



The Xiplomacy of China's Struggle and Dream

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Executive Summary

* On 3 September 2019, China crossed a major threshold in the implementation of its ascent to become Hegemon comes 2049. Xi Jinping delivered an extremely important speech in which he asserted in stronger terms than usual the commitment to the ascent of China and ensuing struggles with the US.

* Beijing resigned itself to the very grim prospects of reaching a tariff/trade deal and the likelihood of a long war with the US. Beijing is not ready to even consider flexibility or compromises on any of the core policy issues, and if this approach will result in the breakdown of Sino-US relations - so be it.

* Meanwhile, the PLA articulates the evolution of military strategy to meet the challenges introduced by Xi Jinping. As well, on 4 September, China and Russia signed a new military agreement that markedly upgrades and expands their strategic cooperation against the US.

* Meanwhile, China has intensified her reaching out to Europe, and particularly Germany, as the best substitute for the fraying economic relations with the US. Beijing considers Mrs. Merkel's visit a turning point in China-Europe long-term relations, and consequently there is greater confidence in Beijing about the ability to rely on Europe in order to better resist the US.

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Analysis

Xi's important speech at the party school of the CCP Central Committee

On 3 September 2019, China crossed a major threshold in the implementation of its ascent to become Hegemon comes 2049.¹

Xi Jinping delivered an extremely important speech at the opening ceremony of a training program for young and middle-aged officials at the Party School of the CCP Central Committee - the National Academy of Governance.

Xi Jinping asserted in stronger terms than usual the commitment to the ascent of China. He implied that Beijing has already decided to be ready to give up on a trade/tariff deal with the US, and focus instead on confrontational relationship with the US while building and expediting the consolidation of the Common Eurasian Home and the New Silk Road. Xi Jinping discussed the mounting challenges China is facing - from economic woes to security threats to Hong Kong, Macao and Taiwan - and the forthcoming struggles to overcome them. There is no question about the resolve of China and the Party to struggle, persevere and triumph, Xi Jinping stated. He repeatedly urged all officials "to maintain a fighting spirit and strengthen their ability to struggle, to strive for achieving the Two Centenary Goals and the Chinese Dream of national rejuvenation."

Xi Jinping started by explaining that "today's world is undergoing profound changes not seen in a century." China would like to capitalize on the "hard-won historic opportunity" in order to deepen reform, promote development and maintain stability. However, China is also facing "concentrated risks" - economically, politically and diplomatically - and China must be able to struggle and win against those challenges. Xi Jinping explained that the PRC is facing simultaneously increasingly complicated struggles in areas such as "economic development, ecological protection, national defense, diplomacy and the work regarding Hong Kong, Macao and Taiwan." He warned further that these risks and tests "will become even more complex", and even "unthinkably challenging." He also stressed the "long-term nature" of the ensuing struggles. Significantly, Xi Jinping did not mention the trade/tariff war with the US or the rivalry with Western democracies among the challenges facing China.

Therefore, Xi Jinping declared, all Party cadres must have "the courage to fight and the mettle to win." China must be ready for a "resolute struggle" against any and all threats because "China would not make concessions" over "core issues," he explained. "For those risks or challenges that jeopardize the leadership of the Communist Party and China's socialist system; for those that endanger China's sovereignty, security and development interests; for those that undermine China's core interests and major principles; and for those that deter China's realization of a great national rejuvenation, we will wage a determined struggle against them as long as they are there. And we must win the struggle," Xi Jinping declared. "As long as it comes, we must carry out a resolute struggle, and we must achieve victory," Xi Jinping reiterated. "At present and in the future, China's development has entered into a period where risks and challenges continue to increase or are becoming concentrated. The major struggles to be faced will not become less." Xi Jinping emphasized that the focus of the forthcoming struggle will be to expedite "the realization of the Two Centenary Goals and the Chinese Dream of national rejuvenation." Party cadres must demonstrate "absolute determination" to

¹ For background see Yossef Bodansky, The Xiplomacy of the Middle Kingdom, ISPSW Issue No. 642, August 2019



struggle, he reiterated. “Cadres in leadership positions must be warriors who dare to struggle and are good at struggle.”

