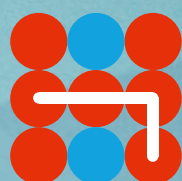


Hybrid CoE Trend Report 5

JULY 2020

Trends in China's Power Politics

HYBRID COE EXPERT POOL MEETINGS ON CHINA



Hybrid CoE

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Hybrid CoE Trend Reports are an outcome of expert pool meetings on a given theme. They highlight the main trends of the theme, provide multiple perspectives on current challenges as well as academic discourse on the topic. They serve as back-ground material for practitioners and policymakers. They aim to distinguish between what really constitutes a threat, what appears to be a threat but is not necessarily one, and what has the potential to become one. Hybrid CoE's Research and Analysis engages expert pools on relevant themes in the landscape of hybrid threats.

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Hybrid CoE is an international hub for practitioners and experts, building participating states' and institutions' capabilities and enhancing EU-NATO cooperation in countering hybrid threats located in Helsinki, Finland.

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Foreword

The European security environment is becoming increasingly hybrid in nature. In addition to the traditional military domain, security threats are trickling down to all aspects of social life as democratic states encounter threats from actors who are willing and more able than ever before to attack domains not perceived as belonging to the core field of security, using a creative combination of multiple tools, to achieve their goals and push their strategic interests in unacceptable ways.

Analysing emerging trends related to security and highlighting long-term undercurrents will help us to understand the changing security environment and be better prepared to respond to potential hybrid threats in the future. Being able to read trends allows us to place current events in context and helps us to distinguish between what is a threat, what looks like a threat but is not necessarily one, and what has the potential to become a threat in the future.

The European Centre of Excellence for Countering Hybrid Threats (Hybrid CoE) operates expert pools to support its participating states and the activities of the Centre's Communities of Interest. The expert pools work as a forum for exchanging information, building connections and gaining a comprehensive understanding of the trends under a specific theme.

These trends are then linked through the Hybrid CoE to potential hybrid threats. The expert pools are an ongoing process and provide content for the Centre's work.

Engaging with the expert pools and the related activity is in line with the Hybrid CoE's founding memorandum of understanding, which states that the Hybrid CoE is to act as a hub of expertise, to offer collective expertise and to encourage strategic dialogue. This activity should adopt a multidisciplinary and academic approach. Thus, the purpose of engaging with the expert pools is not to pursue a single truth, but rather to provide multiple perspectives on current challenges, to provide perspectives on the academic discourse on the topic, and to serve as a background for policymakers. The added value of this work is that it examines the subject from a hybrid-threat perspective. Each participating state, the EU and NATO can then consider which facets of knowledge will be most useful for it from its own perspective.

This report is based on the Hybrid CoE's China Expert Pool meetings at Harvard (April 2019) and in Paris (February 2020). The Hybrid CoE thanks all participants and contributors for their invaluable insights during the process of compiling this report. The report has been compiled by Hybrid CoE Director of Research and Analysis Hanna Smith, Junior Analyst Cristina Juola and Senior Analyst Maxime Lebrun.

Introduction

China's increased economic power and global presence have expanded the country's geostrategic horizons. China has acquired the potential to be a global partner for the EU and the transatlantic community. This report outlines the general dynamics of competition which should be channelled to avoid enshrining a durable systemic rivalry between several poles of global power.

The post-1945 order, as regulated by the principles of the UN Charter, provided the framework for a virtuous development leading to the contemporary multipolar, complex and interdependent world. It set the fundamentals for a system of collective security based on sovereignty, non-interference and the furtherance of human rights and economic development.

This system has enhanced the international society of developed and developing countries by giving them access to trade, investment and knowledge sharing. Without this liberal framework, the rise of several non-democratic countries, including China, would have either been compromised or at least much slower.

This trend report aims to propose an outlook on China's strategic emergence in global affairs. This report highlights a series of three interrelated trends which inform the rationale and main determinants of the conduct of Chinese hybrid threat activity and strategic policy:

- China increasingly asserts its power in areas not strictly economic through a spillover effect;
- Economic statecraft is the primary practice through which China seeks to advance its strategic interests;
- Regime preservation remains the chief purpose of Chinese geostrategic statecraft.

The report develops these trends to propose an analysis of the sources and vectors of Chinese conduct. For prospective, this report analyses not only the sources of Chinese conduct *per se* but places it in global strategic equilibria to contextualize

and comprehend the motivations behind global Chinese statecraft. China uses hybrid threats as force multipliers and coercive tactics to support **a non-performing Chinese policy or strategy** of statecraft globally.

This report analyses China's global projection of power through a paradigm of hybrid threats. It proposes an understanding of China's deployment of a series of below-the-threshold and multi-domain actions in a margin of manoeuvre that Chinese decision-makers seek to exploit to achieve policy objectives. In this margin of manoeuvre, the Chinese conduct of hybrid threat actions is enabled by a set of deterring messaging, posturing and military capabilities as *ultima ratio*. To achieve its objectives, China tends to use a combination of deniable non-military means in ubiquitous actions that do not meet the threshold for retaliation. **China has adopted a mode of operation designed to create ambiguity by using multiple, synchronized vectors. In this way it can create a non-linear policy challenge by accumulating incremental objectives.** This is the essence of the relevance of the hybrid threats paradigm applied to China. China's non-linear mode of operation confers it many advantages, ranging from a stable economy to preservation of force, while ensuring the difficulty of any retaliation attempts. Furthermore, the hybrid paradigm is essential for sustaining a credible deterrence posture for China. China's ability to use non-linear and ubiquitous actions in multiple non-military domains to achieve incremental gains fortifies its deterrence posture. The essence of the Chinese paradigm of hybrid threats is a granular and sedimental approach to statecraft and foreign influence through varied power projection practices under the protection of an evolving but credibly communicated deterrence posture.

To build on its hybrid threat analysis, this report includes a series of observations and conclusions related to the management of the outbreak of the COVID-19 pandemic. This report

includes elements that indicate that the COVID-19 crisis and resulting tensions between the US, the EU and China represent a confirmation and deepening of existing fault lines.

This report, finally, comes at a time of unprecedented pressure on the Chinese leadership. China finds itself in a difficult economic situation. The current crisis is by most indicators even more severe than a decade ago, and the country is also

less able to support its economic growth through direct financial stimulus. The report therefore highlights the manifestations, vectors and sources of China's growing influence and participation abroad at a moment when the regime itself is under increased pressure from both the coronavirus pandemic and the related massive economic slowdown.

TREND 1: China asserting its new power in global politics

China is seeking Great Power status. As Deborah Welch Larsson and Alexei Shevchenko have observed: 'The slogan "national rejuvenation" (*zhenxing zhonghua*), used by Chinese leaders from Sun Yat-sen to Xi Jinping, implies that China's rise is merely a return to its natural standing'. This ambition is seen today in Chinese objectives to become a leading economy, a first-class army, a leader in new technologies and promote global governance under the concept of community of a 'shared future for mankind'.

The first trend presented in this report concerns the logic of China's economic, political and military growing global influence. In the past two decades China has significantly expanded its global influence. This trend has deep connections to Chinese self-perception as a Great Power and its drive to catch up with the US. Power assertion is of paramount importance to China's psyche as a Great Power and its relations with the two important other reference points: the EU and Russia. Carefully crafting an understanding of the specific sources and characteristics of Chinese power assertion is important for better apprehending its specific nature.

The number of Chinese people living and travelling abroad has increased tremendously. China's expanded global presence has been acknowledged in the West. There may be an evolution at play whereby China, in building up its 'return to its natural standing', is investing in new forms of power assertion globally. Chinese conduct may be expressed using three vectors: creating a complex interaction with other great powers, the rise of military capability and activity, and seeking to take stakes in strategically important locations globally.

