

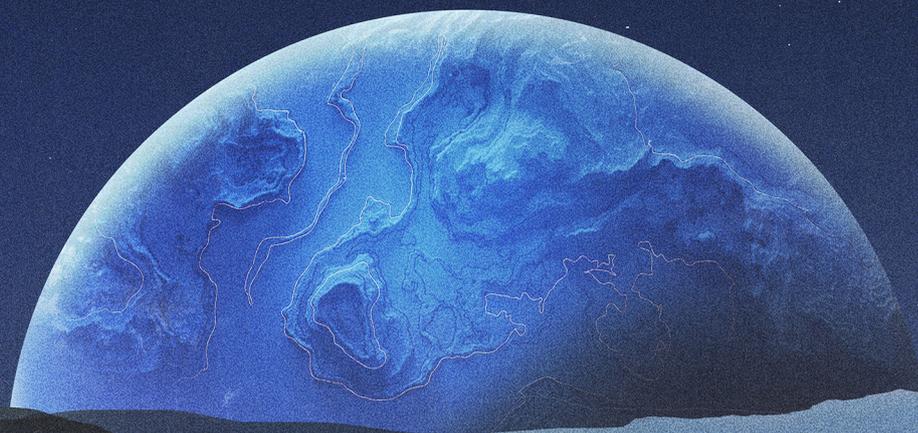
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# TI Observer

**For Peace and Development:  
Responsible Actions Needed for Meeting Unprecedented Challenges**  
Selected Remarks at the 2022 Taihe Civilizations Forum



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# The Evolution of Great Power Competition and Regional Cooperation

Vladimir Lukin



Research Professor of National  
Research University Higher  
School of Economics  
Deputy Chairman of the State  
Duma (2000-2004)

Today I will focus my remarks on the points of turmoil found in the title of this conference – *Great Power Competition and Regional Cooperation*, and the evolution of the process, which is a total process.

In 1972, US President Richard Nixon made two historic visits: first to Beijing in February, and then to Moscow in June. This formed the basic structure for the establishment of triangular relations that have remained in existence for over half a century. However, the triangular world structure, which does not exist in a vacuum, but in a very complicated international environment, has changed in two substantive ways over recent years. The international relations environment both inside the triangle and outside the triangle has evolved.

In the view of many analysts, the most successful actor within the triangular relationship over the past 50 years has been China. Despite centuries of turbulence, China not only achieved surprising and unquestionable success in building a new country but also created a powerful system of strategic influence in the world. It is the first and most important winner within the triangular model. Second, we must acknowledge the dissolution of the Soviet Union and the diminished global influence inherited by Russia. However, Russia remains a key actor in the global triangular combination. Russia sustains a high level of global influence due to its array of strategic weapons, vast geographical size, and its rich store of cultural, intellectual and scientific achievements.

For the United States, which took the leading role in the construction and

maintenance of the triangular model, primacy has come at a great cost. The US GDP has declined from past heights to only 22% of world GDP over the past 50 years. The cost of unilateral and multilateral relations with its main allies, and globally active military and economic interventions, has drained it of vigor and wealth. While the U.S. retains importance and power second to none, its progress has stalled. US loss of prestige and power is the major preoccupation for its governing class and political and diplomatic elites.

The external triangular relations period is far more complicated now than 50 years ago. Relational changes within the triangular construct manifest in more frequent changes to the geopolitical environment beyond the triangle. The most important alteration to the external triangular environment is an increasing level of regional participation in global actions and ventures. This is widely observed in the increased role of regional actors and multilaterals on the international stage and a major evolution in the post-WWII world order. Consider the situations of both the Middle East and Eastern Europe, where local actors play an increasingly influential role. It is sufficient to mention Turkey, Iran, Israel, and other regional countries.

Long-term decisions regarding the problems of our planet demand much broader cooperation than just within the triangle. The recent COVID-19 pandemic illustrates how global actions from within the triangular balance did not meet expectations and how local measures to rid community spread of the virus achieved significant success. Regional cooperative measures have increased food supply and advanced space and cyber technology, amongst other scientific and material advances. This dynamic may continue as triangular dialogue becomes less effective. Only multipolar cooperation can rebalance the extant triangular model's pitfalls and avoid the perils of potential doomsday scenarios.

