

Critical Issues Confronting China Series featuring Luke Patey – How China Loses: The Pushback Against Chinese Global Ambitions, April 28, 2021

– Hello, and welcome to today's lecture. We will begin momentarily. We're going to wait about another minute just to give people a chance to log on to zoom, and we hope you enjoy today's talk. Thank you for joining us.

– Good afternoon or evening wherever you are. I would like to welcome everyone to this forum, Critical Issues Confronting China. This forum has been focused on China's rise and its domestic economic, social and political developments, as well as US and China relations. What we have largely overlooked though, was how the other nations maybe responding to China's rise and activities around the world. Particularly the European countries and the African nations. And today, we are very pleased and honored to have a European expert on contemporary China to give us some insight on the reactions of various nations to the rise in China and the economic pressure in activities. He's Luke Patey. Luke is the senior researcher at Danish Institute of International Studies but also Oxford University recruited him to be the lead senior research fellow at the Oxford Institute for Energy Studies. Luke has examined China and India's investment in oil in Sudan for more than 10 years and written a book on that. But then recently, he looked at the different countries around the world, including South America or Japan, how they actually respond and react to China's rise in power. With his studies, Luke has written books and publishing journals like foreign affairs, foreign policy and also on the most prestigious newspapers like New York Times, Financial Times, Guardian on the contemporary China's activities. Then he published a new book, "How China Loses". That's going to be the main focus of his topic today. And that book is published by Oxford University Press. I have read the book. I'm particularly gained understanding of the complex role China plays in Africa or particularly in Sudan. For example, China not only invest in Sudan's oil and trying to explore and produce the oil and energy, what China has to deal with the rivalry of war between the rebels and the Sudanese government. At the same time, China plays a third role, Chinese soldiers serve in the UN peace force that's stationed in Sudan. This is the kind of the insight that Luke has given us. The complex role China plays in its foreign economic relationships. So without further ado, I'd like to turn the session over to Luke. But before that, Nick is going to give us some instructions about submitting your questions. Nick.

– Hi, all. Welcome, or welcome back. If you've been here before you know the drill, if you haven't, there's a Q and A tab at the very bottom of your screen. If you have any questions throughout the talk or during the Q and A section just type your question in there. If you want to submit it anonymously you can do so, there's a box you can check. If not, please just let us know who you are and what your

affiliation is so we know who's asking the question. All right, thanks.

- Hi. Well, thanks so much for that kind introduction, Professor Hsiao. I'm very grateful for this opportunity to speak with the group today at the Fairbank Center. And I'm really thankful to the organizers for having me and in first planning this event last year, it was with a great pleasure to get in touch with the late Professor Ezra Vogel. I didn't know him personally, but really his openness to me and my research was very encouraging. And I know his passing is deeply felt that Fairbanks and beyond. Now, as someone who has followed China's rise in the world for some years now, I'm often asked to explain China's perspective here in Europe. I'm often asked what lessons China is learning from its experiences in the world, and I'm, you know, expected to divine what China's future behavior might be. Answering these types of questions is one of the jobs of sinologists who work in international relations and politics but I'm not one. I can rarely provide comprehensive responses to what China might be thinking or what it might do. Rather for myself and I think a growing number of researchers across various fields, we did not go out seeking China, rather China came seeking us because China's global presence has expanded so rapidly and so strongly in recent decades that it's important to all fields of studies. My first encounter with China was in the form of Chinese national oil companies in Africa where I studied their impact on Sudan and later South Sudan as Professor Hsiao mentioned. And understanding the interest and aims of Chinese actors is of course highly important. But my main focus is really on the perspectives of the rest of the world towards China. What lessons other countries are learning about engaging China and where these relations might be headed in the future. And this is the perspective I've taken this book. It's not particularly to understand what China wants but more so what the world wants from China. So I hope our, this presentation and our discussion particularly afterwards can help to bridge some of these perspectives going forward. So what I wanna do in the next 40 minutes or so is first of all, discuss some of the motivations of my work, of this book in particular. I hope my slides are now visible. And then I wanna go over basically three questions about China's rise that I think deserve rethinking when we look at its various, its various roles around the world. And finally, some conclusions, sorry, some conclusions of my work. Sorry about that. So, okay. So, really the premise of my book is that we live in a world where it is not only the United States and China that matter. I know this might be a hard reality for many Americans and Chinese to stomach. Both Americans and Chinese have a sense of exceptionalism and in their worldviews and thinking, even in foreign capitals, China and the US as big powers are often seen as dictating everyone's future. Of late a bombardment of media stories and opinion pieces and research on the US-China rivalry has really overtaken I think a lot of the debates around the world of what's to come for the global economy and for global affairs. But my impression is from doing research on this book

