immediately slot such status conflicts into the conflict-laden bilateral relationship model.

12 Heilmann, "Introduction: China's Core Executive" (see note 5), 9.

13 Kerry Brown, "Expanding China's Global Reach: Strategic Priorities under Xi Jinping – the Link between the Outside and Within, and the Story of the Three Zones", in *China's Core Executive*, ed. Heilmann and Stepan (see note 5), 26–31.

14 Kishan S. Rana, "China's Foreign Ministry: Fit for Purpose in the Era of Xi Jinping, BRI and 'Major Country Diplomacy with Chinese Characteristics'?" *China Report* 55, no. 3 (2019): 193–218.

15 Yevgen Sautin, "A 'New Type of Great Power Relations' Revisited", in *China's "New Era" with Xi Jinping Characteristics*, China Analysis (London: European Council on Foreign Relations [ECFR], December 2017), 7ff. (8).

16 Jane Perlez, "Trump and Xi: Two Imposing Leaders with Clashing Agendas", *New York Times*, 6 April 2017.

17 Sautin, "A 'New Type of Great Power Relations' Revisited" (see note 15), 9.

Laura von Daniels

Repercussions of the US-China Conflict on the Multilateral Order

The dawn of the 2020s finds the multilateral order in crisis, as China's rise to become a great economic, political and military power collides with the rise of "America First" politics in the United States. The greatest political challenges of our time involve transnational phenomena, including climate change, inequality and pandemics.[1] Yet at a time when one would hope for cooperation in international organisations to shift up a gear, we witness instead that multilateral organizations are paralysed. The idea of taking the development of existing institutions and rulebooks up a level is almost inconceivable. China under President Xi Jinping presents itself as the champion of multilateralism, but in reality subverts the work of multilateral institutions. At the same time US President Donald Trump threatens to withdraw from multilateral organisations, alternating between declaring them useless and complaining that they are hostile and anti-American. Both states undermine the global order in their own way by flouting multilateral rules and abusing institutions for displays of power.

Growing Rivalry between Beijing and Washington

Washington has had a sceptical eye on China's economic rise for some time. After the global financial crisis of 2008 American decision-makers grew increasingly concerned that China's enormous economic success would create a geopolitical challenge. It was Washington's willingness to lead the process of establishing and running the international order and the ability to bear significant financial burdens that formed the basis for America's almost unchallenged dominance of the multilateral organisations since the Second World War.

Until the financial crisis the United States dominated the multilateral organisations almost unchallenged.

The financial crisis marked a turning point where the costs to the public budget restricted Washington's ability to maintain its dominance in central multilateral organisations. Although Barack Obama's Administration continued to support the international institutions and threw its weight behind multilateral conflict-resolution processes, it also significantly pared back its financial commitments, above all under pressure from Congress.[2] At the same time China, which emerged from the financial crisis largely unscathed, poured massive fiscal resources into expanding its influence in multilateral organisations. From Washington's perspective — and that of the rest of the West — the global geostrategic centre of gravity has followed the economic east to Asia, above all China, during the past decade. Among the areas of the global multilateral order displaying the growing rivalry between the United States and China, two stand out: firstly, the Bretton Woods institutions (World Bank and International Monetary Fund) and the World Trade Organisation, which promote cooperation on economic, financial and monetary policy; and secondly the United Nations.

1 John Ikenberry, "American Leadership May Be in Crisis, but the World Order Is Not", *Washington Post*, 27 January 2016, https://www.washingtonpost.com/news/in-theory/wp/2016/01/27/american-leadership-is-in-crisis-but-the-world-order-is-not/ (accessed 16 December 2019).

2 Josh Rogin, "Obama Cuts Foreign Assistance to Several Countries in New Budget Request", *Foreign Policy Online*, 14 February 2011, https://foreignpolicy.com/2011/02/14/obama-cuts-foreign-assistance-to-several-countries-in-new-budget-request/ (accessed 10 March 2020); "Obama's 'Smart Power' Plan Risks Death of 1,000 Cuts", *Reuters*, 7 September 2011, https://www.reuters.com/article/us-usa-budget-power/obamas-smart-power-plan-risks-death-of-1000-cuts-idUSTRE78613G20110907 (accessed 10 March 2020).