Hence, all Party officials “should go through strict ideological, political and practical training to improve themselves,” Xi Jinping stated. He alluded to a poem of yore to describe the high demands from the Party cadres. “Cadres must be vigilant to any wind of change. They must know a deer passing by the rustle of grass and leaves, they must know the coming of a tiger by feeling the wind, they must know the arrival of autumn by the color of one leaf.” Xi Jinping demanded that all officials steel themselves so they can “win in any struggle” and face down any challenge. To win, Xi Jinping stressed, all Party cadres must master the “art of struggles” and learn to be flexible. “[We must] focus on the main contradictions,” he elaborated, “and choose the methods of struggle in reasonable ways.” Xi Jinping added that China should “have a good grasp on [how to carry out] the struggles and that means we cannot give even an inch on issues of principles but must be flexible on strategic issues.” The most important objectives to be attained at all cost, Xi Jinping reiterated anew, are China’s Two Centenary Goals and the realization of China’s Dream of national rejuvenation. Xi Jinping concluded by reiterating that China will inevitably undergo “all manner of struggles” before it becomes a “powerful socialist country” comes 2049 - the 100th anniversary of its founding as the People’s Republic of China.

Further discussing Xi Jinping’s speech, Chinese senior officials stressed two points. First is Xi Jinping’s repeated use of the Chinese word *douzheng* - that is normally translated as “struggle” but also as “fight and argue” - to denote the Chinese approach to the challenges ahead. Xi Jinping used the word “struggle” almost 60 times in the speech. Second is Xi Jinping’s repeated reminding of the unwavering commitment to “achieving/realizing the Two Centenary Goals and the Chinese Dream of national rejuvenation.” Moreover, Xi Jinping frequently stated that China must go through “great struggles” to achieve these. “The first centenary goal is to build a moderately prosperous society in all respects by 2020 to celebrate the centenary of the CCP, and the second centenary goal is to build a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious by the middle of the 21st century in time for the centenary of the People’s Republic of China,” the officials elaborated.

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Overall trends in US-Sino trade relations

By now, the Forbidden City resigned itself to the very grim prospects of reaching a tariff/trade deal, and the likelihood of a long economic war with the US. Hence, Beijing’s main focus is on the restructuring and adapting of the economy, as well as bolstering the national resilience and unity. This policy is being run by Vice-Premier Liu He, China’s chief negotiator with the US, in his capacity as Chairman of the Financial Stability and Development Commission. On 4 September, Premier Li Keqiang chaired an executive meeting of the State Council that decided to take additional steps “to ensure the stability of employment, the financial sector, foreign trade, foreign investment, domestic investment and expectations,” throughout China. “No matter how complicated the world is, China will become resilient,” asserted the 4 September Editorial in the *Global Times*.

On 4 September, official Beijing went public in urging Washington to face reality and return to the negotiations table under conditions acceptable to Beijing. Yang Han and Jing Shuiyu wrote in the *China Daily* that “China and the United States should resolve their trade conflicts through rational consultations that are in line with multilateral economic and trade rules to prevent the global economy from becoming the ‘biggest



victim'." Hu Weijia added in the *Global Times* that "Trump's trade policy cannot reverse the de-industrialization of the US economy. On the contrary, it has accelerated this process. With the trade war, Trump's promise to bring back manufacturing jobs will turn out to be empty talk." The *People's Daily* asserted that "a deal looks unlikely" even though "the US economy has already shown signs of fatigue." On 5 September, Li Hong wrote in the *Global Times* that "the trade war is a drag on the US and Washington will never win such a conflict with China. Time, now, is seemingly on China's side. The headwinds that have been battering the Chinese and the global economy are washing up on US shores and forcing the Trump administration to change its course."