is that this is only part of the picture of the future of world affairs. That China's relationships with the rest of the world, particularly middle powers, are going to be critical not only in dictating the direction of the US-China rivalry but also the future of China's global influence. This is not to say that the bilateral relationship between China and the US is not important. Together they make 40% of the global economy. They command the world's two most powerful militaries and they have impressive technological capabilities but I think we've lost sight of the rest of the world, the other 60% of the global economy, its other major militaries and tech leaders. And that countries like India and Japan and Germany will be very influential in dictating the shape of global issues, such as overcoming the COVID-19 pandemic, addressing climate change or the future direction of free trade and use of technology. And when I place a spotlight on China's relations with the so-called middle powers in particular, like Japan and India and countries in Europe, what we see are our framed political ties, new trade and investment concerns and even barriers going up and rising security tensions. I think other major powers out there but also in a way developing countries are recognizing that engaging China in areas of trade, investment, finance and technology offers benefits but can also threaten long-term competitiveness and even foreign and defense policy autonomy. Now, none of this is to say that the US will somehow re-emerge as the dominant superpower or that China will fade away. I think what goes on in the beltway and what goes on within the ringed roads of Beijing still holds critical importance to us all. China wields considerable power, there's no doubt. Its economy continues to grow even through this pandemic. And it has advanced its influence, particularly in emerging markets and developing countries in Africa in Latin America and developing Asia. But even in these regions, China faces new difficult challenges. So China is not preordained to dominate the future. And rather than look at US-China rivalry alone, rather than see one of these countries as omnipotent, I think we need to take a deeper look at the diversity of power out there today 'cause that's what I think will ultimately shape China's future direction in global affairs. So there's really no better place to start to look at China's global influence than to look at its global project, the Belt and Road Initiative that I'm sure many of you are familiar with. This is Xi Jinping's project of the century. This is the Chinese president's foreign policy signature. And it aspires to harness hundreds of billions of dollars to finance and build various types of infrastructure, transport, energy, communications, but also to connect China to the outside world through industrial corridors, manufacturing links and develop Chinese tech standards. The BRI arrived in much of the global South with much fanfare and appreciation. With some notable exceptions, particularly a certain populous neighbor. China's star shines quite brightly in emerging economies and developing countries. Yet, I also think the Belt and Road is facing some challenges and that we're not necessarily asking the right questions about its impact. Because I think the debates on the Belt and Road in the United States

in particular centers on whether the infrastructure finance it offers sets a debt trap for host countries or it's simply just business. Now, some argue that China's finance is purposely designed to ensnare partners in high debt so that China can then take control of strategic assets such as ports and railways. Others though see China's Belt and Road as simply commercially driven without too many strategic aspirations. More than anything however, the Belt and Road I think is a promise of win-win economic growth and development that China is making to its partners. And this is really the dream that an East African diplomat shared with me when we met in Beijing some years ago, and like many foreigners, our conversation was on what was going on around us in the Chinese capital, the modern futuristic skyscrapers and infrastructure and the great leaps that China's made in its development in the last several decades. And for this African diplomat, China offered an alternative path for his country to follow, one that didn't have America or the West political conditions and lecturing, but brought economic development nonetheless. And this is how Xi Jinping has presented China's engagement with developing countries at the forum on China Africa Cooperation in 2018 he called on African countries to step on the express train to China's development. So I think that President Xi wants the Belt and Road to build China's political legitimacy in the world through in particular building new infrastructure and developing new trade investment and technological links. At the recent BRI forum, Xi even called for the Belt and Road rules and standards to be expanded upon. China's becoming more confident in expressing that it wants its rules and standards to grow in the world. China, of course, has its economic aims behind the Belt and Road to offshore this tremendous overcapacity it's built up in heavy industries since the 2008 global financial crisis. When China brought in hundreds of billions of dollars in stimulus through this new infrastructure. And many developing countries very much need this infrastructure and they welcome it. Africa needs roads and railways and power and energy projects. Asia does as well. But there are some challenges facing the Belt and Road that I think are becoming more clear as time passes, as it expands. So I wanna briefly go over those, the main ones that I outlined in the book. And I think the focus needs to shift from, from whether or not it's a debt trap or just business, but to look at rather it's development success or failure in the countries it engages. And I think there are some contradictions in China's economic and political aims behind the Belt and Road that make it harder for these positive development outcomes to come about. First, we know that China doesn't bring many political strings when it offers loans to developing countries, but it does bring considerable economic strings. And some of those are that, the money that it offers as financial assistance is tied to the use of Chinese companies, contractors, construction firms and Chinese products to build infrastructure projects. What this does early on, is it crowds out local industry where of course there is often strong construction and heavy industry sectors as well. And it does so at a much higher rate than World Bank projects do for example.