The Bretton Woods Institutions and the US-China Conflict

Under the surface of the visible trade dispute between the United States and China lurks a conflict over participation in global decision-making, whose origins date back to the early 2000s. That is when China began demanding a larger say, commensurate to its economic importance, within the Bretton Woods institutions. But the United States, supported by the other G7 states, blocked a significant expansion of China's influence in the IMF and the World Bank. China responded by employing its enormous resources to found new formats and organisations, which it dominates as the largest single donor. This applies above all to the Asian Infrastructure Investment Bank (AIIB), the New Development Bank (formerly known as the BRICS Development Bank) and the Belt and Road Initiative.

At the same time, China has declined to obey a number of important trade rules ever since it joined the WTO in 2001. To this day some of the reforms promised in its accession protocol remain unimplemented, above all in the areas of market opening, market-distorting subsidies and protection of intellectual property. Unlike his predecessor Obama who maintained the multilateral rules while criticising China's neo-mercantilist economic policy, President Trump set a different course from day one. His Administration demanded that China implement reforms that would have completely upended its economic model. The United States — along with the European Union, Japan and Canada — accuse China of systematic theft of intellectual property and complain about competition-distorting requirements placed on Western companies in the Chinese market. But rather than conducting its economic conflict with China within the multilateral WTO framework, the Trump Administration actively weakens it in two ways.

Firstly, Washington itself overrides the agreed multilateral rules of the WTO by imposing comprehensive unilateral import tariffs on steel and aluminium and threatening further protectionist tariffs on other goods. This behaviour could serve as a model for other countries that — for domestic political reasons — want to protect their economy from foreign competition using tariffs. Washington's actions could set off a vicious circle of unilateral tariffs and other rule-breaking.

Secondly, the Trump Administration has been blocking the WTO's Appellate Body since June 2017. On 10 December 2019 it had to be suspended because it was impossible to replace two judges whose terms had expired. To this day the Trump Administration has refused to state any concrete conditions, such as particular changes to the rules, that would persuade it to lift its blockade. Instead it has worked to block a joint initiative by the European Union, Canada and Norway to establish an interim appeal arbitration arrangement without US participation. In mid-November 2019, shortly before the adoption of the WTO budget for 2020/2021, the Trump Administration blocked future financial support for the Appellate Body Secretariat to express its dissatisfaction with the initiative by Brussels and its partners. Because the WTO operates under the consensus principle Washington was thus able to both prevent necessary appointments to the Appellate Body and paralyse its Secretariat.

An incapacitated WTO could come at a significant cost for the European Union. A number of recently concluded trade agreements with important trading partners — among them Japan and the Mercosur states — will indeed allow the European Union to conduct about 40 percent of its trade in goods under bilateral and plurilateral agreements.[3] But for more than half of its trade, including with the crucial partners United States, China and India, there would — at least initially — be no possibility of binding rules-based dispute resolution as currently exists in the WTO framework.

The United Nations and the US-China Conflict

The rivalry between the United States and China is also felt in the United Nations, where it obstructs vital decision-making processes. While China has quadrupled its contributions to UN organisations over the past decade, the United States has been gradually scaling back (not just since the Trump presidency).[4]

3 The Mercosur states (Mercado Común del Sur) are Argentina, Brazil, Paraguay and Uruguay. Venezuela joined in 2012, but has been suspended since 2016.

4 Kristine Lee, "Coming Soon to the United Nations: Chinese Leadership and Authoritarian Values: As Washington Steps Back, Beijing Will Take Charge", *Foreign Affairs*, 16 September 2019, https://www.foreignaffairs.com/articles/china/2019-09-16/coming-soon-united-nations-chinese-leadership-and-authoritarian-values (accessed 10 March 2020).

China is the second-largest contributor to the United Nations.