Creating complex interaction with other Great Powers

Russia has a complex historical relationship with China which has alternated between phases of

cooperation, tension and proximity of views on international issues. The two regimes also have an interest in sustaining each other and forming an alternative to liberal market democracy. Both regimes share a fundamental underlying bet on regime sustainability: efficiency over legitimacy, or prosperity through dictatorship. This is the case especially with China, but Moscow is also eyeing this strand of regime justification. Therefore, the needs and indeed approaches are not always the same, but the two countries are able to work together for strategic purposes. Sino-Russian cooperation comes from a shared interest in limiting global American influence. China and Russia have openly spoken out against US policies in multiple international fora. They have cooperated in many spheres, including security via large-scale military exercises, energy and space-related projects, and the economy through technology and arms trade. These projects are usually accompanied by political statements and media campaigns to bolster their significance and create hype around the China-Russia partnership. Therefore, it should be remembered that the relationship between Russia and China also has a strong element of competition, and the countries' cooperation also contains mistrust.

Cooperation between China and the US has been increasing since the 1990s. However, China's growing global influence has challenged the position of the US as global hegemon. In 2012, Beijing proposed a 'new type of great power relations' to the US, demanding that the two should treat each other equally, and respect each other's sovereignty and core national interests. According to *China Daily*, the 'new type of major country relationship between China and the US based on "no conflict, no confrontation, mutual respect and win-win cooperation" was aimed at avoiding war, conflict and escalation between the two. This Chinese proposal clearly acknowledged the issues existing

between the two countries, ones that could be resolved peacefully through dialogue rather than confrontation.¹

China's leadership perceives itself as having risen to the same Global Power status as the US, leading it to point out to the need for strategic stability between the two powers. The way towards strategic stability between two great powers is fraught with security dilemmas, tensions and setbacks. This type of status competition implies arms races, alliance and counter-alliance establishment. The complex setting of status competition has a huge conflict potential if words, symbols and signals transform into real action, while at the same time, the situation might look far more dangerous than it is. Conflicts of interpretation have a strong potential to lead to conflictual situations, rupture of dialogue and diplomacy, and a spiral of escalation.

Tensions between the US and China have become more prominent in 2015–2016 as Beijing's foreign policy became increasingly assertive. The growing number of China's cyber-enabled espionage activities and their discovery entered the public debate in the US. These activities were simultaneously espionage operations and tests of Chinese capabilities. Once detected, they enhanced the perception of China as a Great Power equal to the US. The creation of the South China Sea islands is in line with the idea of competition with the US. China is seeking to find and create partnerships and clients world wide when opportunities present themselves. The relationship between the US and China can usefully be described as an emerging deterrence dialectical relationship. In this relationship, China is seeking to further its strategic interests by combining signals of strength and incentives for economic and political cooperation with states, infrastructure penetration, and technological progress.

This complex interaction of means, from economic actions to overt aggressive endeavours, functions under the permissive protection of a credible deterrence posture. China has sufficient conventional military and nuclear capabilities,

which it combines with ambiguous, credible messaging about their potential use to limit resistance to its non-military, lower threshold activity. This justifies a hybridity paradigm when assessing China's power assertion. This is intimately linked to the main logic of hybrid threats: avoiding open conflict, using opportunities and creating the capability to influence decision-making. The logic of such an approach, by undermining expectations of international law abidance and peaceful coexistence, risks making China a systemic rival to the transatlantic community.

The US response shows an uncompromising stance. Elements in the current US administration think that delinking parts of the US economy and networks from China altogether should be considered to avoid interdependencies on value chains critical to national security. Some student flows have been restricted. Trade and investment have increasingly been linked with national security concerns and Chinese investments are considered a threat in the US. The US has expanded the mandate of the CFIUS² to monitor, investigate and block foreign investments in US companies or operations in critical sectors of the US economy. Many CFIUS decisions have in recent years been interventions to block Chinese FDI into US technology and R&D and Chinese market access to US telecommunications. These practices effectively feed China's narrative of systemic rivalry through digital competition. It validates the policy premise in Beijing that technological decoupling from the US is a matter of vital strategic interest. This trade war has also enhanced the Chinese strategic goal of asserting its 'rightful' place in international politics. In crafting a response to China, the extent to which counteractions reinforce Chinese narrative elements and incentivize Chinese leaders and economic actors to develop independently from international supply chains and markets must be assessed. This can *in fine* lead to closing doors to engagement and losing opportunities for dialogue and strategic deconfliction. Responses must take due consideration of not closing the door to China becoming a real global partner in international affairs.

1 Chen Wihua, "Proposal for new type of power relations still a win-win proposition", *China Daily*, March 24, 2017, http://usa.chinadaily.com.cn/opinion/2017-03/24/content_28660331.htm.

2 Committee on Foreign Investment in the United States. CFIUS is an interagency committee authorized to review certain transactions involving foreign investment in the United States ("covered transactions"), to determine the effect of such transactions on the national security of the United States.

The EU is the largest economic actor in the world in terms of GDP per capita. The EU sustains a specific form of normative power through the externalities of its economic activities, it is the largest single market area globally and is one of the economies most open to trade with developing countries. The EU, by its sheer market and commercial size and importance, advances a series of standards and principles applying to its own members but also to external actors seeking closer cooperation and diversified forms of integration. This is the essence of its normative power.

The EU's attitude towards China has undergone a certain character change from cooperative and friendly to increased caution in the last few years. The EU-China 2020 Strategic Agenda for Cooperation³ had a markedly cooperative tone, but the EU-China Strategic Outlook of 2019, while acknowledging cooperation needs in spheres of mutual interest, noted 'there is a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted', and that China should accept 'greater responsibilities for upholding the rules-based international order, as well as greater reciprocity, non-discrimination, and openness of its system'. Many European countries consider China as a threat equal to Russia, and, in some cases, a greater threat. There are indications that China intends to influence beliefs, views and manipulate information in EU member states. In the EU, China has also been using Russia to benefit Chinese geopolitical interests. For instance, China has been trying to persuade Austria to cooperate with Russia on a railway project linking Austria with the 1,520 mm gauge system in eastern Slovakia, which would further connect the Russian economy to the EU via Austria, but which could also serve as a link in China's Belt and Road Initiative (BRI) aspirations.

Military rise

China's status seeking has been connected more to economic power than military power. China has been previously cautious to use or showcase military power. This is changing rapidly, as China is including more military power elements in its global outreach and politics.⁴ The trend started as early as 2012. The country has developed a habit of deeper and more frequent military cooperation at a regional level. China is increasingly engaged in large-scale military exercises with international partners, including Russia and other Shanghai Cooperation Organization (SCO) member states, but also with the EU and the US.⁵ According to China's National Defence in the New Era, 'since 2012, China has held over 100 joint exercises and training with more than 30 countries' and the country 'sent over 1,700 military personnel to study in more than 50 countries'. China has increased its troops in UN peacekeeping operations, which provides a good channel for training its military personnel internationally. The People's Liberation Army (PLA) has sent over 80 military observers, staff officers and military officers to UN missions and UN Headquarters.⁶

China is investing heavily in upgrading its military capabilities to catch up as much as possible with the capabilities of other military powers. Areas like space technology, developing a blue water navy and cyber operation capabilities have received particular attention. China has been cooperating with Russia in these areas. However, China has moved to purchasing only the newest military technology from Russia. While seeking cooperation and trade deals in military affairs, China has also developed its own technological capabilities, particularly in fighter jets, ship building and missile defence that aim to compete with Russian and even US variants in arms exports

3 European External Action Service, "EU-China 2020 Strategic Agenda for Cooperation", November 23, 2013 http://eeas.europa.eu/archives/docs/china/docs/eu-china_2020_strategic_agenda_en.pdf

4 China has engaged in military exchanges with more than 150 countries and set up 130 offices of military attachés and military representatives at Chinese diplomatic missions abroad, while 116 countries have established military attaché's offices in China. In addition, China has put in place 54 defense consultation and dialogue mechanisms with 41 countries and international organizations. Since 2012, high level Chinese military delegations have visited over 60 countries, and defense ministers and commanders-in-chief from over 100 countries have visited China. (China's National Defense in the New Era)

5 Ministry of National Defense of the People's Republic of China, *China's National Defense in the New Era*, Table 6, Major Joint Exercises and Training by the PLA and the PAP with Foreign Counterparts Since 2012, July 24, 2019, http://eng.mod.gov.cn/news/2019-07/24/content_4846443.htm.