Chinese experts concluded that time was on the side of China in the conflict with the US. On 5 September, the Editorial in the *Global Times* assessed the overall trends in US-Sino trade relations. "A stalemate is emerging in the China-US trade war. Washington has more economic advantages, while Beijing has more political advantages. If both sides refuse to make concessions, the trade war is likely to continue for a long time and create lasting strategic harm to both countries." The Editorial noted that Beijing is in no rush to reach an agreement given the overall posture of Chinese society and the economy. "The Chinese people should remain calm. The Chinese economy's ability to adapt to the trade war is taking shape at an accelerating pace. We Chinese are aware that we should do our own thing well. The more we activate our economy and expand our market, the earlier the China-US trade agreement will be reached."

Between 4 and 6 September, the Communist Party's *People's Daily* published three commentaries by Zhong Sheng - a pseudonym used to denote most important statements on foreign policy coming from the uppermost echelons at the Forbidden City - emphasizing the transformation of Chinese economy to meet the looming challenges. "US tariffs won't stop China's development," Zhong Sheng wrote on the 4th. "The fascinating story of the Chinese market reflects the logic and laws of the time, and eloquently states that the pace of China's progress is unstoppable." On the 5th, he articulated the impact on China's global posture. "China's expanding opening up indicates responsibility of a major country," Zhong Sheng argued. "Such spirit of a major country demonstrates China's confidence and firm determination to safeguard its right to develop." This optimism and confidence are derived from the transformation of the Chinese economy. "The Chinese economy is being transformed from focusing on high growth to high quality development," Zhong Sheng explained on the 6th. "China has sufficient micro policy tools to continue the positive momentum for economic development." Hence, he concluded, "China would never give up its core interests" and would "fight till the end" against the US pressure.

Meanwhile, Beijing is cognizant that the face-off is over much more than trade. On 5 September, Beijing economist Chen Long wrote in the *South China Morning Post* that the US-China trade talks cannot be assessed in isolation because "there's so much more at stake, including Hong Kong and Taiwan. And that's why they won't succeed." US policies aggravate the situation because "Washington's decision to maximize pressure on Beijing will only meet more resistance, leaving the chances of reaching a deal close to nil." In another article in the *People's Daily*, Zhong Sheng criticized the US negotiations policies. "The US continuous escalation of China-US trade frictions has violated the consensuses reached by the two heads of state in Argentina and Osaka and deviated from the right track of resolving differences through consultation. ... The US politicians have to meet China halfway to implement the consensuses and get back to the right track with sincerity, if they truly want to reach a mutually beneficial agreement with the Chinese side." Also on the 5th, an Editorial in the *China Daily* warned that "the US should realize [that] stratagem doesn't resolve trade disputes. ... Political determination is all that it takes for a country to realize its goal." The Editorial concluded that "China ... wants



the standoff to end. But it will under no circumstances sacrifice its national interests to meet US demands. The ball, as always, is in the US' court."

On 5 September, China and the US announced that a new round of trade talks will take place in early October. Reactions in official Beijing were mixed. The super-well-connected Hu Xijin tweeted that "the US, worn out by the trade war, may no longer hope for crushing China's will. There's more possibility of a breakthrough between the two sides." On 6 September, the *South China Morning Post* noted that the US agreed to the talks because "global growth outlook dims." Lu Xiang of the Chinese Academy of Social Sciences told the paper that "it was unclear to what degree the US trade team could speak for the intentions of US President Donald Trump" who "is getting more unpredictable now that he is into 'garbage time' [as US president]," Lu said. "We can only try to find sensible clues in his nonsense. We would be better not to play up expectations for the outcome." Also on the 6th, the Party's *People's Daily* was more optimistic. "Continuing the war will only lead to a lose-lose situation. Negotiation is the only way to resolve the problem," Zhong Sheng wrote. "The problem between China and the United States cannot and should not be allowed to escalate. ... Both sides should take actions and make efforts to prepare for the talks, and create favorable conditions for making substantive progress." Beijing is looking forward to "win-win cooperation and momentum for world prosperity".

