

Monthly Review of China's Global Impact by SIGNAL

HIGHLIGHTS

Unpacking China's Competitive Strategy

Insights from the January session of SIGNAL's Virtual Roundtable Series - China on the World Stage

China Pursues Military Build-Up and Flexes its Muscles

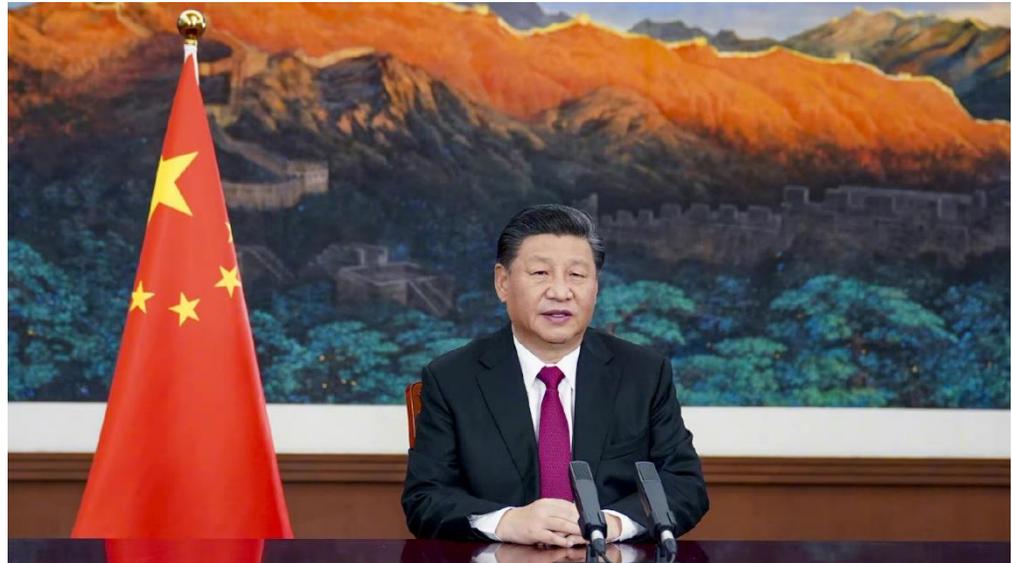
China has "the most active and diverse ballistic missile development program in the world."

Trump Administration's Parting Shots Spark Harsh Responses from Beijing

U.S. State Department: China's repression of Uighurs - genocide

From SIGNAL's Policy Research Desk

Carice Witte and **Dale Aluf** author an article for the *East Asia Forum* on the future of Israel's relations with China



As President Biden Takes Office - President Xi Launches Charm Offensive to Woo U.S. Allies

President Xi's address to the World Economic Forum (January 25) widely seen as the opening gambit to undermine the Biden administration's attempts to form a robust Western-led coalition. See full story on page 3.

Photo credit: CGTN

WHAT IS SIGNAL'S TEAM FOLLOWING - U.S. China Strategy – Taking Shape

As it takes office, the Biden administration is under pressure to produce a clear and coherent strategy on China. A notable aspect is the [proliferation of think tank reports](#) and proposals circulating in Washington, DC. This largely reflects a yearning for a compelling strategy à la George Kennan's "Long Telegram" that fleshed out the U.S. "containment" strategy for the Cold War. The newly appointed "Indo-Pacific Coordinator" in the White House National Security Council, Kurt Campbell co-authored himself a [piece on U.S. strategy towards China](#), which was published just one week before President Biden's inauguration. The formulation of a China strategy by the Biden administration will have an immense impact on the evolving trajectory of the U.S.-China rivalry. Follow this space.

SIGNAL is an Israeli policy organization that specializes on China-Israel relations. Focusing on academic and policy networking, **SIGNAL** empowers Israeli policy practitioners by cultivating in-depth knowledge of China and presents an informed understanding of Israel and the Middle East to China's current and future leaders. Harnessing its global China policy network, **SIGNAL** seeks to strengthen Israel's regional and international position and serves the national interest of Israel. More at: sino-israel.org

At SIGNAL's Virtual Roundtable on China's Competitive Strategy: What would it take for the U.S. to "step up to the plate"?