Second, and I think more importantly, although Africa and other developing regions desperately need infrastructure not any infrastructure will do. There is the necessity for infrastructure projects, such as railways to generate new economic, productive activity and countries that have low borrowing capacities that invest in infrastructure that doesn't generate new trade, new domestic investment and other economic spin-offs will find themselves facing new debt challenges. And we're starting to see this recently, as some projects such as railways in East Africa struggle to pay for the debt that their countries have taken on. And China knows this well, much of China's infrastructure as impressive as it is, has failed to generate new economic, productive activity according to some studies. Thirdly, I think what's missing from the Belt and Road initiative is this massive offshoring of low cost Chinese manufacturing jobs overseas. This was the idea of several prominent scholars that thought that millions of jobs would leave China as costs rose and would head to various developing regions and spur on new development. That is taking place in some places particularly in some Southeast Asian countries but it's not universal. And Africa in particular is not receiving all too many large numbers of manufacturing jobs. We hear quite consistently about Ethiopia as a positive case of manufacturing development linked up with China's engagement, but Africa is much larger than Ethiopia, and we're not seeing this broad level of manufacturing going out of China. Many companies in China are automating. And as I said, many of them are heading towards Vietnam, Cambodia, Bangladesh and other locations closer to home. So translating the promise of the Belt and Road into development success is hard and I think this is gonna bring China into troubles the further it moves along if it doesn't adapt. And I'm not alone I think in this thinking, Chinese economists Jiang Wang Ying and Shen Hong have argued that China at the moment is selling the wrong model through the BRI. It's not selling the true model that China developed under. It's overselling the role of state-owned enterprises and central planning in China's own development and underselling the role of the private sector, the role of entrepreneurs, foreign trade and foreign investment in helping China develop. So we will need to see if the Belt and Road can adapt moving forward. Currently, however, we see sharp drops in some of the official finance that China's offering through the Belt and Road. Now the Belt and Road could come back as a digital health expansion, but I think this first act of its strong infrastructure thrust is coming to an end. And I think that the East African diplomat I met in Beijing will need to realize his country's ambitions through diverse engagement with China, with the US, with Europe and India and others and that Africa has the potential to develop its own models for development. The second subject I wanna talk to you about this afternoon is China's relationship with Europe. And China's had really dramatic growth in trade and investment with Europe in recent decades, but of late particularly in the last five or six years, questions have risen that China is gaining new political influence in Europe through this economic engagement. And on your

screens you see a picture of Danish police not too far from where I'm sitting today, ripping a Tibetan flag out of a Danish demonstrators hands during the visit of Hu Jintao here to Copenhagen in 2012, the former Chinese president. And who, he signed a number of big business deals, witnessed those deals during his visit. But in the years to follow political controversy arised when it was discovered that police had done this act, ripping the flag out of the one demonstrators hands, but also blocking demonstrators around the city that day in order for Hu Jintao's motor cage not to see them, in order for the Chinese delegation to save face. And that this had actually taken place during quite a number of visits from China to Denmark over the last couple of decades. Now, dutiful journalism and parliamentary oversight in Denmark reacted to this events and the government commission is still unpacking what happened and who was responsible. What it really brings the focus on this values versus interests debates that takes place on China, in the US but also here in Europe. And that seems to dominate discussions on whether for instance, European commission is selling, selling away sort of its concerns with human rights abuses in Xingjiang region for trade and investment possibilities with China. But despite the importance of this debate, in the book I unpack another one and that's the economic side of the equation, which I think also deserves exploration. And that the fact that China has risen as an economic competitor for the European Union will really shape its relationship with Europe dramatically going forward. So China became an economic competitor to Europe because of, I think, two changes in the relations and one consistency. First, over the last decade, there's been an influx of Chinese foreign investment into the European Union. Between 2000 and 2017, Chinese investment in the EU surpassed European investment going to China with 2016 marking this high point of 35 billion investments from China coming here to the EU. Now, Chinese investments aren't very much like American investments in the EU. They are predominantly focused on acquisitions, only 5% of Chinese investments between 2010 and 2019 were actually classified as Greenfield investments, developing new factories, service centers and other activities that tend to build more jobs and growth. So the second change that happened on top of this new investment was that these investments were launched at a similar time that China released its made in China 2025 industrial policy which basically outlined a plan to take, for Chinese companies to overtake their competitors in advanced manufacturing at home and abroad. So as European leaders, we're seeing new Chinese investments coming into Europe, buying European companies, many of them in advanced manufacturing. They also saw China come out with its new policy Made in China 2025, to compete with European, East Asian and American manufacturers. And this set off alarm bells because one thing didn't change in the relationship and that was that, the market reciprocity, the ability of European companies to invest in China was still not there. That China maintains investment restrictions at home that are four times higher than the OECD average. And in 2019, the EU officially designated China as an important economic partner but also