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China's military strategy

Meanwhile, the PLA articulated the evolution of military strategy to meet the challenges introduced by Xi Jinping.

Most important is a 3 September article by Lieutenant General He Lei, of the PLA's Academy of Military Sciences, in the *PLA Daily*. The PLA seeks to integrate the emerging challenges into the heritage-based national defense policy. "China unwaveringly pursues a national defense policy with a defensive nature. It is not an expedient measure, but mainly an inevitable choice based on China's fundamental realities, including its history and reality, internal affairs and diplomacy, and purposes and means of national defense," He Lei explained. "China's modernization requires a peaceful and stable security environment and must follow the correct path of peaceful development. The modernization of national defense, the basic aim of which is to provide strong security assurance for the country's modernization, is an integral part of national modernization."

Lieutenant General He Lei emphasized that the precise formulation of the Chinese national defense policy reflects the unique historic experience of modern China. "It is the profound reflection on the historical period since modern times when the Chinese people suffered from aggression and bullying. China was invaded and humiliated by the Western powers for 110 years from the Opium War in 1840 to the founding of the PRC in 1949. The founding of the PRC allowed the Chinese people to stand up from then on." At the same time, however, in rising and realizing the global role of China as a great power, China is returning to its ancient roots and heritage. The quintessence of the Chinese doctrine "is the historical inheritance of the traditional Chinese culture. China is an ancient country with an over 5,000-year history." It is on the basis of this legacy that the tenet of "'subduing the enemy without fighting' is regarded as the highest state of strategic guidance; the best policy in fighting is 'strategy and tactics' for 'undermining alignment' instead of 'actual combat between two countries as the best policy' or 'invading a country'. The cultural traditions of 'harmony' and 'stopping fighting'



have been deeply rooted in the inner minds of Chinese people." Still, He Lei concludes, the PLA is cognizant of future challenges. "In the new era, China will unswervingly pursue the national defense policy that is defensive in nature based on China's national and military conditions while conforming to the mighty trend of the world."

On 4 September, the *Global Times* published an adaptation of Lieutenant General He Lei's article as a message to the rest of the world. "The development of China's defense capability is based on the legitimate needs of national security," He Lei wrote. Foreign powers threatening China should not expect passivity from the PLA, he emphasized. "China's basic military strategy lies in active defense, insisting on defense and a principle that 'we will not attack unless we are attacked, but we will surely counterattack if attacked.' It places emphasis on both containing and winning wars, and underscores the unity of strategic defense and offense at operational and tactical levels. It is a strategic mission of China's socialist modernization to build a consolidated national defense and a strong military that are commensurate with the nation's international status and conform to national security and development." He Lei concluded by repeating the importance of China's heritage and historical experience to formulating the current and future military doctrine. "The defensive military policy is an inevitable choice based on China's history, reality, internal affairs, diplomacy, and purpose of defense."

On 5 September, the *PLA Daily* published a study by Fang Xiaozhi of the College of International Relations under the PLA's National University of Defense Technology about the imperative to adapt the Chinese nuclear strategy in lieu of the most recent trends in US nuclear deterrence. Fang Xiaozhi acknowledged the magnitude of the challenge. "In recent years, the US has continued to improve its active strategic missiles, and vigorously developed next-generation strategic deterrence weapons, to maintain its hegemonic status of nuclear powers in the world. The US's frequent quests for absolute military advantage may lead to a new round of nuclear arms race, and has aroused great concern from the international community."

