



Österreichisches Institut für Internationale Politik
Austrian Institute for International Affairs



Trends in International Politics 2023

Chinese foreign policy in 2023: Stepping back from the brink

Trend Report 1 / January 2023

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Impressum:

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When it comes to Chinese foreign policy in 2023, decision-makers in Austria and Europe have to most importantly consider three partly interrelated and highly topical questions that are and should be preoccupying China researchers. Will China escalate its support for Russia during the war in Ukraine? Will China invade Taiwan? How will China's protest movement and exit from Zero-COVID impact foreign policy? Further trends in China research will address the need to employ digital methods due to a lack of access for fieldwork (COVID or political restrictions) (BCCN 2022), the importance of protests more broadly (labour issues or Hong Kong democracy) (Wei and Chan 2022; Cheng et al 2022), and the fragility of a centralized system around Xi Jinping with no succession plan as Xi enters his third term as president in March 2023 (Tsang and Cheung 2021).

Following Russia's full invasion of Ukraine, Beijing has supported Moscow in the informational and diplomatic domain, but has remained self-interested in the economic domain, and has not shifted from previous policies in the military domain (Chestnut Greitens 2022, 751). China needs Russia as a partner in mounting a (normative) challenge to US power and the liberal international order (Johnston 2022, 1307), gaining influence in multilateral institutions (Wang and Sampson 2022, 374), and preserving the Communist Party regime (Pavel, Kirchberger and Sinjen 2022, 295). The Chinese leadership would like to see a Russian victory, and dreads a defeat-

induced regime collapse in Moscow (Lo 2022). Beijing has condemned the West for provoking the war and for imposing sanctions. In the UN, China abstained or voted for Russia. At the same time, since the beginning of the war, bilateral trade has grown significantly. Yet, Chinese companies and banks have partly withdrawn or broken off ties with Russian counterparts to steer clear of secondary sanctions. Moreover, while joint military exercises continue, there is no clear evidence for arms or equipment deliveries.

Economic and reputational risks, and domestic public opinion, will likely keep China from escalating its support in 2023. Evidence suggests Chinese intellectual elite and public sentiment may be souring on Russia's invasion, and is set against both military support and Moscow's nuclear threats (Cerny 2022). Perhaps more importantly, steps like converting Russia's reserves of Chinese Yuan into hard currency may run afoul of sanctions, leading to secondary sanctions and economic costs China does not want to bear (García-Herrero 2022). Additionally, crossing a line in supplying Russia with computer chips may see China cut off from Western chip-making equipment and software, which are essential for its economic development plans (Shagina and Kilcrease 2022). Delivering armed drones would heavily damage China's efforts to build a "neutral" or non-aligned image, as well as its ties with Europe, which it would like to charm instead. China's commercial drone producer DJI even halted sales to Russia to avoid abuse

(Klein 2022). China will therefore likely limit its support to propaganda, diplomacy, and trade (with restrictions also in these fields). One possible step, the low-level supply of bulletproof vests, helmets, and (winter) uniforms, may depend on how US-EU-China ties will develop.

On the eve of Russia's attack on Ukraine some Chinese officials argued that Beijing should also make good use of military power vis-à-vis Taiwan and dare to fight to achieve strategic goals (Ji Yixin 2022 as cited in Godement and Zhu 2022), but as Russia's initial plan for a quick victory failed, scholars rather favoured cautious observation (Feng Zhongping 2022 as cited in Godement and Zhu 2022). There is a "commitment problem" (Lin 2022, 1094) between Beijing and Taipei, who fifty years ago agreed there was only "one China", which they both wanted to represent. Taipei no longer competes, and the two do not trust each other on the interpretation of the agreement. Now Beijing worries that any compromise on its "one China-principle" would facilitate Taiwan's de jure independence, while Taipei worries that any concession would undermine international support against a military takeover. The situation remains heated also because the Chinese public appears to support an invasion if necessary, and the Taiwanese public is fundamentally opposed to unification – since the crackdown in Hong Kong, the "one country, two systems"-approach of autonomy is also particularly unpopular in Taiwan (about 80% reject it, see Focus Taiwan 2022). China

has increased military pressure on the Beijing-sceptical Taiwanese President Tsai Ing-wen since 2020, with air force and naval sorties around Taiwan and exercises simulating an invasion. Beijing plays on burgeoning nationalism and signals displeasure about Washington's pro-Taiwan steps (Wang 2022, 63), also firing missiles into nearby waters after House Speaker Pelosi visited Taiwan in August 2022. The US being distracted by Ukraine would be an advantage, and the ambitious President Xi wants to hasten a takeover.

Even if the Russo-Ukrainian War should continue through 2023, China will likely still be more deterred from invading Taiwan than tempted to follow the Russian example. Beijing sees a great power repeatedly defeated by a smaller neighbour, a united West providing determined support, and costly sanctions inflicting enduring damage. This calculus could change should Russia win and find a way to quickly reintegrate with international society. China, however, faces a more likely escalation to a direct confrontation with the US, rendered more probable by a "status dilemma" between the two (cf. Pu 2022, 227-228), and President Biden who appears to shift from "strategic ambiguity" to an open commitment to defend Taiwan (Oyen 2022). Meanwhile, the clear victory for the more Beijing-friendly opposition in Taiwan's late 2022 local elections might convince China to focus on propaganda towards Taiwan and gaining influence on public figures there, while hoping for a new government in 2024.

The unexpectedly widespread protests around China in November 2022 could have led to a further deterioration in China-US relations, as autocracies usually blame the West for such developments, but the Biden administration was very careful to not raise hopes for any US support for the protestors. Beijing still blamed “foreign forces”, but it would otherwise have more determinedly pinned the protests on the US (de Groot 2022), and hardliners would have pushed for policy consequences. The demonstrations were largely directed against lockdowns and other “Zero-COVID” policies, but in some instances escalated to attack the Party and even Xi Jinping. They appeared to dissipate quickly in December, when Beijing took steps to end “Zero-COVID”. No further direct foreign policy consequences are to be expected for 2023. It is very unlikely that Xi will decide he needs to change the subject due to protests, or to retaliate against the US for supporting them, and take drastic steps, such as on Taiwan or Ukraine.

If China is to get its economy back on track – the 5.5% growth target has been far out of reach – it needs to reconnect with the world post “Zero-COVID” (Yu 2022). Beijing always considered the pandemic as a national security

crisis, whereas political security is the utmost priority. Now the Party has judged that social instability challenging its rule is more likely to stem from economic failings than COVID deaths (Cainey 2022). After three years of isolation, China will also further facilitate international travel in 2023 to aid a renewed push for trade and investment growth. Internationally, the “Zero-COVID” policy had reinforced perceptions of China as a repressive autocracy (Scobell 2022), so its easing may open up diplomatic opportunities for a more positive agenda with rich democracies.

European decision-makers should recognize that, while they cannot pull China and Russia apart or change Beijing’s mind on Taiwan, they can add to the arguments stopping China from escalating support for Russia’s war or invading Taiwan in 2023. China needs strong economic ties with Europe to grow again. It should be provided with trade and investment incentives. These could include an amended investment agreement, after China removes some of its sanctions against the EU. Meanwhile, Europe should make crystal clear which steps would do the kind of damage to EU-China relations that would be awfully difficult to ever repair.

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