China is today the second-largest individual contributor to the United Nations, both in terms of the regular budget and funding for peacekeeping missions.[5] Of the five permanent members of the Security Council, China provides the most personnel for peacekeeping missions. Currently Beijing has 2,500 soldiers and police deployed, most of them on missions in Africa. In 2019 China was in tenth place in the list of countries contributing personnel to UN missions.[6]

China has recognised the value of the UN as a political platform, and makes deft strategic use of this. Since 2013 China has assumed a leadership role in four of the fifteen specialised agencies of the United Nations: the Food and Agriculture Organisation (FAO), the United Nations Industrial Development Organisation (UNIDO), the International Telecommunication Union (ITU) and the International Civil Aviation Organisation (ICAO).[7] According to scholars studying Chinese activities in the United Nations, China uses these organisations to influence political debates and establish its own political terms in official documents, which then flow into the general UN discourse on peace and development.[8] China's activities in the Human Rights Council illustrate how it works to sway the UN discourse.[9] Since 2013 Beijing has repeatedly used the Council as a platform for its own propaganda. Chinese representatives justified the internment of an estimated one million members of the Uigur minority in the Xinjiang autonomous region as a necessary measure for fighting Muslim extremism.[10] In verbal and written submissions to the Human Rights Council the Chinese government calls into question the value of individual human rights and emphasises the significance of state-led development programmes and the principles of national sovereignty and non-intervention in internal affairs. In July 2019 China's delegates to the Human Rights Council disrupted a dialogue with opposition activists from Hong Kong.[11] China also attempted in September 2019 to prevent another appearance by opposition activists from Hong Kong before the Human Rights Council, where they intended to report on violence by security forces against demonstrators.[12]

The US Administration has not to date responded in a decisive way to China's policy towards the United Nations.[13] In 2018 the United States withdrew from

5 The China Power Project website, "Is China contributing to the United Nations' mission?", undated, https://chinapower.csis.org/china-un-mission/; United Nations Peacekeeping website, "How We Are Funded", undated, https://peacekeeping.un.org/en/how-we-are-funded (accessed 10 March 2020).

6 United Nations Peacekeeping website, "Troop and Police Contributors", undated, https://peacekeeping.un.org/en/troop-and-police-contributors (accessed 10 March 2020).

7 China already heads more United Nations specialised agencies than any other member state. Its recent attempt to lead a fifth, the World Intellectual Property Organisation (WIPO) was ended by a US-led diplomatic campaign. Washington's preferred candidate, a national of Singapore, was elected head of WIPO by a large majority at the beginning of March 2020. "U.S.-Backed Candidate for Global Tech Post Beats China's Nominee", *New York Times*, 4 March 2020, https://www.nytimes.com/2020/03/04/business/economy/un-world-intellectual-property-organization.html (accessed 10 March 2020).

8 Lee, "Coming Soon to the United Nations" (see note 4).

9 Ted Piccone, *China's Long Game on Human Rights at the United Nations* (Washington, D.C.: The Brookings Institution, September 2018), https://www.brookings.edu/wp-content/uploads/2018/09/FP_20181009_china_human_rights.pdf (accessed 10 March 2020).

10 Lindsay Maizland, "Is China Undermining Human Rights at the United Nations?" Council on Foreign Relations website, "In Brief", 9 July 2019, https://www.cfr.org/in-brief/china-undermining-human-rights-united-nations (accessed 10 March 2020).

11 Ibid.

12 UNWatch, "Human Rights Council Double Standards: Hong Kong Activist Is Only Speaker to Be Rebuked for Addressing Specific Country Abuses" (Geneva, 17 September 2019), https://unwatch.org/human-rights-council-double-standards-hong-kong-activist-is-only-speaker-to-be-rebuked-for-addressing-specific-country-abuses/ (accessed 10 March 2020); "Hong Kong Legislator Urges UN Rights Body to Probe 'Police Abuse'", *Reuters World News*, 16 September 2019, https://www.reuters.com/article/us-hongkong-protests-un/hong-kong-legislator-urges-un-rights-body-to-probe-police-abuse-idUSKBN1W116C (accessed 10 March 2020).

13 While some measures have been taken to improve monitoring and respond more assertively to Chinese activities at the UN, no comprehensive strategy has been advanced. Units concerned with China's behaviour at the United States State Department reportedly suffer shortages of funding and personnel. See for example: Courtney J. Fung and Shing-Hon Lam, "China already leads 4 of the 15 U.N. specialized agencies — and is aiming for a 5th", *Washington Post*, The Monkey Cage Blog, 3 March 2020, https://www.washingtonpost.com/politics/2020/03/03/china-already-leads-4-15-un-specialized-agencies-is-aiming-5th/ (accessed 10 March 2020).

the Human Rights Council. In late November 2019 President Trump signed a bill enabling economic sanctions against individuals and the Hong Kong government in the event of human rights violations. Another bill banned the sale of crowd control software by American companies to the Chinese government. But the President had little choice, as a two-thirds majority in Congress would have overturned any presidential veto against China-critical legislation.[14] In earlier statements on the protests in Hong Kong, Trump had indicated that he regarded the treatment of the opposition as an internal matter for China.