What worries Beijing most is the specter of a constantly lowered US nuclear threshold. Hence, a localized clash or friction with the US might conceivably escalate out of control. "While the US continues to reduce the 'utilization threshold' of nuclear weapons, the sense of insecurity from other countries thereby increases, which will strive for the development of nuclear weapons and nuclear devices for self-protection, thus undermining the relatively stable nuclear strategic power structure that has come into being." Consequently, Fang Xiaozhi explains, the proliferation of nuclear weapons and their acquisition by not-so-responsible countries will increase the threats to China and everybody else. "Subsequently, regional hotspot conflicts and the confrontation among major power get intensified, and the risk of nuclear wars increases. What is more serious is that once the strategic nuclear weapons become tactical, the difficulty in controlling nuclear weapons by the international community will increase accordingly and nuclear weapons will be much more easier to spread on a global scale, leaving many hidden dangers to international security."

Concurrently, on 4 September, China and Russia "agreed to strengthen military cooperation between the two countries to jointly maintain global peace and stability." The decision came in the aftermath of talks, in Moscow, between Zhang Youxia, Vice Chairman of the PRC's Central Military Commission, and Russian Defense Minister Sergei Shoigu. Their statements at the signing ceremony reflected the significance of the new agreement. "China and Russia have elevated their relations to a comprehensive strategic partnership of coordination for a new era, opening a new epoch of higher-level relations with greater development," Zhang Youxia said. "China is ready to work with Russia to implement the important consensus reached between the presidents of the two countries, boost military ties in the new era, deepen practical cooperation in all



areas, jointly safeguard their security interests, and maintain global peace and stability.” Shoigu concurred, stating that “the Russia-China comprehensive strategic partnership of coordination for a new era benefits the two peoples and serves as a significant force in preserving global security and strategic stability.” He added that “the two countries [will now] strengthen coordination on major international and regional issues, jointly deal with the challenges emanating from unilateralism and protectionism, and maintain global peace and stability.” The terms used by both Zhang Youxia and Sergei Shoigu alluded to the anti-US focus of the new agreement and defense cooperation.

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China intensifies her reaching out to Europe

Meanwhile, China has intensified her reaching out to Europe, and particularly Germany, as the best substitute for the fraying economic relations with the US.

The latest shift in EU policy, that China is now exploiting, started in late-August when French President Emmanuel Macron bemoaned the European relations with Russia. Citing Putin, Macron warned, on the 27th, against “the end of Western hegemony over the world.” The only way to reverse this trend is through renewed efforts to “tie Russia and Europe back together” - that is, revive the alliance with Russia. Macron explained that “Russia is a very deeply European country,” and criticized the US policy of confrontation with Russia. “Pushing Russia from Europe is a profound strategic error.” Macron considers Russia the key to Europe’s long-term stability. “The European continent will never be stable, will never be in security, if we don’t pacify and clarify our relations with Russia.” In this context, Macron asserted that the new sanctions proposed by the US “are not in our interest.” Macron articulated the imperative to revive the Eurasian Common Home doctrine and an overall tilt eastward - where China is eagerly waiting for the EU to reach out.

One of the reasons for Beijing’s growing assertiveness and self-confidence is the success in convincing the EU to continue doing business with Huawei despite the relentless US pressure. Hence, China is most interested in the rising role of the EU as a primary source for high-level economic interaction and tech-transfer. On 3 September, Hu Weijia wrote in the *Global Times* that the time was ripe to pressure the EU to improve and expand economic relations with China - starting with the status of Huawei. “The time has come for China’s telecom giant Huawei to fight a decisive battle in Europe against Washington’s crackdown. At this critical moment, the Chinese authorities are unlikely to turn a blind eye to the bullying of Chinese technology companies,” Hu Weijia suggested. “China is one of Europe’s largest export destinations and it has a certain influence upon European economy. China has promised to further open up its economy to European companies. However, if some European countries take sides in China-US tensions and ban Huawei from their markets, why should China allow their companies to enjoy the Chinese market?”

German Chancellor Angela Merkel, long committed to expanding Sino-German relations as a boost for German economy, seized the moment. As she was preparing for her 12th official visit to China, Mrs. Merkel resolved to push for even greater cooperation - and so informed the Forbidden City. By now, German economy is contracting and on the verge of recession. Hence, expanded Chinese cooperation could be the magic boost Berlin desperately needs.