6 Ministry of National Defense of the People's Republic of China, *China's National Defense in the New Era*, Table 8, Main UNPKOs the PLA Participated, July 24, 2019, http://eng.mod.gov.cn/news/2019-07/24/content_4846443.htm.

(even if they still lag behind). China's main aim is self-reliance in military technology. This is an essential element of the ongoing dialectic of great power competition: a sound, dynamic and innovative technological and industrial base is key to sustaining research and development of armaments and technological industries.

Expanding activity potential in the maritime domain is an essential lever of China's strategic ambitions. This is strongly visible in statements by the Chinese leadership,⁷ and establishing China as a maritime power has been declared a national strategic objective.⁸ Halford McKinder demonstrated in the beginning of the 20th century how the control of the sea communication lanes between Europe, Asia and Africa would be a determining factor of the distribution of power equilibria in that century. China argues that its main aim is to modernize the Chinese navy and build trust with other states to safeguard the stability of international waterways and 'ensure the continuation of China's peaceful rise'.⁹ For example, China triggers complex maritime hybrid operations in the South China Sea to enable land grabs and achieve maritime dominance in the region. Those operations may combine fishing boats, vigilantes, coast guards and even Navy vessels to present a *fait accompli* land grab. For Europe, this has meant that China has brought its navy to European waters. China conducted military exercises in the eastern Mediterranean in 2015, and in the Baltic Sea in 2017 with Russia.¹⁰ Increases in military prowess is indeed among other levers a crucial channel for China to acquire strategic geopolitical importance globally.

Seeking a stake in strategically important geographical locations

The BRI has expanded China's global infrastructure presence significantly, including to locations strategically important in terms of global trade routes and military strategy. China has built, acquired and leased infrastructure along trade routes on land and sea, offered cooperation to construct communication networks in countries across the globe under the Digital Silk Road, and even aspired to increase its physical presence in the Arctic in the framework of the Polar Silk Road.

China has acquired stakes in ports on a global scale as a part of the **Maritime Silk Road (MRS)**, the oceanic dimension of the BRI, in line with the Chinese global naval strategy. A *China Daily* news piece described three sea routes that link China to the world along the MSR lanes: 'the China-Indian Ocean-Africa-Mediterranean Sea blue economic passage will run westward via the South China Sea to the Indian Ocean, and link with the China-Indo-China Peninsula Economic Corridor, and connect with the China-Pakistan, and Bangladesh-China-India-Myanmar economic corridors. The China-Oceania-South Pacific passage will run southward via the South China Sea into the Pacific Ocean, while another economic passage is also envisioned linking Europe via the Arctic Ocean'.¹¹ China has increased its control over these locations by gaining development and operational rights to ports. China's holdings are strategically located among the MRS routes, linking with other parts of BRI.¹² In the US there are now fears that the maritime dimension of the BRI 'is designed to give leverage

7 President Xi Jinping, for instance, has recently stated: "The blue planet humans inhabit is not divided into islands by the oceans, but is connected by the oceans to form a community with a shared future, where people of all countries share weal and woe," supporting the point that countries should cooperate on mutual security threats. Lu Hui, "Xinhua Headlines: Though oceans apart, a shared future across blue waters", *Xinhua*, June 8, 2019, http://www.xinhuanet.com/english/2019-06/08/c_138126882.htm, accessed 14.6.2019.

8 The 18th National Congress of the CCP put forward the strategic goal of building up sea power, and the 19th National Congress announced that "adhering to the coordination of land and sea and accelerating the construction of sea power" is a strategic objective, and an important attribute of "socialism with Chinese characteristics" in the new era.

9 Zhufeng Qinkai, "Construction of China's Marine Power Governance System, Focusing on the Peripheral Areas and Looking at the World. Strategic governance system of China's maritime power", *Aisixiang*, May 15, 2019, <http://www.aisixiang.com/data/116334.html>. Original source: [朱锋 秦恺, "中国海洋强国治理体系建设: 立足周边、放眼世界: 中国海洋强国战略治理体系", 节选自《中国海洋强国战略治理体系(笔谈)》, 原刊于《中国海洋大学学报(社会科学版)》2019年第3期 [Excerpts from "China's Oceanic Powers Strategic Governance System", originally published in *Journal of Ocean University of China (Social Science Edition)*, 2019, No. 3]. Discussions on the Forum "China's Sea Power Nation Strategic Governance System" (中国海洋强国战略治理体系) on April 12, 2019.

10 Vasily Kashin, "Why Russia and China warships joined forces in the Baltic Sea this week", *Moscow Times*, 28 July, 2017, <https://www.themoscowtimes.com/2017/07/28/why-russian-and-chinese-warships-met-in-the-baltic-sea-a58525>.

11 Xinhua, "China proposes 'blue economic passages' for maritime", June 21, 2017, https://www.chinadaily.com.cn/business/2017-06/21/content_29825517.htm.

12 Anthony Bergin, "Joint plan to thwart China's port storm", *Australian Strategic Policy Institute*, June 29, 2019, <https://www.aspi.org.au/opinion/joint-plan-thwart-chinas-port-storm>.

to the Chinese military if the United States tries to deploy forces into the Indo-Pacific region in a crisis.¹³

China has acquired ownership in many ports in the EU. Chinese companies have been eagerly investing in long-term and low-profit infrastructure projects, which may not be as attractive to other bidders.¹⁴ China has a stake in Piraeus, Greece, 35% ownership of Euromax in Rotterdam, the Netherlands, a 20% stake in Antwerp, Belgium, and a Chinese company is to build a new terminal in Hamburg, Germany.¹⁵ These ports are economically viable and increase Chinese trade with the EU. They also provide China with a bigger stake in the region and a channel for creating influence. There are increasing worries in the EU that China may use its involvement in European ports to exert political influence on member states.

The Polar Silk Road (PSR) is the polar dimension of the BRI through which China aims to ensure access to energy and mineral resources. China has been cooperating with Russia to develop the Northern Sea Route (NSR) by investing in port, railway and other infrastructure construction, and Chinese companies have contacted other Arctic states such as Iceland and Finland to cooperate on projects that would link China to Europe via the Arctic. China considers the Polar regions, along with the deep seabed and outer space, 'new strategic frontiers' where great powers will compete in the future and aims to build its capacity and knowledge of the Arctic accordingly.¹⁶

China's BRI also has a digital dimension. The Digital Silk Road (DSR), initially introduced as the 'Information Silk Road' in a March 2015 white paper, aims to strengthen internet infrastructure, deepen space cooperation, develop common tech-

nology standards, and improve the efficiency of policing systems among Belt and Road countries. So far, China's global push into the global digital economy has largely been driven by its national tech champions, Huawei and ZTE, offering competitive alternatives to Western products.

China's DSR has significant regional implications: major Chinese companies such as Alibaba and Tencent have invested in South Asia by acquiring regional e-commerce firms and digital service providers either directly or via subsidiaries, which have users across Southeast Asia. Investments focus on e-payment, cloud computing and 5G network construction in the region. China is also investing into its satellite navigation system Beidou, as a competitor to the Global Positioning System (GPS) owned by the US government, as well as in submarine cables in South Asia and Africa.¹⁷ Chinese firms therefore do not directly compete with Western enterprises such as Facebook and Google, but rather focus on building and controlling the infrastructure (both hardware and software) that carries vast amount of personal, government and financial data. This has great strategic implications, as all information running through Chinese companies may also be accessed by the Chinese government. 'China's digital push into Southeast Asia also offers an opportunity for China to spread its own cyber governance system, which runs counter to principles of free and accountable governance. Rather than promoting an open and secure Internet, China advocates for localization policies that enforce how data is stored, processed and transferred, and for cyber-laws that facilitate strict control over Internet content.'¹⁸

13 Joel Gerkhe, "No safe harbors: China plots to block US military from key ports, Pentagon warns", *Washington Examiner*, October 18, 2019, https://www.washingtonexaminer.com/policy/defense-national-security/no-safe-harbors-china-plots-to-block-us-military-from-key-ports-pentagon-warns?amp=true&_twitter_impression=true.