In other cases that caused a great stir, Trump has reduced America's financial contributions to the UN. One example is Washington's withdrawal from the United Nations Relief and Works Agency (UNRWA) after almost seventy years of membership. China on the other hand increased its contributions to UNRWA from about €300,000 annually to more than €2 million in 2018.[15] In 2019 the Trump Administration again threatened repeatedly to make swingeing cuts to Washington's financial contributions to the United Nations. Even in cases where US Congress prevented budget cuts, the Administration indirectly denies funds by declining to actually transfer approved payments. At the beginning of December 2019 Washington's arrears at the UN amounted to more than €950 million.[16] Although Washington eventually transferred more than half of its outstanding debt, the delay by its biggest single contributor forced the UN to initiate spending cuts.

Outlook

Neither China nor the United States behave consistently and exclusively destructively towards multilateral organisations. But both bypass multilateral organisations and rules. Both prioritise bilateral negotiations for resolving pressing conflicts. This harms the international organisations, which increasingly find themselves outmanoeuvred. The power rivalry between the two states is increasingly impinging on the interests of the European Union and Germany. The EU initiative is therefore on the right track in seeking to uphold the WTO's multilateral dispute settlement system jointly with other states. But this is not enough. In its own interest the European Union must work with other states to support and protect the existing multilateral institutions.

14 "Trump Signs Hong Kong Democracy Legislation, Angering China", *New York Times*, 27 November 2019, https://www.nytimes.com/2019/11/27/us/politics/trump-hong-kong.html (accessed 10 March 2020).

15 United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), "China Provides US$ 2.35 Million in Support of UNRWA Food Assistance in Gaza", press release, 21 December 2018, https://www.unrwa.org/newsroom/press-releases/china-provides-us-235-million-support-unrwa-food-assistance-gaza (accessed 10 March 2020).

16 Jack Guy and Richard Roth, "UN Warns that Staff Could Go Unpaid Next Month as Member States Fail to Pay Dues", *CNN*, 9 October 2019, https://edition.cnn.com/2019/10/09/world/un-budget-crisis-scli-intl/index.html (accessed 10 March 2020).

Annegret Bendiek and Barbara Lippert

Positioning the European Union within the Sino-American Rivalry

The walls are closing in on Europe, which risks being crushed by the US-China rivalry. On the one hand, the EU member states are plainly not on board with Trump's current policy towards China and fear the far-reaching consequences of escalating trade disputes and geopolitical confrontation in the Pacific. On the other, Europe also takes a dimmer view of China, after a period where dealings with Beijing concentrated almost exclusively on market access and export opportunities. In a strategy paper published in March 2019 the High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini, adopted a new sharper tone: for the EU China is not only an important partner in international cooperation, but also an economic competitor and systemic rival.[1]

China is a test case for European self-assertion.

In Europe, however, unlike the United States, no dominant school of thought has emerged treating China as the new arch-enemy in a structural global conflict. Unlike America's, the European Union's relationship with China is not focussed on geostrategic containment and decoupling. Instead it wants to develop a reciprocal primarily economic/technological interdependency between Europe and China on the basis of reciprocity and jointly agreed principles and rules. In order to achieve this, the European Union needs to be united and conflict-capable, equipped with the required legitimacy, and acquire the necessary industrial/technological resilience. To that extent China represents a test case for European self-assertiveness.

