

Think

new things

Make

new connections

Conference Summary

China and the world: the impact of Russia's war with Ukraine

9-11 September 2022

A Ditchley conference at Greentree, in coordination with American Ditchley

DITCHLEY

Conference Summary

The reverberations from Russia's invasion of Ukraine have reached many parts of the world, whether directly or indirectly through energy and food shortages, but nowhere are their implications more consequential than for the fraught relationship between China and the Western world. The war has forced a reassessment of great power dynamics and challenged long-standing assumptions on both sides.

For China, seeing the West unite to impose rapid sanctions on Russia has challenged its narrative of inevitable Western decline and dysfunction. In the face of this show of resolve, China is accelerating efforts to bolster its resilience and autonomy, a trend already in motion before the conflict. The goal is to insulate itself from potential Western pressure by reducing reliance on Western markets, technology, and capital.

Taiwan

Amid this realignment, the question of Taiwan's future has taken on new urgency, particularly in the United States. While European allies have yet to match Washington's level of alarm, the risk of a conflict in the Taiwan Strait is now a central preoccupation of US policymakers. Having secured a third term, President Xi Jinping will be politically at his strongest from 2022 to 2027. What will he do with this political capital? Will the focus be on structural economic issues with Communist Party legitimacy predicated on growth, or will a different set of factors come to the fore, for example a more muscular policy over Taiwan?

There are crucial distinctions between Taiwan and Ukraine that make the scenarios far from analogous.

Taiwan is an island, which changes the calculus for any potential military action. China's ultimate goal is to block Taiwan's independence and achieve unification, whereas Russia sought to conquer and subjugate Ukraine outright. The US and its partners must therefore walk a fine line: enhancing deterrence to prevent Chinese aggression, while avoiding provocations that could paint Beijing into a corner and make conflict more likely. Strategic clarity must be balanced with strategic reassurance.

The limits to limitless friendship

The tightening embrace between China and Russia – President Xi and President Vladimir Putin were preparing for their 39th meeting at the time of the conference – also poses a challenge for the West. With Moscow increasingly beholden to Beijing in the wake of Western sanctions, China stands to gain expanded access to Russian energy supplies and even potential basing rights in the Arctic. The depth of the partnership raises questions about whether Russia would back China in potential clashes with India or over control of shipping lanes in the South China Sea.

Yet for all their shared authoritarian affinities, China and Russia remain very distinct political entities with divergent worldviews and national interests. The West must resist the

temptation to lump them together and instead fashion tailored strategies for engaging each power on its individual interests. Steadfast support for Ukraine should not preclude diplomatic overtures to China on issues of shared concern. Likewise, while increasing readiness to defend Taiwan is prudent, it must not spill over into reckless and provocative steps that make war a self-fulfilling prophecy. The friendship between China and Russia has its limits, despite claims to the contrary. For example, the Chinese would not like to see tactical nuclear weapons used in Ukraine. That said, to date, President Putin and President Xi have been able to compartmentalise the areas they disagree on and focus on areas in which they share interest.

Engaging non-aligned powers and the global south

The role of powers like India and other non-aligned states across the developing world looms increasingly large. The West must find ways to engage these vital players without forcing them into a binary choice between the Western camp and a Sino-Russian axis. It is very unlikely that we will see an Asian NATO, while the QUAD (India, Australia, Japan and the US) is likely to further develop at the limited pace that India is willing to allow. More narrow security alliances such as AUKUS (Australia, the UK and the US) are an option, but are not yet developed and carry the risk of further alienating the non-aligned. Appeals to shared interests, rather than browbeating or ultimatums, offer the best hope of keeping lines of communication open and shaping the regional and global context for Chinese policy and actions. Too narrow a focus on the West's competition with China risks marginalising the interests and concerns of other states and counterproductively weakening the West's relationships with them as a result.