Indicative of the importance of Mrs. Merkel’s visit and the last-minute modifications, on 4 September, she held a long pre-visit phone conversation with Premier Li Keqiang. Merkel expressed her “anticipation of deepening the bilateral cooperation with China” especially given “the complex international environment.” Li



Keqiang noted that the two countries “face many common challenges against the background of profound and complex changes at the international level. China stands ready to work with Germany to enhance understanding and mutual trust, strengthen comprehensive cooperation, uphold multilateralism and free trade, and promote the sustained and healthy development of bilateral relations.” That the bilateral relations they were discussing would be anti-US was clear to both Angela Merkel and Li Keqiang.

On 6 September, Xi Jinping welcomed Mrs. Merkel in Beijing with great warmth and official honors accorded to special friends. In his welcoming remarks, Xi Jinping stressed that there is urgent imperative for China and Germany to “intensify their strategic cooperation more than ever” in order to ensure their long-term mutual and respective vital interests. “The Chinese market is large enough and will grow larger as China develops,” he reminded. Xi Jinping hoped that the Chinese and German markets will soon grow even more open. “Thus, openness is extending from the manufacturing sector to the financial and services sectors. This will bring more new chances for Germany and all other countries in the world.”

Although closer and wider economic cooperation was emphasized in the Chinese media coverage, the primary objective of the Forbidden City was political. Back on 5 September, He Zhigao of the Institute of European Studies under the Chinese Academy of Social Sciences explained the political angle in a *Global Times* article. He termed Merkel’s trip “a benchmark in many ways” because it came in most opportune time for China. Beijing intends to make the visit “a new start to the betterment of China-Germany and China-Europe ties.” Beijing has long-term plans in mind. Germany will hold the rotating presidency of the EU in the second half of 2020. There is a special EU-China summit scheduled for this period in Berlin, and Mrs. Merkel and Xi Jinping agreed to elevate it into a formal “28+1 cooperation format” that will institutionalize and codify “the route and mechanism of China-EU relations in the future” and “determine whether Berlin and Beijing could jointly deal with international and regional challenges, as well as promote economic development, peace and stability of the world.”

He Zhigao noted that “Germany needs a new partner from [the] outside to help it advance in the game of big powers.” A China rising both politically and economically will be Germany’s best ally in confronting the US and other legacy powers resenting the rise of Germany. After all, Germany is “seeking a balance of interests and strengthening talks with China to promote mutually beneficial win-win cooperation.” Under such circumstances, “Merkel’s visit to China will ... demonstrate that Berlin is willing to have strategic talks with Beijing and seek consensus through high-level dialogues, making cooperation the keynote of China-Germany relations.” Chinese senior officials confirmed the veracity of He Zhigao’s analysis.

In another 5 September *Global Times* article, Zhang Jianping, Director General of the Center for Regional Economic Cooperation under the Ministry of Commerce, articulated China’s economic expectations. “Germany can bring a lot of advanced technologies and management skills to the joint projects with China. It will also encourage local innovation in third countries and make BRI projects more sustainable.” On 6 September, Zhang Hongpei and Zhao Yusha explained in the *Global Times* that “German Chancellor Angela Merkel’s visit to China is set to bring fresh opportunities for the world’s second- and fourth-largest economies to revive their businesses and economies, which have been hurt by the China-US trade war and global uncertainties”. Cui Hongjian, the Director of EU Studies at the China Institute of International Studies in Beijing, explained that it would be “equally important for Germany to widen its market to Chinese investment. German firms are always favorable merger and acquisition targets of Chinese capital.”



Also on the 6th, Shi Xiaomeng summed up Beijing's expectations in a Xinhua Editorial. "As the two countries are seeking to consolidate their cooperation, China also values Germany's important role in promoting Beijing's cooperation with Brussels. A strong, united and open European Union is in China's interests. Apart from boosting their bilateral trade and investment cooperation, Beijing and Berlin also shoulder special responsibilities as major countries to handle some of the most pressing issues facing the international community, like combating climate change and fighting terrorism. In today's world where uncertainties prevail, a closer relationship between China and Germany is bound to inspire more certainty and confidence in the world's future."