14 Yang Jiang, Aki Tonami & Adam Moe Fejerskov, "China's Overseas Investment in Critical Infrastructure: Nuclear Power and Telecommunications", *Danish Institute for International Studies*, (2016), <https://www.econstor.eu/handle/10419/197634>.

15 Kristin Huiang, "Why China buying up ports is worrying Europe", *South China Morning Post*, September 23, 2018, <https://www.scmp.com/news/china/diplomacy/article/2165341/why-china-buying-ports-worrying-europe>.

16 Camilla Soersen, "The ice dragon - Chinese interests in the Arctic", *Hybrid CoE*, (November 2019) <https://www.hybridcoe.fi/wp-content/uploads/2020/05/Strategic-Analysis-19.pdf>.

17 Chan Jia Hao, "China's Digital Silk Road: A Game Changer for Asian Economies", *The Diplomat*, April 30, 2019, <https://thediplomat.com/2019/04/chinas-digital-silk-road-a-game-changer-for-asian-economies/>.

18 Belt and Road News Business Reporting Desk, Follow the Digital Silk Road, *Belt and Road News*, August 17, 2019, <https://www.beltandroadnews/2019/08/17/follow-the-digital-silk-road/>.

Conclusion

The complex interaction of China with the US, the EU and Russia has diverse elements of partnership, cooperation, and systemic rivalry. A common denominator for Chinese global power assertion practices remains alternating the vectors and formats of policy. The scale of China's economic rise and the relative openness with which the country assumes a geopolitical agenda constitute a new, or at least more intense, type of global competition. China's adoption of military capabilities at the core of its policy to 'rise to its rightful place in international politics' brings additional escalation potential into the strategic relationship with the US and China's neighbours.

This trend is pushing world politics towards a sharply multipolar world system in which the transatlantic community may be in a less favourable position than Russia and China in some strategic domains. The Chinese drive to expand the original BRI to three different new strands, maritime, polar and digital, means that in future China must be taken into consideration in all US and EU decisions. The economic non-viability of several Chinese investments in critical locations, both geographically and in the digital domain, shows that there are strong political and military strategic aims in China's economic and trade policies. This also indicates that the hybrid threat activity will increase.

To monitor

- **The mechanics of Chinese power assertion fit into a strategic dialectic between China and the US. The inclusion of military potential into the equation by China carries significant risks of escalation. This type of situation often sees an increase in hybrid threat-related activity.**
- **China perceives the EU as a region bound to play a crucial role in its strategic dialectic with the US: the goal of Chinese conduct is to make the EU a permissive ground for the deployment of its geostrategic priorities. This means that China will prime EU member states to increase its opportunities for influence.**
- **The China–Russia relationship is complex: the determinants of the relationship will oscillate between cooperation, friendship, tensions and power struggles. How will the cooperation, with its changes in favour, develop?**
- **China's military capabilities are fully inscribed in the furtherance of Chinese strategic interests. How will China continue to use its military in its power projection?**
- **The three strands of the BRI are important vectors for power assertion, whether in economic or geographical terms. In the maritime, digital and polar vectors, there may also be a "joining the dots" approach. How China manages this will be essential from the hybrid threat perspective.**

TREND 2: Beijing's Increased use of economic statecraft to enhance Chinese strategic interests

China's economic dynamism has been an important contributor to global economic growth for a number of years and has proven an important, even crucial trade partner, investor and creditor for many developing countries. As the world's second largest economy, China has gained the capacity to use its economy as a tool for strategic gain, and potentially even challenge established international standards of liberal inspiration. China has long had a policy of abidance by and inclusion in the fundamental system of rules and principles of liberal inspiration, as well as a commitment to multilateralism. This policy is aimed in part at gaining more authority and influence in the system.¹⁹ This has been a defining trend since before Xi Jinping's arrival to power in 2012. The remarkable Chinese economic might is a source of admiration and has given China power through attractiveness. Xi Jinping, however, launched a more assertive Chinese economic policy. This policy can be considered as the pursuit of increased Chinese global power through economic growth and wealth. If not necessarily a change in nature of Chinese strategic behaviour, this certainly marks an accentuation of a trend of strategic assertion through economic statecraft.

The global economic crisis of 2008–2009 affected China massively. China then realized the magnitude of vulnerability of its economy upon global shocks and financial crashes. To sustain necessary levels of economic growth and adequate domestic demand, the Chinese leadership decided to inject liquidity on a vast scale into the economy. The Chinese economy has benefitted tremendously from the liberal world order and still does, but the worldwide economic crisis materialized this system's vulnerabilities to China. In its pursuit

of managing these vulnerabilities, a parallel can be drawn with the economic and trade policies of the US after the Second World War. The US then used economic statecraft to push forward its strategic interests, shaping the global institutions of economic governance – for instance the Bretton Woods institutions – to make the global economic architecture more stable, with US economic potential at its heart, to reduce the sources of conflict. The US, at the basis of this post-war global impulse, acquired tremendous leeway in defining and embedding a system of normativity that served its interests, and created international structures and alliances that continue to be the vector of its strategic interests.

The US, however, was then a functioning democracy with 'highly developed financial markets as well as domestic institutions that were stable, open and grounded in the rule of law'²⁰ whereas the determinants of Chinese conduct legitimately call for caution, being in essence a dictatorial and tyrannical regime with very sophisticated mechanisms of political, economic and social control. The Chinese regime, furthermore, behaves along the lines of an authoritarian state still developing and testing its capabilities with mercantilist and protectionist principles. The present trend outlines the degree to which China is exploiting economic statecraft policies and to what extent China provides alternatives to existing global economic rules and institutions.

Exploiting economic statecraft

Economic statecraft, or the pursuit of foreign policy objectives by leveraging the security externalities of economic interactions, is a known source of

19 G. John Inkenberry, *Liberla Leviathan: The Origins, Crisis and Transformation of American World Order*, (Princeton: Princeton University Press, 2011).

20 G. John Inkenberry, *Liberla Leviathan: The Origins, Crisis and Transformation of American World Order*, (Princeton: Princeton University Press, 2011), p.63.

state power and influence.²¹ In today's globalized society, economic relationships are inherently susceptible to state manipulation and are routinely exploited by several countries as a means of first resort with strategic purposes.²² In this respect, the Chinese leadership's frequent use of economic sanctions and economic coercion as a response to challenges to Chinese strategic interests is not a surprise. For example, in Mongolia, China pressurized the political leadership to refuse further visits by the Dalai Lama by imposing an economic blockade.²³ China regularly uses economic incentives to sway states to cut off diplomatic ties with Taiwan.

A more pressing change is the way China uses its economic statecraft to reshape or challenge existing international rules, for example at the UN. Even if China has shown the willingness to be a part of the rules-based international order, it has grown increasingly unhappy with the main norms and customs of established international law. In the last decade, China has become more powerful in many institutions and has started to influence the norms that go against its national interests through economic statecraft. China supports rules and regulations which favour Chinese policies. The country logically promotes decision-making bodies where China has significant power to influence decisions (e.g., the Security Council). The CCP has used economic statecraft in issues counter to Chinese interests, using its economic and political leverage over developing states in the UN and to shape international dialogue on certain policies.