a strategic competitor and also a systemic rival. And this goes beyond policy papers and sentiments with China on its mind, the EU launched an investment screening mechanism that year and is currently pursuing anti subsidy rules in order for its companies to compete at a level playing field with their Chinese counterparts here in the EU. Germany and others have raised new national barriers to investments and have been actively blocking Chinese acquisitions in the past several years. Recently Italy has done the same for an attempted Chinese acquisition of a semiconductor company. Now, of course, you're all well aware I'm sure that Europe and China have a new investment, a provisional investment deal on the table that needs to be ratified by the European parliament. This of course has added something new to the mix but it's something that firstly needs to be passed by the parliament, needs to be implemented and needs to be enforced. And these are several milestones that aren't necessarily guaranteed. Another thing of note that I think is coming up in Europe is that the EU is not as economically dependent on China than many perceive. And this, I think offers new strategic room for the EU to have, not necessarily confrontational policies towards China, but more defensive policies such as the new investment screening and national investment barriers. Because although the EU and China trade around 1.7 billion euros each day, the EU trades 30 billion euros in total each day. And as you can see, similar to the United States, China's trade has been generally rising with the EU, but at the same time, when you put this growth with China and the United States into the broader picture of European internal and external trade, you can see that all the external partners fade away because European internal trade represents around two thirds of total trade. For example, even Germany, which trades nearly half of the EU, sends nearly half of the EU exports to China has China as his largest partner, nonetheless, has a pretty diverse trading portfolio. China represents around 8% of German trade but the US is right behind it with seven, so was the Netherlands, so was France, Poland, Italy, and other partners, very close by to the levels that China trades with Germany. And this makes for quite a diverse group, not a dependency on China that I think is often argued in the media. But I think what has made the difference is that corporate interests, particular corporate interests in Germany still have higher sales dependencies on China. So this includes companies like Volkswagen and others in the automobile industry and machinery industry in particular that have an average around 15% of their sales revenues coming from China. So there's a debate underway I think even to this day in Europe that's trying to unpack this economic relationship with China and realizing that corporate interests do not always advance national interests. That even the German, Federation of German Industries estimates that 2% of jobs are generated from trade with China. That EU has seen its global manufacturing, its share of global manufacturing steadily decline. And that even large European companies are starting to see strong Chinese competition, both in China but also in third markets. The most striking example is the rise of Huawei here under cutting the market share of Nordic

Telecommunications Companies, Ericsson and Nokia. And in the future, we see Chinese electric vehicle makers and automobile companies like Geely and BYD and others possibly competing with the large German firms like Volkswagen. So some may see China driving a wedge between the US and the EU but I think there are still quite, there's still quite a way for this new investment deal between China and the EU to be passed. And that there's still considerable disillusionment with China, nonetheless. And this includes the European commission still pushing for WTO reform, but also central and Eastern European countries that had once and continue to have this group with China called 17 plus one group that in the recent meeting with Xi Jinping the EU members of the group, not all of them sent their heads of States to participate and Lithuania has indicated that it would be leaving the group altogether. That these countries in central and Eastern Europe many of them haven't seen strong trade and investment grow with China since making this group and that they're not interested in loans, but interested in opportunities in the Chinese marketplace and Chinese companies coming to their countries to invest and that hasn't been panning out as they hoped. So Europe is still very much focused on this interest versus values debate, but at the same time we're starting to see growing discussions and realizations of how relations with China actually improve welfare back in Europe and don't improve welfare back in Europe and are creating longterm present day but also long-term competitiveness. And this is creating a more defensive Europe towards China. Finally, I want to go to Asia and look at how China's larger partners are adapting to its rise. And one question that's often risen is whether China, sorry whether the United States is building an Asian NATO to contain China's rise. This is often suggested by Chinese foreign minister Wong Yi among others particularly when talking about this defense grouping, the Quad lateral security dialogue, the Quad between the United States, Japan, India and Australia. Yet I think this doesn't capture the entire picture, the story of Shinzo Abe, the longest serving prime minister in Japanese history, who recently had stepped down exemplifies I think, the reaction of many of China's large Asian neighbors to its rise. Of course, Japan has a long standing rivalry with China a torn history with China and the current geopolitical tensions over islands in the East China sea. And already back in 2007, prime minister Abe went to New Delhi, visited India, seeking closer economic, political and defense ties with China on his mind. And speaking to the Indian parliament some 13, 14 years ago he called on a dynamic coupling of the Pacific and Indian oceans as seas of freedom and prosperity. And of course, India and Japan shared democratic values. And there are economic prospects between the second and the third largest economies in Asia. But it was a concern with China that often that, that brought these two countries together on defense cooperation. This took place long before President Trump came into office, long before I think the US was switched on to this idea of the Indo Pacific. That it was an Asian led push back on China, not necessarily an American one. Japan's role, its sort of unsung leadership on some of these pressing issues



