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“Xi Jinping Instils Crisis Sentiment Among Top Party Cadres”



*The dynamics of the most important bilateral relationship in the world today – between the US and China – have recently undergone dramatic changes and they will be at the root of increased volatility and uncertainty for years to come. Not long after China’s own concept of “peaceful rise” had emerged and the US engaged with China as a “responsible stakeholder”, the relationship deteriorated after the Chinese idea of “new great power relations” had been rejected by the US. In an exclusive interview for stars, Prof. Dr. **WANG Yong**, Director of the Center for American Studies at Peking University and a speaker at the [stars Switzerland symposium 2019](#), explains how the US’ “pivot to Asia” and its labelling of China as a “strategic competitor” then ushered in an era of “economic decoupling” and marked the beginning of a “long-term struggle” between the two superpowers.*

Markus HERRMANN: Did Chinese leaders expect that China’s rise would encounter so many frictions?

WANG Yong: At the beginning of the Hu-Wen administration, the concept of China’s “peaceful rise”, later re-named to “peaceful development”, was developed and proposed to the world to signal that China’s economic rise shall not happen at the disadvantage of any other countries’ development, nor would China seek hegemony, as some historic precedents had done. In response, the US introduced the notion of China as “responsible stakeholder”, leading to generally constructive dynamics in the first decade of the 2000s.

How did those positive dynamics change?

In 2012, at the late Hu-Wen administration and with Barack Obama being in office, Xi Jinping – at that time still as Vice-President of the PRC – approached the US president to discuss how to constructively manage the US-China dynamics against the looming dynamics of a Thucydides trap. Xi himself and Chinese leaders were highly aware about these potentially catastrophic dynamics that the US-China relations could take. Xi

suggested a notion of “new great power relations” which was, however, not picked up by the US administration. To the contrary, the US responded with a “pivot to Asia” and launched the TPP negotiations to establish a high-standards Pacific free-trade zone as envisioned by the US encircling, but not including China.

Which positions were guiding this “great power relations” approach?

That concept was in fact developed via broad consultation with scholars, including international voices. Concretely, China is very interested in a workable relationship with the US. It recognizes that it has benefited substantially from the US-led system after the second world war. However, China insists on better balancing international influence as well as reforming and improving the current global governance.

How do you see the ongoing trade dispute?

There is substantial common interest for cooperation, as international trade is a not zero-sum. Competition is normal and can be accepted as long as the commonalities and cooperation are not forgotten. Overall, I am quite worried, because this dispute is the manifestation of a great power rivalry which seems to be caught in a vicious circle with the potential of becoming a cold war, and then eventually – in the worst case – a hot war.

In this context, we also hear the term “economic decoupling”.

Indeed. China is worried about the prospect and potential impact of such decoupling. In the US, this position is in fact only advocated by some trade and security hawks, motivating China to undertake preparations for such a worst-case scenario. However, this is not in the interest of China and not a good model for cooperation. China urges the US to take a more reasonable approach.

Party Secretary Xi recently summoned his top party cadres to talk about “long-term struggle”. What do you think were his key messages?

First, Chinese leaders recognize that the period when the international context is favourable to Chinese development is over, or at least the tone in many diplomatic relationships has changed – the US being the key factor behind this. In case of the US, security hawks argue for containment of China. Second, the party wants to raise the awareness for crisis, because only a crisis-mode will incite the spirit of fighting – fighting is in fact more accurate than the term struggling, because China’s actions should come from an active position. Only by fighting one can stand firmly on one’s own position. President Xi also emphasized the need for “skilful” fighting and smart tactics. Being brave is not enough, but skills need to be learnt.

The EU and China are currently negotiating a comprehensive agreement on investment (CAI) and have a working group on the reform of the WTO. How important are these efforts?

Both the EU and China support the WTO, multilateralism and a rules-based order, in sharp contrast to the US’ unilateral and protectionist approach. At the same time, the EU and China disagree over material points of WTO reform. But I am not worried – this is fighting for compromise, because both sides ultimately want to abide by a WTO-centred international trading system.

Some Western observers say the EU is trying to bring China into the WTO for a second time. What do you think about this framing?

China’s economy has entered a new stage and indeed needs to re-think its international economic relations and its positions towards the WTO. For this, China likes to work with

other countries and in particular with the EU to create better and updated rules of the WTO. I am not sure if this equals a second accession of China to the WTO.