The competition of great powers over the previous two centuries had been mainly centered in Europe. In the 20<sup>th</sup> century, Europe's incessant territorial conflicts and constant redrawing of borders, both in Europe and in its empires resulted in the rise of the U.S. and Japan as global powers, and eventually, the entire globe was drawn into the two most destructive conflagrations in history. The past must not be repeated. Asia must collectively navigate a progressive path into a new international reality.

Any global solution will require a rebalance away from increasing internal triangular competition while boosting regional and global external triangular motivations for cooperation. As such, the Asia Pacific has demonstrated much

promise, placing cooperative motivations ahead of narrow competition. China will play a key role in the development of a new cooperative pathway, because it operates both within and without the triangle and is a central part of the Asian continent.

China has developed unique traditions in its millennia of political and economic interaction with neighbors and partners. China's approach is about being constructive, avoiding red lines and embracing compromise. In this view, China is a "mild" and "soft" power. This designation is not an invention of Anglo-American scholars, but grounded in the philosophical, traditional and historical practice of Chinese statecraft over millennia. China's unique experience can be elevated, propagated and practiced more widely. China can play an active role to foster Asian alternatives to outdated and unresponsive geopolitical perspectives. A rapid peaceful solution in Ukraine could allow Russia's proximity to both China and Europe to provide it with a key bridging role in collective efforts to foster multipolar cooperation.

# Major Power Competition Devastating to International System

Susan Thornton



Senior Fellow of the Paul Tsai China Center at Yale Law School  
Former Acting Assistant Secretary of the Bureau of East Asian and Pacific Affairs of the U.S. Department of State

I would like to talk a little bit about the international system and great power competition, because although I am very also disheartened by the low level of US-China relations at the moment, I think that there may be an even bigger problem, which is the effect that major power competition is having on the international system.

The current international system was set up 70 years ago in the wake of World War II. And the idea was to prevent the onset of another disastrous major power war. Until now, it has done this job, although not without frictions and tensions in some areas of grave danger. But today, I think we face the very real prospect of a major power conflict. I think most immediately, we face it in Europe. There we have Russia's military invasion of a smaller, neighboring sovereign state. No matter what state, no matter what the history, no matter what concerns Russia may have, the invasion, on those terms is indefensible. And it is even more so because Ukraine gave up nuclear weapons, left to it by the Soviet Union on the understanding explicitly that it would be protected from such an attack by the major powers.

So, the fighting in Ukraine, in my view, is a huge danger to the international system. I think the fighting should end immediately. I think Russian troops should withdraw, and I think a diplomatic process should be begun to get a settlement in that conflict.

The idea in the 21<sup>st</sup> century that a major power like Russia or any other major

power can be made more secure by taking territory from other states, I think, is just an anachronism in our modern, globalized world. Russian security has not been enhanced. It has been diminished by the war. And the future for the Russian people, I think, looks more insecure than before, no matter what the outcome of this war is. So, I hope that this situation that we're facing in Europe will be a lesson for all of us and allow us to remember so much was done at the end of World War II, because people remembered how terrible conflict was. They made great efforts to share sovereignty, put aside sovereignty, created institutions and gave up a certain amount of national say, for the sake of trying to prevent another horrible war. We need to remember those experiences today.

We also face the prospect of conflict in Asia. The major powers faced off against one another directly in the 1950s in Korea, where US and Chinese soldiers last fought each other. And that conflict remains unsettled today with the potential to re-erupt, including with the use of nuclear weapons, as DPRK (Democratic People's Republic of Korea) continues to develop its nuclear program. The U.S., China, Russia and others should work to try to prevent this and to produce, finally, after 70 years, a durable peace on the Korean Peninsula. I think that it's long overdue.

And we also must prevent conflict across the Taiwan Strait. It's been alluded to a couple of times tonight. This would certainly benefit no one and would bring tragedy to the entire Asia-Pacific region and beyond. President Biden and presidents before him have repeatedly stated that the United States government does not support Taiwan independence. As long as that is the case, this situation can and must be managed peacefully. And I believe we can do that.