of today is quite striking. Already back in 2012, Japan went about developing an alternative supply chain in rare earths from China after it experienced several months of not being able to access these resources. And this is reflective of the ideas that US President Biden has today to do the same but Japan was already doing this almost 10 years ago punching a hole, albeit a small one, in China's monopoly of rare earths and their refining and processing. And doing this by backing an Australian mining company to find the rare earths there and process and mine them, sorry, process and refine them in Malaysia lowering Japanese dependency on China in rare earths from 87% in 2006 to 59% in 2018. Japan was also critical to the revitalization of the transpacific partnership. It kept the trade agreement alive when President Trump left it and rallied the 11 members to sign it in 2018. And of course, Japan under Abe continue to pursue defense cooperation with India. They now have two plus two defense foreign minister dialogues and also an agreement to share one another's military bases overseas. And India's relations with China have changed quite strongly of late. You'll recall the Wuhan summit between Prime Minister Modi and President Xi back in 2018 which was followed up by the Chennai Connect in 2019 but fighting the following year along their shared Himalayan border really destroyed hopes that they would work closer as regional partners. And for many, I think Indian observers really revealed China's assertiveness in the region. Since then, New Delhi has shed much of its initial hesitance, I think to engaging the Quad. It's accepted Australia back into its Malabar military exercises along Japan, along with Japan and the US and together for the first time they did training operations, these four militaries, last year in the Bay of Bengal. India has also banned dozens of Chinese apps since the fighting last year including Tik-Tok, WeChat, on security grounds and they seem to be joining a growing list of countries including those in the Asia Pacific that are limiting or blocking completely the role of the Chinese telecom company Huawei in their fifth generation mobile networks. That includes Japan, Australia, New Zealand and to a certain degree, Singapore and Vietnam as well. And one has to ask the question, if China wants to be a global leader in tech standards how does it do this without India's 1.3 billion people on board? Finally, Southeast Asia is often seen as China's backyard. It's one of the next growth engines of the global economy. And China's integration with it on trade has grown tremendously. It's the region's largest trading partner but the US continues to be the largest investor in Southeast Asia in the ASEAN region. And Japan strikingly is the largest provider of finance for infrastructure, not only historically in the past couple of decades, but also in planned projects moving ahead. Even a majority of experts polled in the ASEAN region said they would look positively upon their countries engaging more in the Quad. These are countries that typically wanna tow the big power competition in the region. And I think many continue to do so but they haven't moved away from their security concerns with China. And that I think is also something that was quite striking to me. You know, we often hear about negative perceptions towards China growing in North America and Europe

