FOREIGN AND SECURITY POLICY 05.07.2022 | Felix Lee

Western disunity over China

At the G7 Summit in Germany, the West was trying to demonstrate unity. Yet the idyllic image quickly started to crack at the mention of China

Last month's six-day summit marathon of the Western allies — starting with an EU Summit, followed immediately by the G7 and NATO — has come to an end. At these meetings, the Western allies were concerned with demonstrating unity against Russia and Putin's war of aggression against Ukraine. The heads of state and government succeeded in doing just that. Even Turkey is now on board and agreed to Sweden's and Finland's Nato membership, giving its consent to strengthening the northern flank.

But there is anything but harmony among the Western countries when it comes to dealing with another equally difficult actor — China. And even though the focus at all three summits was on the war in Ukraine and the sanctions on Russia, even the United States had to contritely admit that any tightening of the sanctions depends on China.

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Take the boycott of Russian oil, for example: the US has not bought any Russian oil since the beginning of the war; and with the exception of Hungary, EU countries want to stop imports from the aggressor state by the end of the year at the latest. And yet the sanctions are having little effect because China is buying more Russian oil than ever before — and at 30 per cent below the world market price.

The US wants to close up these gaps and has therefore proposed capping the price of Russian oil. Washington is hoping for two effects in particular. Most recently, Russia's income has risen due to massive increases in oil and gas prices, despite Western sanctions. A price cap would prevent this. Moreover, in view of the high inflation rates, a price cap would limit the negative effects on third-party markets and consumers worldwide. But the same principle applies here: such a price cap for Russian oil would only work if China were to participate. The

Western powers must therefore approach Beijing.

The push for an import ban on Russian gold also leads back to the US. Russia is one of the largest gold producers in the world. Such a ban would mean billions in lost revenue for the Russians. The Europeans would also cooperate. The only problem is that the West buys only a very small amount of gold from Russia. The major demand countries are India and China. Here too, the same applies: if Beijing doesn't cooperate, nothing will happen.

Pressure to align against China

These two examples from the G7 summit in Elmau make it clear how much the West's actions now depend on China. When it comes to dealing with China, however, the Western allies are not at all in agreement.

On the one side are Great Britain, Canada and, above all, the US, which has long seen China rather than Russia as its greatest opponent. From the US government's point of view, the People's Republic poses a much greater threat economically, technologically, and militarily. For this reason it does not shy away from conflict with Beijing.

And indeed, Beijing is currently working against the West. Outwardly, the Chinese head of state and party leader Xi Jinping has avoided declaring support for Russia. Evidently he does not want to risk an extension of Western sanctions to China.

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However, Xi took the opportunity to rail against the West during the virtual summit of the BRICS countries (Brazil, Russia, India, China, and South Africa), which he hosted shortly before the G7 summit. Most importantly, he left out any criticism of Putin.

Nevertheless, that doesn't stop France and Germany from softening their tone in their dealings with Beijing. The German government in particular wants to avoid an overly confrontational approach, as it fears for Germany's good economic relations with China — Germany has deeper economic relations with China than any other Western industrialised country.

In the run-up to the G7 summit, the German government had called for rapprochement with the People's Republic. It was deemed important to

prevent the formation of blocs with the West on the one hand and China and Russia on the other. After all, a powerful China is also needed to combat other global issues, such as the Covid-19 pandemic and climate change. Great Britain and the US, on the other hand, had already called on Germany and others at the G7 summit a year earlier in Cornwall, England, to decide which side they wanted to be on in the future. But Berlin merely stated that it is currently working on its own national strategy for China, which should be ready by spring.

Clashing world views

The matter did not come to blows at the G7 summit, as those involved apparently did not want to spoil the idyllic atmosphere in the Bavarian town of Elmau. But postponed does not mean cancelled. Instead, the issue of how to deal with China was taken up at the NATO summit in Madrid. At the instigation of the United States, NATO had also invited Australia, New Zealand, South Korea, and Japan to Madrid – democracies in the Asia-Pacific region that feel threatened by China.

NATO's joint declaration pulls no punches. In the new strategy paper adopted in Madrid by the member states, an entire paragraph is dedicated to China. 'The goals declared by the People's Republic of China and its policy of coercion pose challenges to our interests, security and values,' it said. And it goes on to say that China's close ties with Russia are opposed to Western interests. In addition, NATO accused China of attacking its members with 'malicious hybrid and cyber operations and its confrontational rhetoric'. Originally, the US and UK wanted to label China a 'risk' or even a 'danger'. But Germany and France opposed this. The wording was toned down accordingly.

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The outrage from Beijing was not long in coming. The spokesman for the Chinese Foreign Ministry, Zhao Lijian, spoke of 'slander', claiming that the NATO strategy paper disregards facts, and confuses black and white. 'Hyping up the so-called "China threat" will lead nowhere,' Zhao said. According to Chinese state media, first Russia was the threat, and now China. 'But the real threat to world peace is NATO itself.' So Germany's efforts to tone down the criticism of China in the NATO strategy paper have achieved little. There's still great anger in China.

Debt traps or moral clauses

One initiative on which there was greater unity among the Western allies is the investment programme for developing countries, the so-called 'Partnership for Global Infrastructure', which is also directed against China. The G7's intention here is to compete with Beijing's 'New Silk Road' project launched in 2013, with which China is in the process of opening up new trade routes to Europe, Africa, Latin America, and Asia.

'Together with G7 partners, we aim to mobilise $600bn by 2027,' announced US President Joe Biden, who initiated the project. The US intends to mobilise $200bn in public and private capital for this partnership over the next five years alone. EU Commission President Ursula von der Leyen announced that 'Team Europe' would contribute $300bn. G7 country Japan pledged $68bn.

A US official said the initiative would target low- and middle-income countries. The goal, he said, is infrastructure investments 'that the countries need without being dictated from the outside'. Projects would be held to high standards 'to ensure that these investments are economically and commercially driven and do not result in debt traps'.

But what made China's offer so attractive for many countries – and at the same time could become a problem for Western initiatives – is that the Chinese leadership does not set any moral conditions for its investment aid.

But as right as the US representative may be, in the same breath he unintentionally cites a problem with the Western initiative: In fact, many countries that have used funds from the Chinese project are now realising that their mountains of debt have grown massively and they are hopelessly over-indebted to China. But what made China's offer so attractive for many countries — and at the same time could become a problem for Western initiatives — is that the Chinese leadership does not set any moral conditions for its investment aid. But that's exactly what the G7 want to do — or at least that's what they assure. However, this makes their investment programme less attractive for authoritarian states.

In addition, the G7 also have an organisational problem. While China's New Silk Road Initiative is controlled centrally in Beijing, the G7 are not as united as German Chancellor Olaf Scholz claimed in Elmau. This is because it has not been agreed as to whether the gigantic infrastructure projects will be managed at all, and if so, from where. Or whether each industrialised country will invest on its own and in an uncoordinated

manner somewhere in Central Asia and Africa — as has been the case up to now.

Moreover, it is unclear whether the G7 countries will be able to make the billions of euros available at all — or at least many doubt that they will. In the past, the G7 had also pledged fixed sums for development aid and the fight against global poverty, but also for the promise to help poor countries in the transition to climate neutrality. These pledges were never fulfilled.



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