Alarming, though, we do not see any efforts in any of these conflicts to bring in diplomacy and to move tensions onto a diplomatic track. Instead, we see regional arms racing. We see bellicose and nationalistic rhetoric, blame games, and the heated pursuit of new ways of war. What has happened to diplomacy? Communication among great powers, it's been pointed out tonight already, has been damaged by the coronavirus pandemic, of course. It's very anemic and at a very low level. I think there's less diplomatic communication today among major powers than there has been at any time in the last 40 years. Russia rejected efforts at diplomacy to prevent the outbreak of war in Ukraine, this last go-round. Major powers are not engaged with the DPRK to any great extent. Beijing is refusing to talk to Taipei. We have got to find a way to restore productive discourse and compromise among us and make that fashionable again. Governments in all countries are facing problems now adjusting to rapid changes

in technology, in the complexity of our societies. And we see the failure to provide leadership that the world needs in this unstable time. People are very worried about uncertain futures in many countries. But these failures and problems can't be blamed on others, no matter how convenient that might be.

While the major powers are focusing on great power competition, they are giving short shrift to major global problems, like climate change, economic development and inequality. These are the major concerns that most people in the world have.

The vision of the major powers in the current international system is too narrow. We see the erosion of authority of multilateral institutions with major powers refusing to make needed compromises in their interest to keep these institutions functioning effectively. These institutions badly need to be updated to keep up with modern technologies and with globalization, which, by the way, is not going to be rolled back. Globalization is here to stay, and we are going to need to find ways to adjust to it and deal with it. We should ask ourselves: how can we as scholars help generate more popular consensus to push leaders back toward diplomacy, and back toward institutions and respect for international law, to adapt this system for the change that is needed and avoid the scourge of militarism and nationalism? Hopefully, we can try to influence our governments to show the leadership we need them to show to face the future and not just worry about the past.

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# The Geopolitical Role of the Shanghai Cooperation Organization

Grigory Logvinov



Deputy Secretary-General  
of the Shanghai Cooperation  
Organization (SCO)

Today's meeting is of great significance to us. Throughout the past 20 years, in terms of geopolitics, the gravity of power is now shifting to the East of the world. In fact, if we look at GDP data between countries in the East and West, as well as the flow of investments, we can see the Orient is now taking the lead, owing to the rapid development of China. Asia as a whole is becoming a destination of high-tech, high-level innovation and industrialization.

But at the same time, the Asia Pacific is also plagued with unrest, just like Europe and the Atlantic. We can see there exist conflicts, as well as a growing Cold War mentality. New dividing lines, including that of ideology, are also being marked. In Asia, there is a growing "separation of mine and yours," and "hers or his." For some countries or people, when they make judgements, they are increasingly doing so on the grounds of ideology, particularly when it comes to the question of democracy.

I also would like to say I served as the Ambassador to Australia and some island countries in the South Pacific, and I have a deep understanding of "double standards" when it comes to this. In fact, our Embassy has also been plagued with such double standards. Two of my ambassadors were accused of engaging in nefarious activities without evidence, and they were excluded and expelled from the country. And in the past several months, the Australian media has also criticized me directly without any kind of evidence. This is increasingly a growing political risk in Asia.

Ladies and gentlemen, as the Deputy Secretary-General of the SCO, I would like to let you know about the SCO's role in geopolitics right now. As founding members

of the SCO, we are responsible to declare that the SCO follows the “Shanghai Spirit” and its principles, and the mindset behind it will never be changed. It was so in the past, and it will also be so in the future. And we will not be a tool for geopolitical confrontation, although in the world, there are a lot of major events going on right now, and many of them are against the mindset and philosophy upheld by the SCO.

However, we shall not just stand by within our framework, but also need to push for regional and global peace, prosperity and security. In the 2020 Moscow Declaration of the Council of Heads of State of the SCO, we have made it very clear that members of the SCO will strengthen our role as a pillar of the international order. We follow the rule of international law and also the UN Charter. At the same time, we shall respect the diversity of civilizations and different countries’ autonomy in choosing their own society and development path. We will also respect different countries and the principle of coexisting in harmony, and try to seek sustainable development. At the same time, in 2017, the SCO signed an agreement for long-term, peaceful coexistence. We would like to establish a global order with mutual trust. And we are against any kind of confrontation or conflict.