of late. And this tends to create this the West versus China idea of the world. But over the last couple of decades pure research surveys have also shown that positive views on China in countries like Japan, Australia, Indonesia, South Korea have dropped by double digits. And, you know, these are China's neighbors. These are some of the countries that know it best. They've long welcomed its growing prosperity because they've shared in it but they've grown increasingly suspicious of Chinese investments and of China's military might in particular through the South China sea militarization. So, Beijing may see these changes in Europe as orchestrated from Washington but, I think that these responses are coming more so from the region than China's leaders might care to admit. And that's an important consideration when looking at its future role, not only in Asia but because Asia is the growth engine of the world economy, China's future role globally as well. So where does this leave us? In conclusion, you know, I hope that I've made at least a strong enough point for you to rethink the importance of the US-China rivalry in global affairs and the global economy. And I think China's ascendance is not necessarily guaranteed. It's not pre-ordained. Its relationships in the global South and with other major powers will dictate the future extent of its rise. And I wrote the book really with the idea of pointing out how these challenges may upset China's ultimate influence and that even though China may become, and I think will become, the world's largest economy in all measures very shortly in the coming decade that it might nonetheless punch below its weight in terms of influencing the foreign and security policy decisions of others. This doesn't mean that the US will automatically rise if China's challenges continue but I don't think we're in a world where China will be in charge. That said, I also caution and discuss in the book how the other major powers, although they've recognized many of the challenges that China poses need to more consistently work collectively to ensure that there are stronger international rules and norms to guide the behavior of China but also other big powers including the United States that might violate those standing rules and norms going forward. That there are areas where cooperation with China is essential including on addressing climate change, including on poverty reduction and its role in the developing world. And there's cooperation that needs to be pursued where it can be, but there are also challenges that we shouldn't just push away and consider that these are demonization of China. Of course, those are out there as well. But I think the rest of the world, particularly these major powers that I've discussed today are facing their own issues with China that are separate from the US-China rivalry. And I think Washington and Beijing, of course, need to try to accommodate one another in international affairs but other foreign capitals, New Delhi, Tokyo, Berlin and elsewhere can still play a larger role in global issues moving forward that I think they're often not given credit for in the American debate. I'll leave it there. Thanks for your attention. And I look forward to your questions and discussion.

- Thank you, Luke. That's a very concise and interesting and well organized presentation. Thank you. You covered the whole world and about the reactions and the push backs, you might say. I know that my colleague, a co-leader of this forum, Bill Overholt, has unmuted himself. So maybe he wants to ask the first question.

- I'll pass for now. Thank you very much.

- Okay.

- [Bill] Thanks for a very good presentation.

- Let me, before I come to the questions that you have, quite a few questions posed already, I would like to start with my question. You gave an excellent presentation about China's economic actions and also foreign policy. And, now the countries are really, I will call wakening to what's going on and the pausing and also maybe there's some pushback. Okay. But my question is, do you think in Europe there could be a unity of action? Because you pointed out some facts like Germany have particular interests, and then let's say Norway and other countries may have different interests. Could EU act in unity to push back China?

- It's a great question. It's a difficult one of course too. And I think the answer is that unity in European EU foreign policy decision-making has always been ideal, has always been an ideal goal, but it's not a very realistic one on many issues, including China. But that being said, we have seen some particularly defensive policies pass the EU and that EU countries are working quite collectively on them, including the investment screening and including many new national barriers to outside investment, including today more news about potential new anti subsidies legislation that might cut off more Chinese investment from within the EU. And I think, you know, this points to the possibility, well, you know, already the realization that some of China's avenues to increase its technological capabilities through acquisition have been cut off. China, of course still attracts great foreign investment. It still has its own domestic innovation but we now have to look at the fact that the EU has pretty much joined the US and Japan in being very cautious about Chinese investment in advanced manufacturing and high technological industries. So I think there on the economic side, on the defensive side, the EU is in a sense acting as one. The question of whether it can act more offensive not necessarily confronting China but advancing its own interests proactively in the world is a more difficult one for the EU. We've seen several large countries including Germany, France, the Netherlands, pass new policies on the Indo-Pacific and engaging a broader Asia in trade and investment but in also defense and security issues. And the EU has passed its own strategy. Now, what we now need to see is whether that actually moves forward in actuality and that's something I think we should watch and see. The EU has recently

announced a new cooperation with India on infrastructure globally but it also had announced one with Japan just a couple of years ago that didn't seem to go anywhere. So there is that challenge for the EU to work collectively. Part of the issue will be whether it can settle these debates internally, whether it can solve its issue with some countries including Hungary that have been blocking some of its policies on human rights and recently an extradition policy change. So that's definitely, they're undermining the collective force of the EU. But I think the EU can still do much in smaller groups.

- Okay. Thank you. That's very forward explanation. Let me go to the questions asked by the audience. I will start with a question by Yang Gaofu. He or she is holding the former deputy assistant secretary of defense stating that, interest... I'm quoting the question. Interests not values should guide American-China strategy. In your talk, you discussed in Denmark about the values how that drives the conflict and tension between Denmark and the China. Here's a statement says, interests not values should guide at least American-China's strategy. Does that apply to European or other countries?