For instance, Beijing has been actively shaping the dialogue on human rights issues into one that is less critical and softer in tone, with an emphasis on cooperation and non-intervention into domes-

tic affairs, and to shift the authority to define human rights from an international to a national level.²⁴ As an example, in July 2019, the ambassadors of 22 countries²⁵ delivered a letter to the UN Human Rights Council (HRC) that called on China to halt its mass detention of ethnic Uighurs in the Xinjiang region. In reaction, China gathered an array of 37 states²⁶ to sign a letter to the UNHRC that supported China's policies in Xinjiang and endorsed 'China's remarkable achievements in the field of human rights by adhering to the people-centred development philosophy and protecting and promoting human rights through development'.²⁷

Chinese economic statecraft has also been visible in the framework of China-EU relations. The EU's China policy from 2019 states that China does not abide by mutually agreed rules, despite its rhetoric. China has not allowed equal access to EU companies in China, while it backs its companies' participation in the EU market with state loans, giving them an unfair advantage.²⁸ Furthermore, 'it is noteworthy that the EU has already been unable to attain common stances on human rights due to the economic links between China, on the one hand, and a number of Central and Eastern European states on the other. In June 2017, the EU failed for the first time to secure a common stance on criticizing China in the Human Rights Council due to Greek opposition.

Providing other options of economic cooperation: BRI, AIIB, 17+1

China is using economic statecraft to build alternative frameworks where China has a leading

21 Blackwill and Harris employ the term "geoeconomics", an adaptation of "geopolitics"; Robert D. Blackwill & Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft*, (Harvard University Press, 2016); David Allen Baldwin, *Economic Statecraft*, (Princeton: Princeton University Press, 1985); William J. Norris, *Chinese Economic Statecraft: Commercial Actors Grand Strategy, and State Control*, (New York: Cornell University Press, 2016); James Reilly, "China's Economic Statecraft: Turning Wealth into Power" *Lowly Institute for International Policy*, November, 2013.

22 Robert D. Blackwill & Jennifer M. Harris, 2016.

23 Reuters, "China says it hopes Mongolia learned lesson after Dalai Lama visit", *South China Morning Post*, January 25, 2017, <https://www.scmp.com/news/china/diplomacy-defence/article/2065082/china-says-hopes-mongolia-learned-lesson-after-dalai>

24 Katja Creutz, "China's challenge to human rights: increased proactivity may weaken the UN human rights system", *FIIA*, May 2019, https://www.fiaa.fi/wp-content/uploads/2019/04/bp261_chinas_challenge_to_human_rights.pdf.

25 Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Japan, Latvia, Lithuania, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, and the UK.

26 The letter was signed by the ambassadors of Algeria, Angola, Bahrain, Belarus, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Comoros, Congo, Cuba, Democratic Republic of the Congo, Egypt, Eritrea, Gabon, Kuwait, Laos, Myanmar, Nigeria, North Korea, Oman, Pakistan, Philippines, Qatar, Russia, Saudi Arabia, Somalia, South Sudan, Sudan, Syria, Tajikistan, Togo, Turkmenistan, United Arab Emirates, Venezuela, and Zimbabwe.

27 Xinhuanet, "Ambassadors from 37 countries issue joint letter to support China on its human rights achievements", June 13, 2019, http://www.xinhuanet.com/english/2019-07/13/c_138222183.htm.

28 European Commission and HR/VP contribution to the European Council: "EU-China – A strategic outlook", March 12, 2019, <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>.

position and capability to decide the rules of the game. China has established China-led channels for international cooperation, such as the Belt and Road Initiative (BRI), the Asian Investment and Infrastructure Bank (AIIB) and the 17+1 dialogue. It could be argued that these platforms for cooperation are complementary to the Western-led structures such as the WB, IMF and EU's Neighbourhood Policy. They can also provide an alternative to them. Transactions that happen in the Chinese-led frameworks do not follow the same regulations and they can also enter into a direct competition to the Western-led structures. As a result, the Western-led structures might appear weaker than they are and loose attractiveness, which then leads to erosion of rules. It has also created friction in Europe and in the transatlantic alliance. The Chinese understanding and practice of economic statecraft can have a spillover effect on diplomatic, political and normative domains in particular. Growing economic influence and leverage leads China to be in a position to increasingly redefine standards, norms and *in fine* principles which are in line with specific policy objectives.

The Belt and Road Initiative (BRI), the emblem of the Chinese push to a more assertive conduct of economic statecraft was formally launched in 2013 as one of Chinese president Xi Jinping's hallmark programmes. The guiding policy of the initiative is to increase and deepen global connections through Chinese-built infrastructure. It is a clearly state-supported initiative and has a political agenda in the spillover effects on other domains of strategic influence which are important to the Chinese leadership. The BRI, however, is not a uniform and consensual object. There is a lot of ambiguity related to the BRI and the project has raised much debate in academic circles. Whether it is a concept, a framework, a long-term strategy or a patchwork of independent economic related projects is debated. No blueprint exists for the BRI, and many projects started before its launch are also labelled as "BRI". Actors in the BRI include state-owned enterprises, private companies and provincial level governments. Projects range from

investments into infrastructure, which constitute most of the activity, to education, the arts and the media.

The granularity of the approach to increasing connectivity at the core of the Chinese BRI approach mean that many of the projects do not follow the rules of open, transparent and free trade that defines the common rules of liberal world order. Because they may fall outside the scope of regulations in foreign direct investments, those projects constitute many open doors to the gradual undermining of a set of agreed norms and principles. Many authoritarian state elites have found BRI projects to benefit their own needs, indicating an entry door to corruption by local elites. For instance, former Malaysian Prime Minister Najib Razak has been accused of accepting Chinese money through a corrupt scheme around the BRI.²⁹ Furthermore, almost all tenders with the backing of BRI are contracted to Chinese companies. In comparison with Western-backed loans, the Chinese creditors are more flexible in their standard of work with corrupt regimes, negotiating loans without requirements to maintain social and environmental safeguards, and are more willing to accept natural resources or other valuable assets as collateral.³⁰

The Asian Investment and Infrastructure Bank (AIIB), which can be considered the main financier of BRI projects, is a Chinese-led development bank that aims to support the building of infrastructure in the Asia-Pacific region. It has an important role in approving loans for projects under the BRI. As of August 2019, the bank has 74 members and 26 prospective members from around the world, including 18 EU member states. In the EU there is concern that the bank does not meet its own commitments. A statement from the European Parliament acknowledges that the 'AIIB has adapted to western sensibilities by emphasizing transparency and environmental and social standards', but also states that 'many researchers and civil society groups have raised concerns that the bank does not follow through on its environmental and social commitments. Such concerns

29 See the case in Malaysia, <https://foreignpolicy.com/2019/01/15/the-belt-and-road-initiative-is-a-corruption-bonanza/>.

30 Jonathan E. Hillman, "Chinas Belt and Road Initiative: Five Years Later", *Centre for Strategic & International Studies*, January 25, 2018, <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>.

are compounded by the fact that the AIIB has not published a record of its delivery on these commitments.³¹

As far as Europe is concerned, China perceives it as potentially divided among nations in their attitudes towards Chinese influence. China develops regional dialogues to support its state-led regional infrastructure and trade projects. In Central and Eastern Europe, China has established the 17+1 dialogue, which refers to the 17 states³² with which China is developing dialogue. The cooperation platform was established in 2015³³ as a new platform for South-South cooperation, 'featuring characteristics of South-North cooperation'³⁴. The primary aim is to support its member states to fully connect with the Belt and Road construction, the secondary aim is to merge the cooperation platform with the China-EU comprehensive strategic partnership, and a third aim is to bind in the national strategies of the participating states.³⁵ The objectives quite clearly reflect China's interests in the region: furtherance of the BRI and China's expanded leverage and presence. This can be read as an example of the ubiquity of Chinese economic statecraft when applied to Europe. Experience indicates the pattern through which in different regions and situations such Chinese economic statecraft adopted a granular approach with the objective to reshape standards, norms or power relations situated further from economic and trade issues.

Therefore the 17+1 dialogue raises concerns as to China's arguably divisive policies in the EU.³⁶ Of the 17 countries, 12 are EU member states, of which six are part of the Eurozone, and the other five are in negotiations for EU accession. On the other hand, China's objective is to gain influence in the EU in the long term rather than dividing the EU as an end in itself. The BRI, AIIB and 17+1 all have benefits for their participating states. However, it is clear that those projects and instances

have brought to the surface the divides in the EU and in the transatlantic alliance, if not deepened them further. The US has openly opposed EU states joining the AIIB.