European Unity and Disunity over China

The European Union's relationship with China is characterised by cooperation, competition and conflict. It is this ambivalent and issue-driven interregional cooperation in which diverging individual interests of market participants and member states need to be reconciled with the Union's overall interests and legal foundations. As a basic principle, the more unified the member states are, the greater the Union's negotiating power and the more effective its ability to pursue European interests vis-à-vis Beijing. But the member states are not (yet) ready to relinquish the corresponding powers or central coordination in relevant fields of policy towards China to the EU level. There are various reasons for this. Europe may be the world's biggest exporter, but is market leader in only a handful of digital technologies.[2] As it increasingly finds itself forced to import strategically crucial technologies and resources, certain member states react with great sensitivity to this dependency. This delays decisions in the Council and weakens the European Union's political impact. Especially in human rights question this frequently prevents the European Union from formulating a coherent policy towards China. Poland and Hungary have taken a different line at the United Nations, preventing the EU states from presenting a united front. At the EU-China summit in April 2019 certain member states opposed a common EU stance on China because they feared that Beijing might respond with economic reprisals or other sanctions to perceived affronts such as human rights criticisms. In March 2019 Italy

1 European Commission and High Representative of the European Union for Foreign Affairs and Security Policy, *EU-China – A Strategic Outlook*, JOIN(2019) 5 final (Strasbourg, 12 March 2019), https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf (accessed 11 December 2019).

2 "Softly, Softly: The Europeans Want Their Own Vision Fund to Invest in Tech", *Economist*, 31 August 2019.

became the first G7 state to sign on to China's "New Silk Road" (the Belt and Road Initiative). In so doing, Rome subverted the wish of the other member states to conduct talks about participating in the BRI only as a European block.

Disunity towards China – and the United States.

Disunity weighs all the heavier where the EU states also fail to pull together vis-à-vis the United States, which Washington is quick to exploit. Poland for example has signed bilateral treaties with the United States on missile defence and promised Washington that it will exclude Chinese technology from its 5G network.[3] Such specific commitments are hard to reconcile with a united front of all member states. The European Union naturally shares a very broad range economic, security and normative interests with the United States while the distance to China remains fundamental. But a European policy towards China cannot build on the transatlantic relationship as it could in the past. It now exists within a new system of coordinates determined principally by the axis of conflict between the United States and China, and in which the European Union must find and hold its own position.

Foreign and Security Policy

The European Union is not a fully-fledged foreign policy and security actor in the Asia-Pacific region, but all the member states have external economic interests there, which would certainly have to be defended in the event of crisis. France and the United Kingdom in particular maintain their own naval presence in East Asia, relying on ties dating back to their time as colonial powers.[4] The South China Sea is an important transit route for international movements of goods and raw materials, so a military conflict there would have massive repercussions on the European Union's economic and security interests. France and the United Kingdom have already announced their intention to expand their security presence in the Far East. They assist states bordering the South China Sea in modernising their armed forces with technology transfer and arms sales, offer to support their efforts to secure free access to the seas through an expanded naval presence, and provide assistance with disaster relief, cyber-defence and counter-terrorism.[5] Paris and London see themselves as "custodians of Western and European interests in the region".[6] The French would like to see Europe taking on some of their commitments in the region, for example through EU flotillas including the United Kingdom.[7] From 2020 it is planned to send a German naval officer to the Singapore Navy's Information Fusion Centre.

Security and economic concerns are becoming ever more closely interconnected. A prime example of this is the modernisation of mobile phone networks using components from the Chinese technology firm Huawei. In connection with European infrastructures, Huawei is not per se excluded from the single market. The question of the reliability of telecommunication components is subsumed under the logic of market regulation. Under the new EU Toolbox for 5G Security and the EU Cybersecurity Act all providers and suppliers of information and communication technology will be subject to graduated controls and will have to fulfil strict certification criteria for hardware and software. All the major internet platforms — whether American or Chinese — potentially enable surveillance capitalism (Shoshana Zuboff), so they are all of interest to EU data protection, data security and competition law.[8]

If a data leakage by Huawei were to be identified or cases of cybersabotage against digital infrastructures occurred, the consequence would be the company's exclusion from the Single Market. That in turn would decisively accelerate the European Union's efforts to achieve digital sovereignty vis-à-vis China. In the NATO context the European Union and the

3 "US-Regierung genehmigt Milliardendeal mit Polen", *Die Zeit*, 18 December 2017, https://www.zeit.de/politik/ausland/2017-11/nato-polen-raketenabwehr-usa-auftrag-konflikt-russland (accessed 11 December 2019); "Polen geht bei 5G Sonderweg mit den USA", *Deutsche Wirtschafts-nachrichten*, 3 September 2019, https://deutsche-wirtschafts-nachrichten.de/500078/Polen-geht-bei-5G-Sonderweg-mit-den-USA (accessed 11 December 2019).