The January meeting of SIGNAL's Virtual Roundtable Series - China on the World Stage - sought to unpack China's competitive strategy.

At this critical juncture of a new U.S. administration charting its strategy, understanding the unique characteristics of China's course is essential. Held under the Chatham House Rule, the speakers contended that **China's increasingly competitive global strategy is based on a civil-military fusion - weaponizing transactions and cooperation to develop asymmetric dependency and use the resultant leverage to gain geopolitical ends.** The roundtable participants agreed that China deploys **diverse tools to gain leverageable asymmetries, some of which are not sufficiently recognized** - setting standards and practices for new technologies and gaining first-mover advantages (e.g., electric vehicles); dominating supply of key commodities (rare earths); and setting-up global networks that supply crucial intelligence to Beijing (e.g., the Chinese government's "app" for maritime logistics [LOGINK](#)).

Consequently, speakers and participants asserted that China's global conduct is breaking away with traditional great powers, and it more **resembles global monopoly-seeking corporate titans, such as Amazon.** The speakers argued that a blunt, sweeping, and unilateral severance of ties to China - "**decoupling**" - is a chimera because it **ignores the realities of an integrated global environment.** The U.S. and China are mutually dependent through inextricable ties and compelled to cooperate to tackle global challenges - be it pandemics or climate change. Speakers pointed out that the **multitudinous challenge that China poses, and the intricate nature of the current international system raises doubts regarding the ability of the U.S. and its allies to effectively step up to the plate.** Speakers and participants appeared to agree that **for the U.S., this power struggle requires a whole-of-government approach and a "united front" with its allies to offset China's structural advantages.** To that end, the U.S. and its allies must massively invest in capacity building, including a comprehensive ongoing surveying of how and in what domains China advances its influence and reach. Participants also recommended that Israel advise the U.S. of its concerns regarding America's limited awareness and action regarding China in the Middle East.

SIGNAL's **China on the World Stage** Virtual Roundtable Series convenes every month China policy experts and practitioners from Israel and around the world to deliberate topical themes. Deliberations are held under the Chatham House Rule, and participation is by-invitation only.



Ms. Carice Witte



Mr. Dale Aluf

From SIGNAL's Policy & Research Desk

"China's swift ascent to global economic and military might has led to a growing unease among Israel's Western allies, especially the United States," argue SIGNAL's Executive Director, **Carice Witte**, and Director of Research and Strategy, **Dale Aluf**. In their [specially-commissioned piece](#) for the *East Asia Forum*, they explore whether Benjamin Netanyahu's government has done enough to adapt to these rapidly shifting realities and warn that this might result in drawing the curtain on China-Israel cooperation.

President Xi's Charm Offensive: Inclusive Multilateralism and Driving Wedges in the West

In his first major speech following President Biden's inauguration, President Xi [called for a return to inclusive multilateralism](#) to put the global economy back on track. Addressing the World Economic Forum (WEF), Xi urged increased global cooperation.

President Xi's speech seems to have revealed two major Chinese concerns. First, although he did not refer directly to President Biden's apparent strategy to establish a "united front" with its allies to challenge China, President Xi warned that a "slip into arrogant isolation will always fail." He further cautioned that **"to build small circles or start a new Cold War ... will only push the world into division and even confrontation."** He called upon world countries "to abandon ideological prejudice and jointly follow a path of peaceful coexistence, mutual benefit and win-win cooperation."

Second, President Xi also appeared to **challenge calls to limit dependencies on global supply chains originating in China.** The Chinese leader advocated that all countries should commit to promote and maintain smooth supply chains.

China's recent charm offensive, however, was not limited to the global arena. Rather, **China seeks to woo certain U.S. allies and demonstrate benefits for closer relations with Beijing.** In what seems to be slight to Australia, China reached an agreement with New Zealand [to upgrade their free trade pact](#) offering Australia's neighbor greater access to Chinese markets. Following the agreement, [New Zealand's trade minister suggested that Australia should show China more "respect"](#). New Zealand refrained from joining a statement issued by the other members of "Five Eyes" countries, also referred to as the "Anglosphere" – Australia, the US, the UK and Canada – that condemned the arrest of Hong Kong democracy advocates.