China is also trying to reach out to the middle ground, softening its rhetoric and pressure on other countries in the region as American policies harden. China is reaching out to Japan, South Korea and even Australia, hoping to loosen some of the seams between the US and its allies. A regional summit of the Shanghai Cooperation Organisation (14-15 September 2022) brought together President Putin, President Xi, Turkish President Tayyip Erdogan and the leaders of India, Pakistan, Iran and other Asian countries. China has been quite effective in gaining support from the 'in-between' states and from the global south more broadly. The shortages of food, fuel and fertiliser across Africa are often seen in the region as having been caused by the West. Western failure to engage properly with the global south has opened up an opportunity for Russia and China to set the narrative.

Economic competition

On the economic front, China faces mounting headwinds that threaten to sap its dynamism and derail its ambitions to become the world's largest economy. From the lingering fallout of its draconian Covid policies to a looming demographic crunch, debt stresses, and the impact of climate change, Beijing confronts a daunting array of challenges. A clampdown on private enterprise in favour of greater security control risks stifling the innovation and entrepreneurial spirit that has fuelled China's rise.

But crisis can also be a catalyst for course correction. If China can summon the political will to revive stalled economic reforms and open new space for private sector vitality, it could tap fresh sources of growth. The West, for its part, must remain open to engagement and partnership with China on issues like climate action and clean energy, even as it steels itself

for long-term competition. Joint efforts to help the developing world build resilience against climate impacts could offer a rare win-win opportunity.

Ultimately, the contest between China and the West will play out across every domain, from trade and technology to governance and ideology. While the competition need not devolve into a full-blown clash of systems, it will hinge in no small part on which model proves better able to deliver tangible benefits to its citizenry. For the United States and its democratic allies, this means mustering not only the military might to deter aggression, but also the dynamism and cohesion at home to stand as a credible beacon of progress and prosperity. There remains the question can democratic systems deliver and how? We debated whether western countries need strong and sustained industrial policies and to run these for the next 20-30 years, or should they rather continue to rely on delegation to market forces to drive innovation and prosperity? To compete against China, should we become more like it with a strong central directing hand in the economy, or should we continue to prioritise free markets and as diverse supply chains as possible?

We agreed that we should focus on competition on electrification of transport, in particular. China has started making cars they have never made before, and of much higher quality – a computer on wheels – with every conceivable feature and at a lower price.

A strategy to avoid war

The path to peaceful coexistence with a China governed by the Communist Party remains uncertain. In the near term and tactically, this will require deft diplomacy and clear-eyed assessment of the risks surrounding Taiwan. At the same time, the United States is readying itself for a contentious 2024 election cycle in which a hawkish stance on China has become a bipartisan imperative. There will need to be care that rhetoric intended for domestic audiences does not define foreign policy or be seen as defining it.

Strategically, at some point the US will need to articulate how it sees the future relationship between the US and a China controlled by the Chinese Communist Party. There is a fine line between fair and effective competition with China and actions seen as designed permanently to contain China, not just to compete. If we want peaceful coexistence, then we will need to define a vision for a future global order that leaves space for peaceful Chinese economic development. Linked to this is a rejection of decoupling in favour of de-risking supply chains.

The need for channels for dialogue

As US-China engagement at the official level has withered in the context of tensions, it is all the more vital to reinstate direct hotlines between the superpowers to manage crises. It is also important to cultivate dialogue through multilateral, regional and other channels. Only by understanding the dilemmas facing countries across Eurasia, Africa and Latin America, and re-engaging the global south, can the West hope to find common ground and slow the emergence of a Sino-centric world order. It would be self-defeating for us to let a preoccupation with China lose us ground with everyone else.

This Note reflects the writer's personal impressions of the conference. No participant is in any way committed to its content or expression.

PARTICIPANTS

Ms Hannah Anderson

Policy Advisor, Digital Finance, Institute of International Finance.

Professor Philip Bobbitt KBE

Herbert Wechsler Professor of Federal Jurisprudence and Director, Center for National Security, Columbia Law School.

Mr Creon Butler

Director, Global Economy and Finance Programme and Research Director, Trade, Investment and New Governance Models, Chatham House.