Little wonder that in the aftermath of Mrs. Merkel's visit there is greater confidence in Beijing about the ability to rely on Europe in order to better resist the US. On 8 September, the *Global Times* summed up Beijing's perception of future relations with Europe. "The US will not successfully rope in Europe to contain China. Washington's European allies are unlikely to form an anti-China alliance with the US. ... There is no reason for European countries to confront China strategically." Hence, China can rely on Germany to deliver the EU as a major balance against the US not only in the escalating trade/tariff war but also in the overall strategic arena.

Writing in the 9 September issue of the *South China Morning Post*, Anthony Rowley summed up the significance of Merkel's visit in the context of the Chinese confrontation with the US. "The trade war has changed US-China ties forever, so Beijing is building bridges to the EU through the belt and road," he explained. "China needs overseas markets more than the US does. Above all it needs wealthy and sophisticated capital and consumer goods markets if the country's industrial and technological revolution is to continue. There is, for now, only one place to look for those outside the US, and that is in Europe. The Belt and Road Initiative can be seen as having anticipated at least a partial severing of US-China economic relations by creating infrastructure links across Central Asia from China to Western and Eastern Europe. In this sense, China's new sphere of economic influence is already in the making." In Beijing, Angela Merkel committed to delivering such long-term cooperation. In return, Xi Jinping promised to markedly boost economic cooperation in order to reverse the German contraction.

On 8 September, Wang Yi wrote in the *Global Times* a lengthy analysis of the Chinese economic trends as related to the confrontation with the US. "China's trade with [the] US shrinks," he asserted, and this trend "undercuts Washington's leverage amid [the] trade war." The trade data of the first eight months of 2019 are of immense significance, Wang Yi explains. "China's trade with the US continued to drop and the trade surplus continued to expand in the first eight months, while China's trade with other major economies has kept rising. The US was China's third-largest trade partner in the first eight months, accounting for 12 percent of China's total foreign trade volume. ... China's trade with the EU was up 9.7 percent to 3.15 trillion yuan in the first eight months. The EU is China's largest trading partner, accounting for 15.6 percent of China's total trade volume. ASEAN ranked as China's second-largest trade partner in the first eight months, with the total trade volume growing 11.7 percent to 2.74 trillion yuan, accounting for 13.6 percent of China's total trade." This means that with the trade with the EU expected to markedly rise in the aftermath of Mrs. Merkel's visit - the potentially adverse impact of the trade/tariff war with the US is being reduced on its own.

Moreover, Wang Yi notes, "Chinese experts warned that if the US persists with its trade bullying, further countermeasures from China will be necessary, which will escalate the current impact on US producers, especially agricultural producers." Chen Wenling, the Chief Economist with the China Center for International Economic Exchanges, is convinced that US economy has proven to be inherently vulnerable to disruptions of



trade with China. "The further expansion of the trade surplus even after the US has taken all means available to tackle it shows that the US market has rigid demand for Chinese goods, and they can't find substitutes in the short term," he told the *Global Times*. "Once the US loses its trade connection with China, it will be hard for the US to turn back again," Chen Wenling noted, adding that "the US is digging its own grave." Yin Jianfeng, of the Chinese Academy of Social Sciences, contrasted this with the inherent strength of the Chinese economy. "The resilience of China's economy and trade is stronger than in the US, enabling China to deal with an escalating trade war better than the US."

Under the new circumstances and with new economic priorities, China can afford to harden its negotiations position vis-a-vis the US. In a commentary for CGTN, also on the 8th, Professor Ken Moak concluded that "China should stand firm on its trade negotiation position because that could lead to a fairer and more lasting deal. Making concessions, on the other hand, could lead to the 'slippery slope' of US demanding China to abandon its principle and sovereignty."