4 Björn Müller, "Europäische Flugzeugträger im Pazifik", *Frankfurter Allgemeine Zeitung*, 25 January 2019.

5 Ibid.

6 Ibid. (translated).

7 Ibid.

8 Mathias Döpfner, "'Das Worst-Case-Szenario ist bereits da': Die Harvard-Ökonomin Shoshana Zuboff war eine der Ersten, die vor der Übermacht der großen Digitalkonzerne warnte — und vor deren Datenhunger", *Welt am Sonntag*, 17 December 2019, 19—22.

United States share an interest in protecting critical infrastructures and defending them against attack. An incident could set in motion a race where both the West and the Chinese attempt to exclude all possible social and technical vulnerabilities. The threatened consequence is a military arms race and massive economic losses.

The European Union as Trade and Regulatory Power

The European Union's position in international politics rests to a great extent on its strength as a trade and regulatory power, as even China must acknowledge. The economic is the dominant factor in the increasingly conflictual Euro-Chinese relationship. In many respects the European Union shares Washington's criticisms of unfair Chinese competition practices. But Brussels and Washington have their own disagreements about trade questions and WTO principles, which in turn makes it harder to hold a shared transatlantic line towards Beijing.

Trade: The European Union is China's largest trade partner, while China is the European Union's second-largest trade partner after the United States. Since 1975 trade between China and the European Union has expanded by a factor of 250, to reach a volume of $680 billion in 2018.[9] Within the European Union the most competitive and largest exporters are the drivers of China policy. The European Union suffers both directly and indirectly from Washington's policy of punitive tariffs towards China: directly in the case of aluminium and steel, indirectly where trade flows are diverted (for example soybeans). After the United States imposed tariffs on steel and aluminium the European Union was forced to introduce import quotas for steel products from third countries — to the chagrin of the European car industry, which is reliant on imported steel. And in July 2018 US President Trump and then EU Commission President Juncker agreed that the European Union would rather support America's trade interests than those of Brazil, traditionally the European Union's largest supplier of soybeans, as a concession to Washington. The Euro-American trade disputes threaten to obscure the shared interest in multilateral solutions in the transatlantic relationship. And this makes it impossible to use the WTO mechanisms to effectively enforce free trade principles — such as intellectual property protections and reciprocity of market access and investment terms — vis-à-vis Beijing. Especially in EU countries like Germany and France, which have important economic relations with China, companies and organisations call for a strong and assertive stance against Beijing's unfair practices.[10] The European Union accuses Beijing of systematically subsidising Chinese private and state-owned enterprises in order to give them competitive advantages on a global scale. In response, especially France and Germany are in favour of the European Union developing an industrial strategy dedicated to catching up in digitalisation and infrastructure modernisation, to strengthen the competitiveness and market position of Europe's small and medium-sized enterprises which form the backbone of the (digital) internal market and the European economic model. At the same time Brussels should reform competition law in relation to market-relevant national and European enterprises, such as to promote a strategic sustainability agenda for climate and environmental technologies. This should also make the conditions of competition for these firms fairer in comparison to the often partly state-directed corporations in China.

Investment: The European Union has recently reformed its foreign investment control regime with an eye to Chinese activities in the single market. Following the example of the US legislation, it strengthens the state's rights to intervene vis-à-vis market participants. Here Brussels has succeeded in bridging the different preferences of the member states to adopt a regulation to which even countries like Portugal, Greece and Hungary were able to agree.[11] The latter had feared disadvantages if the new rules for foreign investment screening had been too strict. Here the European Union specifically has China in its sights as an economic competitor, because China is seeking to

9 Eurostat data.

10 Axel Dorloff, "EU-China-Gipfel: Auf der Suche nach Gemeinsamkeiten", *tagesschau.de*, 9 April 2019, https://www.tagesschau.de/wirtschaft/eu-china-gipfel-113.html (accessed 11 December 2019).