Economic statecraft is a means for China to expand its influence abroad, either through foreign direct investments or the creation of alternative regional integration projects. It is also likely to become a more acute characteristic of Chinese conduct in the current global economic crisis. The Chinese conduct of economic statecraft is aimed at furthering a series of strategic interests, chief among them being access and resource flow security towards mainland China to sustain domestic demand and sustain the basic dynamics of economic growth. A considerable difference between the economic crisis of 2008-2009 and the current economic crisis due to the aftermath of the COVID19 pandemic however resides in the financial margin of manoeuvre of the Chinese leadership. While a decade ago, a massive scale of liquidity could be used as boosting measures for growth directly in the economy, Chinese financial leeway is today much more limited. As a creditor to many economies and actors throughout the world, it is reasonable to argue that its economic dependency and global vulnerability has increased and its effects are likely to be felt further in the coming years. More severe in scope and depth, the current crisis is revealing many difficulties for the Chinese leadership.

A much commented feature of the latest Congress of the CCP was for instance the abstention from announcing an annual growth target. Instead, the leaders insisted on boosting the economy through digital technologies, clearly setting, or confirming, the agenda for Chinese dominance in digital technologies. As the Huawei controversy and 5G demonstrate, such ambitions inevitably pit the country against US strategic interests in the same domain. Financial means, technological

31 European Parliament Parliamentary Questions P-001855-19, "EU position on the Asian Infrastructure Investment Bank", April 16, 2019, http://www.europarl.europa.eu/doceo/document/P-8-2019-001855_EN.html.

32 Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia.

33 as 16+1, before Greece joined in 2019.

34 Ministry of Foreign Affairs of the People's Republic of China, "Xi Jinping Holds Group Meeting with CEEC Leaders Attending 4th Summit of China and CEEC", November 26, 2015, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1319541.shtml.

35 Ibid.

36 Emilian Kavalsky, "China's '16+1' Is Dead? Long Live the '17+1'", *The Diplomat*, March 29, 2019, <https://thediplomat.com/2019/03/chinas-16-1-is-dead-long-live-the-17-1/>.

expertise and entrepreneurship are common denominators of US and Chinese technological ecosystems, but so are their similar data collection capabilities, albeit different in legal control. While data storage is the fuel for developing new technologies such as Artificial Intelligence (AI), the US and China are necessarily particularly well-placed into the digital technological race. It is reasonable to expect that Chinese economic statecraft, penetration and growing influence abroad will be channelled through the digital technological race.

While it will certainly be difficult for the Chinese to match US capabilities and scientific prowess in digital technologies, the country clearly has a margin of manoeuvre for creating alternative options, platforms, systems of systems, the exponential magnitude of interconnection of alternative systems which could make it a serious irritant to US systemic integration in the field. Chinese leaders and structures are therefore pursuing a goal of if not global dominance, then at least of technological decoupling from the US. **This policy must be analysed with many nuances — notably given the interpenetration of economics and production chains between the US and China — but it provides a strategic outlier to Chinese conduct, notably in Europe.**

Conclusion

The Chinese use of economic statecraft for political aims is not a new phenomenon. Political goals and economic growth, access and resource security, are constant and interlinked objectives of Chinese statecraft — not only economically. Influence, norms altering, economic penetration and infrastructure projects are essential in Chinese conduct because every part of this granular approach lays the ground for sustaining internal demand, regime stability and the sources of Chinese growth.

The Chinese rationale for and use of economic statecraft is an important aspect for devising better responses. Therefore, Chinese economic statecraft is an essential element to considering the country's geostrategic actions through a hybrid prism of threat perception. Hybrid threats are created by a combination of different, seemingly unrelated incidents. As Patrick Cullen has put it:

'death by thousand cuts'. Based on the above-mentioned examples, Chinese economic statecraft is a central tool with the aim of undermining the openness and rules that are part of the liberal world order. China's economic statecraft combines a series of very diverse levers at different levels of analysis. Economic penetration and partaking in infrastructure projects have important spillover effects which enable further Chinese control in areas not directly economic or related to the business relationship in questions. Alternative frameworks of economic integration that do not abide by WTO or liberal free market economy standards can similarly weaken the established rules of international institutions. There has been also a clear change of how China approaches the economic domain. China previously acted more in line with the international rules, but since 2012 it has increasingly started to shape and change those rules. China's conduct of economic statecraft is one of the dimensions through which China aims at gaining influence while remaining in a margin of manoeuvre below the threshold of uncontrolled escalation in its nascent systemic rivalry, particularly with the US, and, to a lesser extent, the EU.

To monitor

- **A more limited ability of the CCP to boost the economy on its own, leading to an increased tendency to secure Chinese economic indicators through foreign trade, economic statecraft and infrastructure penetration globally.**
- **The vulnerability of strategic sensitivity of high-end technology value chains is likely to increase with the Chinese pursuit of technological decoupling with the US. The development of alternative and mutually exclusive technological and digital infrastructures are likely to emerge globally.**
- **Chinese economic statecraft will continue to have spillover penetration effects on other domains, established principles and regulations. The establishment of alternative formats to Bretton Woods-led global economic integration risks turning globalized markets into fields of confrontation. If this**

continues, there is a risk of eroding the rules-based world order.

- China's economic statecraft and coercive economic measures can be more effective in contexts of weak governance, corruption, economic dependence or effects of smaller scale of targets. What will the effectiveness of China's economic statecraft and coercive economic measures be in the future? Where will China seek to strengthen its opportunities to influence?

- China's conduct of economic statecraft is rooted both in the necessity to sustain its economic growth while furthering strategic interests below the threshold of conflict escalation with the US – economic statecraft is therefore a component of China's hybrid approach to systemic rivalry under an ubiquitous deterrence posture. How will this be manifested inside the EU?

TREND 3: Seeking control

Regime preservation is a vital strategic interest for China. The use of economic statecraft and the ways in which China seeks to assert its power while avoiding escalation are connected to the fundamental objective of regime stability. This third trend is not new, considering that regime survival in authoritarian state systems is always the priority. All policies are subordinated to supporting the regime. For regime survival, China has started to seek better control over areas that it sees as vital for making sure there are no forces that threaten the regime, and that China can neutralize whatever threat there is.

The “Three Warfares” doctrine adopted in 2003 has become pre-eminent during Xi’s presidential term. In that doctrine, control is to be gained in the psychological and legal realms as well as in public opinion, to conduct national security policy of the PLA. In line with the doctrine, a PLA strategic support force was established in 2015 with a mandate for focusing on psychological warfare, space and cyber military operations, although the psychological warfare part is minor compared to space and cyber. To maintain control and channel policies towards the fundamental issue of regime preservation, China activates three interconnected sets of priorities: information and narrative control; rule by law instead of the rule of law; information gathering enhanced by technology to detect and block anything and anyone that can be seen as harmful for the Chinese regime.

Controlling the narrative

China has a long history of information control inside its borders. One study traces the impetus for censorship to a Song dynasty report to Emperor Zhe Zong in 1090 that warned of the circulation of publications that could reveal state secrets.³⁷ Mao Zedong famously stressed the

effective use of propaganda as a weapon to unite the people under a common ideal. This is not a specifically Chinese characteristic but the logic of the regime makes it particularly acute in the Chinese context.

In modern times, the CCP’s censorship mechanisms have been successful in controlling the domestic media space. However, in the last decade China has also pursued censorship of content published about China and the CCP abroad. The CCP has created new channels and used existing ones more intensely with the aim of influencing the narrative on China in other countries. Concerning the outbreak, management and aftermath of the COVID-19 pandemic in China, the Communist Party has proven to be very adaptive and flexible in espousing the feelings of the population and fusing them into a narrative of self-justification. For instance, the CCP’s narrative towards the deceased Dr Li Wenliang, the unheard whistle-blower for the pandemic in China who died of the disease, was first discredited and silenced, after which the propaganda machine managed to use this case in a justification narrative, blaming instead two police officers to justify the error. This effectively operated a narrative control or recuperation by the CCP.