Ms Joanna Chiu

National Correspondent/Senior Reporter, Toronto Star, Vancouver.

Dr Chul Chung

Senior Research Fellow, Korea Institute for International Economic Policy; Vice Chair, Korea National Committee for Pacific Economic Cooperation; Vice President, Korean Association of Trade and Industry Studies.

Ms Heather A. Conley

President, German Marshall Fund. A Member of the Board of Directors, The American Ditchley Foundation.

Mr Edward F. Cox

Chair, New York State Republican Party. Board of Directors, The American Ditchley Foundation.

Dr Kaushik Deb

Senior Research Scholar, Center on Global Energy Policy, Columbia University's School of International and Public Affairs.

Professor Alexander Evans OBE

Professor in Practice, London School of Economics and Political Science; Strategy Director, Cabinet Office.

Dr David Folkerts-Landau

Group Chief Economist and Global Head of Research, Deutsche Bank, London.

Mr Glen S. Fukushima

Vice Chairman, Securities Investor Protection Corporation (Senate confirmed).

Mr Alexander Gabuev

Director, Carnegie Russia Eurasia Center.

Ms Bonnie Glaser

Director, Asia Program, German Marshall Fund.

Dr Sophie Hague
Director, Indo Pacific and National Security, Foreign, Commonwealth and Development Office.

Mr John Hancock
Head, Policy Development, World Trade Organisation Secretariat, Geneva.

Dr Yukon Huang
Senior Fellow, Asia Program, Carnegie Endowment for International Peace.

Dr Sunil Khilnani
Professor of politics and history, Ashoka University, Haryana, India.

Mr Cary A. Koplin
Managing Director, Investment Management Division, Neuberger Berman, LLC. President, The American Ditchley Foundation.

Mr Damien Ma
Managing Director, MacroPolo, Paulson Institute.

The Rt Hon. the Lord Mandelson PC
Co-founder and Chairman, Global Counsel. A Governor and Member of the Council of Management at the Ditchley Foundation.

Ms Jami Miscik
Board of Directors: HP Inc. (2021-), General Motors (2018-), Morgan Stanley (2014-), Co-Vice Chairman, Council on Foreign Relations; In-Q-Tel Trustee; Senior Advisor - Geopolitical Advisory, Lazard Ltd. Chair, The American Ditchley Foundation.

Ms Holly Morrow
Deputy Managing Partner, Hakluyt & Company, New York.

Admiral Mike Mullen, US Navy (Retd)
President, MGM Consulting LLC.

Mr Justin Muzinich
CEO, Muzinich & Co.

Mr John M. B. O'Connor
Chairman & CEO, J.H. Whitney Investment Management, LLC.

Mr Gordon Orr
Vice Chair, China Britain Business Council.

Mr Neerav Patel
Director, Assessment Staff, Cabinet Office.

Mr Mark Patrick
Managing Director, Head of Macro & Country Risk, TIAA, New York.

Professor Sergey Radchenko
Wilson E. Schmidt Distinguished Professor, Johns Hopkins School of Advanced International Studies.

Dr Robert S. Ross
Professor of Political Science, Boston College; Executive Committee member, John King Fairbank Center for Chinese Studies, Harvard University.

The Hon Nicholas Rostow PhD JD
Senior Partner, Zumpano, Patricios & Popok PLLC, New York; Senior Research Scholar, Yale Law School.

Mr Guy Saint-Jacques
Senior Fellow, China Institute, University of Alberta;. Member of the Board of Directors of Canadian Ditchley.

Ambassador Susan Schwab PhD
Strategic Advisor, Mayer Brown, LLP, Washington, DC.

Mrs Xenia Wickett
Director, executive coaching, moderation, and international advisory business, Wickett Advisory (www.wickettadvisory.com). A Member of the Programme Committee, The Ditchley Foundation.

Dr Brian Wong MPhil BA Oxon.
Assistant Professor in Philosophy, University of Hong Kong; Fellow and Advisor on Strategy, Oxford Global Society.