11 European Commission, *Proposal for a Regulation of the European Parliament and of the Council Establishing a Framework for Screening of Foreign Direct Investments into the European Union*, SWD(2017) 297 final, Brussels, 13 September 2017, COM(2017) 487 final, https://eur-lex.europa.eu/resource.html?uri=cellar:cf655d2a-9858-11e7-b92d-01aa75ed71a1.0001.02/DOC_1&format=PDF (accessed 11 December 2019).

buy its way strategically into segments of the European Union's high-tech research and manufacturing, such as artificial intelligence, robotics and biotechnology. The new EU regulation is a compromise. It provides for creating a binding legal framework within which the member states conduct their own foreign investment screening before making the final decision themselves. The common criteria cover security and public order but leave aside broader economic issues such as those relating to competition law or industrial policy. The unity of the EU states in relation to investment controls contrasts with differences over regulatory preferences of the kind that exist between France and Germany. Specifically it is evident that there is no consensus among the EU states concerning Huawei's wish to participate in the creation of 5G infrastructure in the European market. Those that would not exclude participation stand opposed to the Trump Administration, which regards Huawei as a Trojan horse sent by a hostile government whose policies are irreconcilable with US security interests. Here Washington's clear geostrategic perspective collides with the European Union's primarily economic one. However, for reasons of security or vulnerability of critical infrastructure, the United Kingdom and Germany have also defined strict security criteria for suppliers. France already applies more restrictive security tests on foreign suppliers. The European Commission has published its own 5G Toolbox consisting of clearly defined recommendations for security and reliability standards.

Supranational geopolitics builds on the EU's resources as a trade and regulatory power.

Regulation in the Digital Single Market: The European Union's efforts to define and implement rules for the Digital Single Market meet their limits in relation to China and to an extent also the United States. The growing mistrust between America and Europe is reflected, for example, in Trump's response to the repeated fines imposed by the European Commission on US-based Google for violations of European competition law. The US President sees this as an act of retribution by a "tax lady [who] hates the US", as he called EU Competition Commissioner Margrethe Vestager.[12] It is indeed the case that the regulatory philosophies on both sides of the Atlantic are becoming ever harder to reconcile. In the Treaty on the European Union the member states commit to a competitive social market economy (Article 3, TEU) and democracy (Article 2, TEU) and emphasises the universal rights of the individual (also concerning their personal data). The European Union integrates various stakeholders and market participants in its processes, in which fundamental rights are also observed. This multi-stakeholder approach is also found in current position papers by European institutions on the opportunities and challenges of the (Digital) Single Market and its agenda. EU organs commit to the idea of a (digital) society that is democratic and both community-based and inclusive. From this, the European Union defines interests, preferences and also instruments for a regulatory policy towards China and the United States. This policy is expressed through the General Data Protection Regulation, through merger controls and through restrictions on the generous tax policies of individual member states such as Ireland towards US-based Apple. If the European Union cannot succeed in working with the other major powers including China to establish permanent security- and confidence-building measures for cybersecurity and Industry 4.0, there is threat of a global collapse of the digital commons. Cooperation is also a precondition for tackling global challenges such as securing social peace and justice under the (working) conditions of digitalisation. Prosperity and stability on the regional and global scale depend decisively on observance of shared minimum standards in IT security as well as norms for state action in cyberspace and for the creation of shared governance structure.

Supranational Geopolitics

What makes the European Union strong in dealings with China and other great powers is the democratic disposition of its member states, its supranational institutional order and autonomous legal order, the size and potential of the Single Market, the common currency area, and the common trade and competition policy. These factors offer immense potential; to

12 David M. Herszenhorn, "Typhoon Trump Blows G7 Off Course", *Politico*, 10 June 2018, https://www.politico.eu/article/typhoon-trump-blows-g7-off-course/ (accessed 7 January 2020).

make full use of it demands the following: Firstly, the European Union's policy towards China is most effective where it is conceived not as a purely country-based strategy but embedded in a comprehensive and overall strategy for the European Union's self-assertiveness. Secondly, under the conditions of a new great power rivalry the European Union can best assert itself by further supranational integration and strengthening its collective actorness. Supranational geopolitics starts from the resources the European Union possesses as a trade and regulatory power. This represents the central source of its negotiating power on a global scale. Logically then, topics like industrial policy, market access and data security are high on the agenda of the new "geopolitical Commission" (Ursula von der Leyen).[13] It would also be important for the new multi-annual financial framework to reflect these priorities and for the European Union to strengthen the Eurozone and the logic of integration in foreign and security policy.