Mr. Qu Dongyu was recently elected Chairman of the UN Food and Agriculture Organization (FAO). When China talks about reform of global governance and “moving closer to the centre stage”, does China mean more Chinese appointees to these kind of leadership positions, or rather structural reforms?

The main goal is that China contributes more international public goods. As such, China is already the second largest contributor to the UN system and it deploys the largest number of UN peacekeeping troops. Additional contributions are the Belt and Road Initiative (BRI) or the Asian Infrastructure Investment Bank (AIIB).

On the BRI, President Xi emphasized that foreign enterprises and foreign capital are welcome. How can this happen?

The BRI is still very young, but I observe that adjustments are being made now. Increasingly, the quality of projects and their openness are being emphasized. It is China's intention to have international commercial banks lend for the implementation of BRI projects, but risks are perceived as too high. The problem is that China is championing to tackle infrastructure development for regions with relative higher risk. So even if not now, I am sure that at a later stage the BRI will become more inclusive to foreign investment and participation.

Opening up seems very dynamic these months: new pilot free trade zones, free trade ports, abolishment of equity ownership quotas, banking and insurance licenses, etc. How can we reconcile these liberalization steps with a state-guided economy?

The current Chinese leadership defined the Chinese economy as a “mixed economy”. This means that there should be two strong hands: the market and the government. This seems to be the planning for the years to come. China has indeed taken many steps to broaden market access. For instance, China recently adopted the “eleven clauses” specifically to further liberalize the financial sector. However, some of these accelerated steps can also be interpreted as negotiation tactics of the ongoing trade dispute intended to win the support of influential parts of the US business community.

What are the strategic objectives of the state sector?

First, China's state-owned enterprises (SOEs) own and build critical infrastructure and support China's strategic sectors. Second, the Chinese government has come to realize that despite of 40 years of “opening up and reform” some foreign key technologies have still not been introduced into the Chinese market. Therefore, the decision has been made that these technologies need to be invented domestically helping the Chinese economy to become more innovation-based – and SOEs shall play an important role in that development.

To regulate the relationships between the private and state sector China is detailing the competitive neutrality principle.

Indeed, and it will be a very important concept. It was introduced into policymaking circles already during the Hu-Wen administration. It intends to establish a level playing field also taking into account some characteristics of the Chinese economy. The primary objective of competitive neutrality is to control the amount of state subsidies assigned to specific economic activities. While earlier discussions were influenced by the TPP negotiations at that time, the ongoing trade dispute led to more focus on this concept within the Chinese government to accelerate its further detailing. To me, this is a good thing – it is intended to

help the market to become more efficient and at the same time reduce trade policy frictions with other countries.

Can you briefly talk about China's "Standard 2035 strategy"?

For the past 40 years, China adopted technical standards from western countries and companies. Today, there is significant innovation coming from China and there is a recognition that China can and should play a leading role in international standard setting as well, because influencing or setting a standard has market value in itself. Plus, it is an integral part of being innovative.

In your field of teaching at Peking University (PKU), what is the most controversial topic in class and among your students?

Clearly the discussion about the role of the state in the economy and the relationship between the state and companies. Thereby the guiding question is what ultimately makes the market more efficient.

Are PKU professors involved in policy making of the Chinese leadership?

PKU does not only do fundamental research, but also serves as a practical think-tank – especially in the fields of economy, law, public administration, political science and philosophy. Many PKU experts from these disciplines are actively involved in the policymaking process. They analyse the current international environment, advise on a new model of development or recommend how to more effectively handle external relationships. Plus, PKU is very proud to have a large number of alumni who have actively shaped China's reform and opening up process.

Finally, what is your advice for Western "China observers" to better understand China?

China is not monolithic. China observers should try to be more sophisticated and not oversimplify China. Also, China has to be looked at through the broader lens of culture and civilization. It has its own history, system, traditions and values. The more observers understand of these historic parameters, the better they can grasp the complexities of contemporary China.



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The interview was conducted on the sidelines of a [Friends of stars meeting](#) by stars alumnus Markus HERRMANN, Co-Head Asia program, Swiss Forum on Foreign Policy. The views expressed here are solely those of the interviewee and they do not necessarily represent or reflect the views of the stars Foundation.

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