Beyond the adaptive logic of Chinese propaganda, China has invested into media, culture and scientific research abroad, aiming to build its leverage in these “soft” domains. China has invested in establishing local, Chinese state-owned media outlets across Africa and Latin America. China has also bought stakes in media outlets in many Western states either directly or via subsidiaries that blur the connection to the source. For instance, China Radio International, CRI, has outlets that operate 58 stations in 35 countries, which operate as seemingly independent stations, including in Australia, the US and Europe.³⁸

37 Lee-hsia Hsu Ting, *Government Control of the Press in Modern China, 1900–1949*, Cambridge, MA: Harvard East Asian Research Center, 1974, p. 7.

38 Louisa Lim & Julia Bergin, “Inside China’s audacious global propaganda campaign”, *The Guardian*, December 7, 2018, <https://www.theguardian.com/news/2018/dec/07/china-plan-for-global-media-dominance-propaganda-xi-jinping>.

The Chinese state-owned newspaper *China Daily* has a *Global Times* edition with global coverage, and runs a European edition published in London, as well as a US edition. The Chinese state has also bought publication space from many leading Western news agencies such as the *Wall Street Journal* and the *Times Magazine*, which again obscures the link to China. In central and eastern Europe, China has attempted to shape the coverage on China and the CCP through direct purchases of media companies and developing ties with local politicians. Evidence shows that even co-ownership of a media outlet by a Chinese company effectively eliminates all negative coverage on the country.³⁹

China's use of diplomatic channels with the aim of controlling the narrative on China outside its borders has intensified in Western states in the last two to three years. One example is from early 2018. The Embassy of China in Stockholm had released a steadily growing number of statements criticizing Swedish media reports on China. Many of the statements have been followed up by letters to the targeted media outlets. In addition, the Chinese ambassador has granted several interviews with local media and met media executives. The embassy has singled out a number of individual scholars, activists and journalists for criticism.⁴⁰

Attempts to manipulate information are not a novelty, but its current extent and channels give it a new force. In combination with Chinese economic statecraft, it has the potential to influence parts of public opinion in Western countries. Likewise, the more strategic outlook is fairly new. Previously the pressure was an issue-based. One example can be found from 2010, when Norway was a target of Chinese criticism when the Norwegian Nobel Committee awarded the Nobel Prize to Chinese dissident Liu Xiaobo. China reacted with economic and diplomatic pressure to demonstrate its discontent. Critical coverage of issues such as Tibet, Xinjiang and the one-China policy is guaranteed to raise critical voices in Beijing. This should not be confused with the strategic planning that is connected with buying into media houses, seeking to use censorship outside China and influence

the internal affairs of a particular state in its own space.

Rule by law: legal and normative means of control

During Xi Jinping's presidential term, China has actively expanded its domestic security agenda. Xi has overseen an unprecedented expansion of China's security apparatus, calling for a new approach based on 'security with Chinese characteristics'. This has included introducing a 'comprehensive national security concept' as a response to 'China's unique conditions and historical experience'.

This thinking represents an expansion of the very meaning of security. The comprehensive national security concept includes 11 aspects or domains, including the traditional areas of security like military and territory, but also culture, cyber, and ecology. This has resulted in proliferation of security practices with new institutions, actors, and legislation. Moreover, it has introduced a horizontal dispersion of security politics into everyday lives, making every citizen responsible for protecting the security of the state. This trend represents an unprecedented securitization of the politics of Chinese governance and society. Securitization refers to naming or placing a certain issue in the domain of security, giving it additional impetus and gravity than its essence would normally require. The progressive and rampant amalgamation of politics with the security realm is clearly reflected into the 'comprehensive national security outlook', as its name indicates.

The CCP recently established a top-level National Security Commission, the first of its kind in China, alongside a series of legal changes. As a result of these changes, China has a new National Security Law (2015), a new Cybersecurity Law (2016), a Counter-Espionage Law (2014), and Counter-Terrorism Law (2015), all guided by Xi's 'comprehensive national security outlook'. China has also created and adopted its first ever National Security Strategy, with the Central Committee stressing that they face 'all kinds of predictable and unpredictable security risk challenges

³⁹ Ibid.

⁴⁰ Björn Jerdén and Viking Bohman, "China's propaganda campaign in Sweden, 2018–2019", Swedish Institute of International Affairs, UI brief 4/2019.

that have never seen before' (Xinhua 2015). Such an approach essentially gives the state enhanced powers in tackling that which it defines as a threat to national security. Gaining control through this practice of legal and normative securitization is part of the military's new role in Chinese strategic thinking.

The PLA mandate has therefore been expanded to enable operations in non-military fields. The policy of achieving national security goals without resorting to traditional military force is manifest in cases such as the South China Sea (SCS) disputes. In SCS, China avoids military escalation and aims to make legal arguments to demilitarize the conflict. It seeks to transfer the normative and legal burden to other maritime countries in other regional maritime disputes, by stretching the meaning and categories of the 1982 United Nations Convention on the Law of the Sea (UNCLOS). China has expanded the legal responsibilities of the Chinese Coast Guard and used it to legitimize its claims in a 'peaceful' way and deter military intervention from outside. China has pressured states in the SCS to sign a mutual code of conduct in the region, which for now remains only a draft (Single Draft South China Sea Code of Conduct Negotiating Text, SDNT). Upon closer reading, the SDNT clearly reflects Chinese interests (allowing for more operational freedom for China and calling for bilateral dispute settlement)⁴¹. By establishing legal regional norms, China challenges existing international ones, such as freedom of navigation in the SCS.

Expanding technological capabilities

China aims to play a key role in the 4th industrial revolution on a global scale. The 'Made in China 2025' policy promoted by president Xi has specific targets: 70 per cent self-sufficiency in high technology industries by 2025 and global market dominance by 2049, the 100th year anniversary of the PRC. Technological innovation works as a legitimizing force for the CCP to stay in power, but also provides many benefits for China and many developing states. As mentioned earlier, the latest CCP

Congress established the strong priority of boosting the economy through massive investments into technological progress, attempting to place China at the lead of high-end digital exports. The technological drive currently observable also plays into China's interest of technological decoupling, as well as dependence reduction from the US.

Having a leading role in technological development and innovation is critical for the CCP to stay in power. In the past, the CCP legitimized its rule by ensuring economic growth. However, with a growing middle class, enhanced living standards and China's more active international posture, public expectations are rising. It will become increasingly challenging for the CCP to deliver on promises in the future. Technological development is necessary in maintaining the Chinese economic model. It will be a leading economic driver in new innovation and knowledge, and it is essential for increasing the weight of high-added value activities in the Chinese economy and breaking the middle-income trap. This fact is acknowledged by the Chinese leadership, and thus there is a great effort to achieve a leading role in technological innovation and its application.

China is becoming increasingly advanced in digital or 'smart' technologies and their applications. The influence of new technologies, such as AI, 5G, virtual reality (VR) and other emerging future technologies is unknown. There are many reasons to believe that China will succeed: China has a young and educated population and it has invested vast government resources in developing this domain. China has the biggest pool of big data, the fuel for AI, on real-life events in everyday lives of Chinese citizens. Chinese internet and telecommunications companies are among the largest and most innovative in the world, and they are already internationally well established. Despite this, China is still behind the US and the EU.

China promotes national regulating rights for cyberspace. This way, China extends into cyberspace the notion of national sovereignty and non-interference in domestic affairs of other states, which it promotes in international relations in general. Investing in cyberspace as a domain

41 Sam Bateman, "Favourable currents for ASEAN-China relations in the South China Sea", *East Asia Forum*, December 12, 2018, <http://www.eastasiaforum.org/2018/12/12/favourable-currents-for-asean-china-relations-in-the-south-china-sea/>, Accessed 2 May 2019.

similar to air, land and sea provides China with new opportunities to influence international norms.⁴² If Western countries do not have a clear and specified vision for the future of how it controls the cyber domain, China might see a window of opportunity for inserting its own ideas.