- I think so. I think, you know, I can talk about the EU experience. I think it is interests that have most strongly nuanced Europe's view of China, made it more defensive, made it more aware of the competitiveness that China now presents to European industries. And that has been the driving force in Europe's new policies on China. I would say that frankly speaking values, human rights, democracy promotion are still, you know, not the priority compared to those economic considerations. That said, values still play a role in the relationships of many European countries towards China because they drive public attitude towards China, which puts up to a certain degree, some barriers in the decision-making that political leaders here can make with China concerned. And China has become, China's embassies and the Chinese government has become much more engaged in societal issues here in Europe. You know, pretty often minute issues such as an embassy calling on a film festival to not show a film about Hong Kong or about China's human rights issues, but nonetheless events that are making news here and changing perceptions of China that it's no longer simply an economic partner to Europe but that it also can play a role in disturbing freedom of speech and democratic processes here in Europe. And the Danish case that is still ongoing where Danish police either blocked or rerouted Chinese visiting officials away from demonstrations has really, I think, struck a chord with the public here of what its government has been willing to do towards its relationship with China. And that has upset quite a few people. So value is still matter. Of course, Xinjiang still matters to many Europeans but, you know, at the same time, I think at the policy level, it's that competitiveness, it's those hard interests that are more on the decision makers minds.

- Thank you. Thank you for clarifying, differentiate between let's say

the freedom speech and expressing in your own country versus let's say as a human rights values projected into China and they are different when Chinese actions interfere with other countries' domestic actions. Here's a question about, Liang says, thank you for a sobering talk. My question is why do you think there's such a general concern over China's global rise? Why such common suspicion exists over China's rise?

- I don't think there's necessarily a general similar concern towards China and its rise. And I don't think it's a suspicion. I think it's an experience of countries around the world in different ways. So I would say for example, in Europe, you know, as I discussed in the talk, I think it's definitely driven by one of competitiveness and concern with European competitiveness when facing China's, you know, innovation and growth in China and the world and that that might undermine European welfare. So I think that's where the concern is for many European leaders and European corporate executives and managers. Whereas of course the US, I won't go in depth. I think you've had many talks in this forum but the US, you know, sees a more of a challenge, its challenge as a global leadership under threat sees more of a security challenge to its global operations and, you know, in India, and in different parts of Asia there is also that fear that territorial fear of China's military might that isn't expressed very often here in Europe but of course, India and China's neighbors such as Vietnam and others in Southeast Asia, certainly have experienced that through China's military activities in the South China Sea. For the global South, you know, a fair deal of the world's population, as I hope, I indicated they look much more positively towards China. A recent Afrobarometer poll. So a poll of 18 African countries pointed to China as the most positive external influencer in their countries, narrowly beating the United States. But the US development model, US political model was still pointed to by those Africans polled as the model they would most like to emulate well over China but also over European countries and even African examples. So I think African countries and others in the global South are not necessarily interested in being in China's orbit, but interested in balancing and hedging and diversifying their engagement between major powers and between regional powers. So there's nonetheless some concern among constituencies in those countries of a Chinese dominance. And I think, so therefore we don't have the same type of general concern out there, that it differs from place to place.

- Thank you. That was a tough question and you gave good answers. Here's a question from Apofy, I'm gonna paraphrase it. He said, China makes economic demands and not political demands. And China use incentives like foreign aid to induce other countries but also China punish other countries when their trade or actions do not please China. He asked is the resentment and the pushed back from the countries is because China punished these foreign countries economically?