President Xi also spoke with South Korean President [Moon](#) and [agreed to "promote high-level exchanges"](#) between the two countries. The 40-minute discussion was the first exchange between the presidents in eight months. The leaders agreed to reschedule a visit by Xi to Seoul and to work out a "blueprint for the development of bilateral ties over next three decades." Presumably, President Xi's outreach is an attempt to obstruct the U.S. from drawing South Korea into an anti-China coalition.

On February 9, President Xi hosted a virtual summit of 17 EU member-states from Central and Eastern Europe.

China and Pakistan: Ever Closer?

[Pakistan is tentatively reorienting its foreign policy](#) away from Saudi Arabia and UAE towards China's New Silk Road. China has already committed to invest tens of billions of dollars in Iran. Meanwhile, the China-Pakistan Economic Corridor (CPEC), which aims to turn Pakistan into a transit route for China to reach Europe via Iran and Turkey, is perhaps Pakistan's only ongoing multi-billion-dollar project. Islamabad is likely to develop strong ties with Iran and Turkey.

In January, Chinese Defense Minister Wei Fenghe [signed a memorandum of understanding \(MoU\)](#) with his Pakistani counterpart General Qamar Javed Bajwa. While the details of the agreement have not been publicly disclosed, it was widely viewed by observers and analysts as "India-centric" in response to South Asia's fast-shifting security dynamics and had a clear aim of counter-balancing the growing US-India defense cooperation.

UAE & Bahrain Sign-Up for China's Corona Vaccine

The ongoing pandemic has created [opportunities for new types of cooperation](#) between China and the wealthy monarchies of the Arabian Peninsula. On December 9, the UAE became the first country in the world to [approve](#) a Chinese vaccine when Emirati officials [authorized](#) a product developed by China National Pharmaceutical Group Corporation, better known as Sinopharm. The UAE stated that early data from phase three clinical trials placed the vaccine's effectiveness at 86 percent. Bahrain [approved](#) the vaccine on December 13, [citing](#) the same information as authorities in the UAE.

China Pursues Military Build-Up and Flexes its Muscles

Chinese President Xi Jinping called [on the country's armed forces to maintain](#) "full-time combat readiness" and "act at any second" in response to external threats amid Western powers' "flexing muscles." At the beginning of the month, Xi Jinping ordered [China's military to be ready for war 'at any second.'](#) Kicking-off the 2021 training program, PLA commander stressed combat readiness and more hi-tech. The advent of China's military build-up was recognized by a [report](#) of the US Air Force's National Air and Space Intelligence Center published in early January. The report claims that China is constantly increasing the stockpile of nuclear missiles that can hit the U.S. homeland. Furthermore, the report asserts that **China has "the most active and diverse ballistic missile development program in the world."**

President Xi also pointed out that frontline frictions must be used to polish troop capabilities and training exercises need to incorporate technology, offering potential insight into the recent increase in military "frictions" and skirmishes.

Taiwan's military said that four Chinese fighter jets, eight bombers, and one anti-submarine aircraft entered its southwestern air defense identification zone and [crossed the midline that divides the Taiwan Strait](#) on January 23. That was followed by 12 fighters, two anti-submarine aircrafts, and a reconnaissance plane the following day. Taiwan's Defense Ministry claimed that it issued radio warnings and deployed air defense missile systems in response. Military commentators viewed these Chinese maneuvers as an [early warning signal to the Biden administration](#).

Towards the end of January, [Indian and Chinese troops clashed](#) again along their disputed Himalayan border. [Indian media outlets](#) reported that soldiers on both sides were wounded, but with no fatalities. The Indian Army claimed it was a "minor face-off" and "resolved by local commanders as per established protocols."

Possibly setting the scene for maritime skirmishes, China passed a law that for the first time explicitly [allows its coast guard to fire on foreign vessels](#), a move that could make the contested waters around China more choppy.