On 9 September, Zhou Xin of the *South China Morning Post* warned that time was running out for a deal, and that the US will have to make concessions on key issues if Washington wants a viable trade deal. Professor Jin Canrong at Renmin University in Beijing warned Zhou Xin that "it's possible that the negotiations will collapse" because Washington refuses to accommodate Beijing's concerns even though "China has already offered to make huge concessions" that were not reciprocated. Back in May, Jin Canrong explained, China had already agreed to about 80% of the US demands including "buying US goods, opening markets to US investors and making policy improvements in certain areas," but resisted the final 20% that include "completely abandoning the 'Made in China 2025' industrial policy program, a plan to cut the share of the state in the overall economy from 38 per cent to 20 per cent, as well as an implementing an enforcement check mechanism that would allow the US to dig into the books of different levels of the Chinese government." It is inconceivable for Beijing to accept such demands given their intrusiveness and political ramifications. "For the US, the choice is zero or 80 per cent [of what it wants]. The option of getting 100 per cent doesn't exist." If Washington truly wants a trade/tariff deal, "the US has to give up the final 20 per cent [of its demands]." The US negotiations moved from the economic sphere to the political intrusion at a level Beijing finds inconceivable. "The Politburo would never agree to these terms," Jin Canrong concluded. "It would be forfeiting sovereignty and humiliating the nation."

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Outlook

Presently, Beijing is moving fast to consolidate a global support system for the Middle Kingdom that will enable China to better struggle against the US. This is done openly and defiantly, and in complete disregard of the US positions and policies. There is growing conviction in Beijing that the US is trying to push China back into passivity and submission of the kind that existed during the century of humiliation. Such US efforts are most clearly manifested in the South China Sea, in the demands for trade concessions, and in the demands for legal changes. This will never happen - all the more so given the all-out commitment to achieving the Two Centenary Goals. China is rising to realizing the Chinese Dream to becoming the global Hegemon comes 2049 - and China will not let anybody, particularly the US, stand in the way.

The Forbidden City is actively preparing for the next phase of the dramatic ascent of China. The quintessence of this surge, and the ensuing struggles with the US, will be articulated by Xi Jinping in a landmark speech on 1



October - the 70th anniversary of the establishment of the PRC. This will also be the opening shot of a national demonstration of commitment, resolve and defiance. Chinese senior officials predict that Xi Jinping will announce a very assertive grand strategy that will, among other issues, negate the likelihood of any negotiations succeeding, escalate the confrontation with the US everywhere, and mobilize China and its allies to the final sprint to 2049 virtually at all cost.

Thus, when Beijing agreed on 4 September to resume the trade/tariff talks with the US, the date was set for early October - that is AFTER Xi Jinping's historic speech on 1 October that will outline long-term polity, and the Fourth Plenary Session of the Central Committee now scheduled to take place immediately afterwards. On 3 September, Xi Jinping's already built the case of long and arduous "struggles" with the US for the future of China. The Central Committee will be asked to approve a new macro-economic policy aimed to facilitate these struggles and endure a protracted war with the US.

This means that the Chinese negotiators will arrive in Washington with no mandate for maneuver on macro-economic and long-term issues. The Forbidden City believes there is US eagerness for short-term flexibility in order to alleviate pressure on Trump and the US economy. Beijing is willing to consider going along for as long as Washington stays away (for good) from long-term issues and resolves the onslaught on Huawei issues to Xi Jinping's complete satisfaction. For Beijing, the ONLY thing really on the table comes October will be how much money it will cost China (in importing agricultural stuff, hi-tech components, etc.) to have the US deliver fully on all the Chinese diplomatic, strategic and economic demands (including reversing the persecution of Huawei, ending the US interference in Hong Kong, returning to sincerely implementing the One China policy, etc.). China is not ready to even consider flexibility or compromises on any of these core issues, and if this approach will result in the breakdown of Sino-US relations - so be it.

Remarks: Opinions expressed in this contribution are those of the author.



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