- Right. Well, it's a good question. So over the last, I would say, you know, 10 years or so we've had a growing list of countries that have had China use sort of economic coercion against them, often in the form of trade restrictions that are in gray areas of health and sanitary reasons, but blocking for instance Philippine bananas from coming into China, because of the Philippines then decision on the South China Sea and tribal tribunals ruling, or much more recently of course, blocking a long line of Australian exports into the Chinese market through new tariffs and other restrictions and Canada as well. And I think, you know, of course this fuels negative perceptions towards China in these countries. There's no doubt about that. In Australia, of course, this has built on deteriorating relations in recent years. So it didn't start with this economic coercion. It didn't start with Australia's call last year for an independent inquiry into the COVID-19 outbreak. There was sort of growing tensions on different issues. The role of Huawei, the allegations of foreign interference in Australian politics coming from China. But of course the economic coercion builds on this and it, strikingly I think what is interesting about it and what I write about in the book is that I still get a sense, again, I started this talk with cautioning people towards my understanding of China's intentions and future behavior. But when I look at these different cases, Australia, Canada, Norway was also targeted by Chinese trade coercion. In each case China doesn't really put comprehensive sanctions or comprehensive measures on these partners. It actually is very selective in the industries it picks. And I, my hunch is that it does this to not upset its own economic growth. And my hope is that this means that there's still room I think for negotiation to improve ties because China's not overly upsetting these economies. What many feared be sort of losses of tens of billions of dollars for the Australians over the last year has simply been in the single digits. Of course, people's livelihoods are upset, if you're an Australian winemaker or a lobster fishermen but China didn't turn away Australian iron ore, for Canada, for example Canada's the largest canola producer in the world. China blocked this for some time but opened up again when it had food security concerns. It blocked Canadian pork for some time, but opened up again seeing the ramifications of the African swine flu in China wiping out 40, 50% of the Chinese pig population. So it's important to recognize in these instances of economic coercion that China has interest too, China has trade interest, investment interests that it's not too keen in upsetting. And I hope this offers some way for negotiation because China hasn't done what the US has traditionally done and put strong sanctions, comprehensive sanctions, on those that cross it's foreign and security red lines. But it has upset views of China in these countries. And it might, even when the trade measures are released, these views don't necessarily go away at the same speed.

- Yes. Here's a question, it's a comment, and you may want to take note. From anonymous person, he or she said, I was struck by the graph

you showed of the EU, China and US trade relative to the intra EU trade. He's asking, is this a fair comparison? You're comparing the trade internally with the external trade. And if you compare the Chinese and US domestic trade with these external trade, what kind of picture will you get then?

- Great question. And I'm so encouraged when we move forward in unpacking this economic relationship. Because I think for too long, we have been living in sort of a, you know, in a gold rush period where we believed there was only growth and gain to be made in engaging China. And of course, we should continue to engage China. I don't suggest any decoupling but I'm glad that we're getting more nuanced in our understanding of the economic relationship. And that question helps us because I think China's own dependency on external trade has been dropping in recent years. And that in turn I think allows us some more flexibility when it wants to coerce other countries. I don't think, as I said, it's at the level that it could be because China is still sensitive but if Xi Jinping is successful in China's growing self-sufficiency because the Chinese market is massive. It's very diverse. And if China is able to lower its dependency more and more on external trade, then I think we might see its coercion increase in the future. We might see it take a more American line. So I don't think it's an unfair comparison. I think we should make that comparison with China, the importance of Chinese external trade and American, how important the American domestic market is compared to its external economic links. That's definitely worthwhile to do. And I think for me, it was important to make the European one, you know, because the EU is a common market but these are still sovereign countries in many respects. So they do differ from China and the US, but it was important for me to indicate that their growth, their economic basis is here in Europe. It's not in China, it's not in the United States. It's not anywhere else. And that could be said for China and the US as well, certainly.

- Okay. Thank you. Because of time limits, I think this is going to be the last question. This question is raised by Lawrence Sullivan. How has the previous US action on trade with China, particularly raised the tariff affect common approach to China? In other words, the common pushback to China.

- I think the trade measures advanced under President Trump undermined America's possibilities to work with its outside partners. Not only because I think particularly Europe would like to see those disputes settled multilaterally within the WTO, but also because at the same time Trump had targeted America's key allies with trade measures as well, right. From the beginning, Canada, Mexico, Europe, Japan, Korea and all this, I think, yes, put the US backwards, sent the US backwards rather than forward. And we see Biden now with some success and with some struggles to try to regain that trust and confidence with the outside world. And, you know, I think there's still the

concern particularly here in Europe of what comes after Biden, what comes even after the midterm elections and what is the state of American politics moving forward? Is it a trustworthy partner? But that said, I still think Europe and Japan, India and others can still do a lot to advance multi-lateral trade rules and other international norms with or without the Americans on board. And I think that Japan offers a strong example of, of course the limited possibilities in that, but nonetheless, some achievements.

- Thank you very much. You really broadened our horizon by taking this forum's presentations and focus on the world's reactions and affects as well as push back to Chinese rise and economic policy. And I want to thank you for really offer the new knowledge and sensitivity to us. For those whose question was not being answered, I encourage you write directly to Luke for his answers. So we are grateful for your presentation. It was very clear and very well organized. Thank you, Luke.

- Thank you. Thank you for your time. And thanks for listening. I appreciate the opportunity to speak with you.

- Okay. Bye.

- [Luke] Bye. Take care.