One Point of Friction Out of the Way? The Renminbi's Appreciation

The renminbi has [reached its strongest level in more than two years](#), signaling Chinese dominance in manufacturing. It could make Chinese goods more expensive for consumers around the world. Beijing has kept a firm hand on the value of the renminbi, keeping it weak to help factories maintain their low prices when they sell goods overseas. But now, it looks like Chinese manufacturers no longer need such support; people are still buying, even as the renminbi appreciates.

For past U.S. administrations, China's currency manipulation - holding a low Renminbi rate - was a regular source of friction. The renminbi's rise may not ease the tense relationship between the two countries, but it could remove one potential issue from Mr. Biden's plate. However, [the January 16 notice that SWIFT and the People's Bank of China](#) will promote China's digital currency in cross-border payments may create a new one.

Meanwhile, China has for the first time [surpassed the United States as the top destination for foreign direct investment](#), an important measure of a country's economic health. China notched a slight 4 percent rise to USD163 billion, led by investments in the country's growing high-tech sector and in mergers and acquisitions.

Trump Administration's Parting Shots Spark Harsh Responses from Beijing

Just a day before President Biden's inauguration, the State Department issued a statement designating [China's repression of Uighurs as 'Genocide.'](#) Ahead of this, the Department of Homeland Security imposed an [import ban on all cotton and tomato products from western China's Xinjiang region](#) over allegations that they are produced by detained Uighur Muslims.

Beijing retaliated by [imposing sanctions on several former Trump administration officials](#), including ex-US secretary of state Mike Pompeo, accusing them of having "seriously violated" China's sovereignty.

As part of its [pushback against U.S. sanctions](#), Beijing also issued new rules to protect its firms from "unjustified" foreign laws and allow Chinese courts to punish global companies for complying with foreign restrictions. Although they do not mention the U.S. directly, China has long complained about the extra-territorial application of U.S. law through sanctions and trade restrictions. The rules allow Chinese citizens or companies to sue for compensation in Chinese courts if their interests are damaged by the application of foreign laws. A Huawei challenge to TSMC - Taiwanese mega-producer of advanced chips - for its adherence to a US-imposed chip ban could be the regulation's first high-profile legal test.

Meanwhile, the Biden administration [scrapped plans to blacklist Chinese tech giants Alibaba, Tencent, and Baidu](#), providing a brief reprieve to Beijing's top corporates amid a broader crackdown by Washington.

Amid deteriorating relations with the United States, Chinese experts call on [Beijing to make contingency plans](#) against the risk of losing access to global services. China should consider using [digital technology](#) to develop an alternative to the SWIFT financial payments system as a way of insulating itself from being cut off from the US-dominated financial messaging service, according to Liu Xiaochun, deputy dean of the Shanghai New Finance Research Institute.

Chinese media also referred extensively to the [attack on the US Capitol in Washington](#). A commentary by state news agency Xinhua on Tuesday said the riots [highlighted the weaknesses of Western democracy](#) and proved it was a "failure."

SIGNAL's Must-Reads

Evoking George Kennan's originally anonymous essay, known as the "Long Telegram," the **Atlantic Council** issued the "[The Longer Telegram](#)," authored by an anonymous former U.S. senior official. Rather than containing China, the "US strategy and policy toward China must be laser-focused on the fault lines among Xi and his inner circle-aimed at changing their objectives and behavior and thus their strategic course."

In its 2020 Review, the *Economist* argues that [the pandemic strengthened the Chinese Communist Party](#) - "...strikingly, China's covid-era politics has not been troubled by public anger . . . If anything, the party has emerged stronger."

David Goldman warns in the in the *National Review* that [You Will Be Assimilated](#) - "Huawei is building the world's biggest Cloud computing capacity... And behind Huawei stands the Chinese government's massive commitment to supercomputing, and - most ominously - to quantum computing."

Nadia Schadlow & Richard Kang argue in *Foreign Affairs* that [Financial Technology is China's Trojan Horse](#) - "Washington cannot trust that the Chinese Communist Party (CCP) will harness its growing influence in financial markets for the benefit of all."

Wang Cong offers in *Global Times* the [Chinese take on President Xi's WEF address](#) - it "clearly aimed at policies orchestrated by the US government over the past several years, which have not only plunged the US into disarray but also disrupted global cooperation to tackle the COVID-19 pandemic and other challenges."