Technological innovation has provided the CCP with tools to enhance the control of their society and export such capabilities. Surveillance technology has been tested by the CCP in Xinjiang and Tibet in a way that violates human rights. Chinese surveillance technologies of big Chinese companies including Huawei, ZTE and Tencent have also been exported worldwide. Huawei has developed surveillance technology for smart cities, which it has exported to more than 90 countries (230 cities).

ZTE and other Chinese companies are also in this business. Deals are made with authoritarian regimes such as Zimbabwe, Venezuela and Belarus. Companies have also been connected to cooperation with state authorities to shape their policies on cyber and information security in a way that allows for more stringent population control.⁴³ Because many of the technologies are new, no international norms or regulations apply. Given Beijing's infringements on privacy, we can expect that it is in China's interests to establish international standards which give states prerogatives over individual liberties.

Some policymakers and analysts have voiced concern that new technologies developed by China may offer a gateway to Beijing's involvement in other countries' affairs, given the absence of separation between the state and the private sector in China. CCP branches are present in all big and small Chinese tech companies (Huawei, for instance, has more than 300) to ensure the company is acting in the interests of the CCP, including abroad. The CCP acquires vast amounts of data through Chinese tech giants as they cooperate with overseas companies, including in the EU and the US. Surveillance technology provided by the

Chinese companies in other countries gives them access to personal data, including family relations, voting behaviour and employment (e.g. election monitoring technology in Venezuela). Were the CCP to gain access to this information, it would have access to the societies and the capacity to use the data to manipulate or influence them, if it so chose.⁴⁴

Conclusion

Regime preservation requires control and surveillance both domestically and abroad. China therefore attempts to control the narrative in and about China in a fairly flexible and adaptive manner, as exemplified during the COVID-19 pandemic. The need for strong control domestically, often pushes the authoritarian states to divert to hybrid threat activity also outside their countries, since the hybrid threats act as force multipliers in a cost effective ways. To advance control through technological means, China espouses new digital habits created in the era of smartphones and immediate individual connectivity. Its broad securitization of state, governance and society rests on a horizontal approach to opinions and narrative control, in which each Chinese citizen has a stake, notably through direct and individual connectivity. This has been observed with the measures of social control in containing the COVID19. The trend of narrative control indicates how China has expanded and used overt and covert channels in a coordinated and synchronized manner to seek control both domestically and internationally. This trend indicates that Chinese internal and external policies are increasingly intertwined.

To monitor

- **The definition of China's vital strategic interest should be thoroughly approached as it informs the sources of China's conduct strategically and enables us to think about**

42 Julian Ku, How China's Views On the Law of Jus ad Bellum Will Shape Its Legal Approach to Cyberwarfare, Hoover Institution, August 17, 2017, https://www.hoover.org/sites/default/files/research/docs/ku_webready.pdf; Michael Kolton, "Interpreting China's Pursuit of Cyber Sovereignty and its Views on Cyber Deterrence", *The Cyber Defense Review*, Army Cyber Institute, Winter 2017, pp. 119–154.

43 Danielle Cave, Samantha Hoffman, Alex Joske, Fergus Ryan and Elise Thomas, "Mapping, China's technology giants", *ASPI Issue Papers*, (April, 2019), https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2019-04/Mapping%20China%27s%20technology%20giants_0.pdf?7v1h1czMW3qCwhg1BgZEu_V8B3aGAZFS

44 Ibid.

the articulation of Chinese policies. How are internal and external actions intertwined?

- United Front Work Department strategy and activities: by looking at the United Front's strategy, one can determine how China will act abroad.
- Cooperation between EU or US companies and Chinese companies should undergo careful data protection scrutiny to avoid

unintended data and technology transfers to China.

- What loopholes in current legislation of EU/NATO member states is China using to get access to their digital markets and digital security?
- What are the specific narratives China is seeking to inject into the Western media space?

Report conclusion

China is a power driven by its own national and strategic interests and this forms the basis of its relations with other global power centres. To avoid catchphrases, posturing and other counter-productive reactions to Chinese policies, the transatlantic community must clearly perceive the threats of China's economic and strategic emergence. China's vital strategic interest, beyond the regime's propaganda about its 'rightful place' in the world, lies in enhancing permanent economic growth to sustain domestic demand and preserve the regime's dominance. The logical consequence of China's domestic securitization is also a strategic crystallisation over international trade and technological competition, thereby making China's relation to other major states dangerously volatile.

The strategic emergence of China is historically rooted in Deng Xiaoping's impulse and the opening up of China in the 1970s. China has expanded its geostrategic horizon, particularly in the past two decades. It became a powerful producer, massive domestic market, financial giant, investor and creditor. The outbreak of the COVID-19 pandemic has underlined the country's centrality to globalized economic and trade relationships. Its economic expansion accompanies a political, military and geostrategic agenda which is centred on the imperative to secure the sources of economic growth. The three trends presented in this report are interrelated: economic statecraft is destined to enhance economic growth while power assertion aims at accompanying Chinese pre-eminence through expansion to secure the factors of Chinese economic growth. This in turn serves a perpetual ideological justification for regime preservation: while maintaining dictatorship and social control, the CCP delivers prosperity and perpetual development. The big questions for the future are: what if the economic growth does not support the preservation of the current regime? How far can the development go with the current Chinese political system? And finally, how far is China ready to push its challenge to today's rules-based world order?

The future direction of China, under increased economic and institutional pressure both domestically and internationally, means the use of hybrid threats in its modes of power projection is likely to intensify. China deploys a combination of means to secure its influence and control over critical sources of economic growth. This is done through economic statecraft and the inception of spillover effects of influence: carefully placed investments yield structural influence for the Chinese state in domestic matters of foreign states or in critical economic sectors.

As a hybrid actor, China also regularly employs modes of operation to create actions and effects below the threshold of conflict to avoid escalation with other states. China is actively priming itself to increase its influence in locations it views as strategically important. China will continue to use modes of operation based on creating **hybrid threats as force multipliers and coercion tactics to compensate for other under-performing policies and strategies, as well as the increasing difficulties that China has been facing. The use of ambiguous and ubiquitous modes of operation by China to create confusion to obfuscate meaningful responses will continue to structure the country's pattern of projection of power.**

China's attitude towards other major states is a useful context for analysing its modes of projection of power. For instance, Beijing's posturing regarding the US reflects a process through which China seeks and tests its margin of manoeuvre. Aggressive messages and posturing, provocative military speak and stances, raging economic and technological competition and a long list of security dilemmas form a worrying trend in the development of Chinese-US bilateral dealings. This context of tension and power balancing creates a dialectical logic in which periods of increased tension and peaceful coexistence constitute the parameters of a search for strategic stability. **This dialectic is an example of the margin of manoeuvre in which China attempts its projection of power under**

a hybrid threat paradigm. The dialectic imposes the need for Chinese actions to remain below the threshold of outward aggression and military means. **The margin of manoeuvre is bound to designate non-linear attempts to achieve tactical and small-scale successes to incrementally reach strategic objectives.** The existence on both sides of a certain spectrum of capabilities creates a relationship based on the mutual potential to deter escalation. Such a relationship of deterrence makes it strategically rational to use ambiguous, non-linear but synchronized means of confrontation that complicate the formulation of countering policies.

At regional levels, China's ability to communicate a credible deterrence stance to foreign

governments complicates their likelihood of formulating an effective reaction to Chinese actions. China in this way sustains ambiguity about certain offensive patterns, such as in the South China Sea. It has increased its activities in the Arctic and Antarctic. It fosters a granular and sedimental approach to influence, economic, informational and political penetration and interference in the domestic affairs of other states by capitalizing on smaller-scale achievements. China's projection of power and influence abroad relies on the exploitation of small achievements in a fundamentally incremental approach to strategic successes. From the transatlantic community's perspective, China risks becoming more of a systemic rival than competitor or partner.

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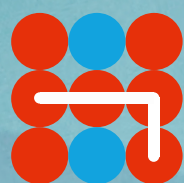
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