As the world's largest internal market, the European Union has every reason to encounter China with confidence and to join neither the US strategy of containment nor that of the decoupling of entire economic spaces. Cooperation and competition are legitimate modes for a policy of self-assertion, as is self-protection through a modern industrial policy designed to close the technology gap. It plays into the European Union's hands that China operates above all in the geo-economic arena, which is also where Europe's power resources lie. Standing up to Beijing over WTO rules while at the same time engaging in the Asian Infrastructure Investment Bank and BRI projects are important elements of a strategic interdependency with China. At the same time Europe's self-assertiveness could be boosted by the EU-Asia Connectivity Strategy: strategic interdependence — rather than decoupling — is the more promising approach to dealing with China. This also includes the European Union offering third states alternatives to Chinese direct investment, through cooperation that will need to be lucrative for the recipients. The European Union has always seen Asia as more than just China. The European Union should therefore put more diplomatic and political weight into its cooperation and free trade agreements with Japan, India and ASEAN and its member states. Its collective Asia diplomacy needs to be expanded above all in the fields of rule of law, democracy and human rights, ideally — as in other questions — together with the United States. In order to be able to stand up to China in the long term the European Union will have to strengthen its capabilities for supranational geopolitics, again ideally with transatlantic coordination and backing. The German government, together with France, the Commission and the Eurozone states, should explore the possibilities of a transatlantic trade agreement to remove industrial tariffs and non-tariff barriers in order to reinforce the Union's bargaining power towards Beijing in the light of upcoming negotiations about an investment protection agreement. The next EU-China summit is scheduled for the second half of 2020, during the German EU presidency, and should be supplemented by a parliamentary component. Independently of the concrete agenda, the most important message to China would be that the EU member states stand firmly united behind their priorities, above all principle-based policies and reciprocity on all levels and in all policy areas.

13 European Commission, Vertretung in Deutschland, "Kommission von der Leyen: Eine Union, die mehr erreichen will", 10 September 2019, https://ec.europa.eu/germany/news/20190910-team-struktur-von-der-leyen-kommission_de (accessed 11 December 2019).

Appendix

Abbreviations

AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CGTN	China Global Television Network
CIA	Central Intelligence Agency (United States)
ECFR	European Council on Foreign Relations
EU	European Union
FAO	Food and Agriculture Organisation (United Nations)
5G	Fifth Generation (standard for mobile telephony and internet)
G20	Group of Twenty major industrialised nations and emerging economies
G7	Group of Seven (leading Western industrial nations)
HGV	Hypersonic glide vehicle
ICAO	International Civil Aviation Organisation
IFC	Information Fusion Centre (Singapore Navy)
INF	Intermediate Range Nuclear Forces
IP	Internet protocol
IT	Information Technology
ITU	International Telecommunication Union
IMF	International Monetary Fund
Mercosur	Mercado Común del Sur
NATO	North Atlantic Treaty Organisation
PIIE	Peterson Institute for International Economics (Washington, D. C.)
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
UNIDO	United Nations Industrial Development Organisation (Vienna)
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
VPN	Virtual private network
WTO	World Trade Organisation (Geneva)

The Authors

Dr. Annegret Bendiek
Senior Associate in the EU / Europe Division

Dr. Laura von Daniels
Head of The Americas Division

Dr. Hanns Günther Hilpert
Head of the Asia Division

Dr. Barbara Lippert
Director of Research of SWP

Prof. Dr. Günther Maihold
Deputy Director of SWP

Dr. Marco Overhaus
Senior Associate in The Americas Division

Dr. Michael Paul
Senior Fellow in the International Security Division

Prof. Dr. Volker Perthes
Director of SWP

Dr. Peter Rudolf
Senior Fellow in The Americas Division

Dr. Matthias Schulze
Associate in the International Security Division

Dr. Daniel Voelsen
Associate in the Global Issues Division

Dr. Gudrun Wacker
Senior Fellow in the Asia Division