This year, Mr. Wang Yi, when he met with Zhang Ming, the Secretary-General of the SCO, said that, the SCO has a responsibility to play a role in maintaining regional and international peace and stability. We are against the resurgence of the Cold War mentality, and we are against illegal unilateral sanctions. So the issue that we have to address right now is how the political and legal capabilities of the SCO can be transferred to a very clear political standpoint.

Today we can see that the SCO covers more than 40% of the world’s population, and our territory accounts for more than three-fifths of the world. Our GDP is one-fourth of that of the entire world. The principles and the purposes of the SCO have been recognized across the world, and have also been welcomed by it. The agenda of the SCO recently has been the expansion of our membership and our dialogue partners.

Currently, we are reviewing the applications of more than ten countries. They will join the SCO with diverse identities. We have attracted interest from many different countries, including African, Middle East and Southeast Asian nations. I think, while we try to further expand the size of the SCO across a wider area, we are trying to explore new methods to address the increasing confrontations in the world right now. This is one of the advantages of the SCO. We pay attention to the consolidation within our organization and we try to establish an environment of

equality and mutual trust.

But this does not mean that the SCO will play down our political purpose. On the contrary, we will strengthen the political unification of the members and harmonize our diplomatic policies. At the same time, we're going to develop relevant frameworks in order to promote the implementation of the priorities on our agenda.

# An ASEAN-Centered Regional Cooperation Underpins Regional Peace and Prosperity

Dino R. Kusnadi



Deputy Chief of Mission of the Embassy of the Republic of Indonesia in China

My purpose here today is to contribute to a greater understanding of ASEAN (the Association of Southeast Asian Nations). For more than 40 years, ASEAN has been the cornerstone for the maintenance of regional peace and cooperation. More particularly, I wish to discuss the Treaty of Amity and Cooperation in Southeast Asia or TAC, the importance of ASEAN centrality, and the ASEAN Outlook on the Indo-Pacific.

I am glad to confirm with you that pandemic cooperation between Indonesia and China progressed well overall. The bilateral relationship, for now, continues to grow, despite the many side issues we have. Our trade relations continue to grow with very strong investments. Meanwhile, China-ASEAN relations have also reached new heights and encountered new limits in recent years. Last year's high-level leaders' summit between China and ASEAN confirmed the importance of ASEAN through the recognition of two important components: the relationship has been upgraded into a comprehensive strategic partnership, and China fully supports the ASEAN Outlook on the Indo-Pacific.

Despite these positive developments, discussion is required about the importance of safeguarding the strategic bilateral relationship. This has specific significance due to Indonesia's geographical location in one of the world's most strategic regions. If you study a map, Indonesia, together with ASEAN, lies in the central position between the Indian Ocean and the Pacific Ocean - hence the importance.

We are the real owners of the Indo-Pacific concept.

During the recent Shangri-La Dialogue in Singapore, Indonesia's Defense Minister, His Excellency Mr. Prabowo Subianto, stated that for many centuries, Southeast Asia was at the crossroads of imperialism, big power domination, exploitation, and colonialism. These experiences make us aware of the need for wise and benevolent leadership. We have learned how great power competition adversely affected us. Due to this power competition and great power attendance, we have realized the true meaning of peace. For more than 40 years, the Treaty of Amity and Cooperation in Southeast Asia has guided us, with its purposes and principles, to encompass peaceful settlements of disputes, renunciation of the threat or use of force, and promotion of rule of law, with a view to further promoting amity and cooperation among countries in the Indo-Pacific region. As neighbors to ten countries, we have our differences, including competition and competing territorial claims. Even as we speak, we still have differences with our brothers and sisters, but in our view, there has always been a need to resolve these differences through communication and mutual understanding. Thus, we are proud to prove to the international community that despite being rivals and enemies in the past, with much experience of confrontation, Southeast Asia has achieved long-term peace, friendship and cooperation, and now strives to achieve common prosperity.

For thousands of years China has been a great power. Our society and culture are partly influenced by China. Over time, the Indonesia-China relationship has proved both resilient and complimentary. We have never been in competition. The data of economic collaboration proves that we fulfill both our needs, and this provides the basis to grow stronger. For Indonesia, our path is clear. Our experience of being colonized and exploited is always in our subconscious. Thus, we must respect all great powers and other powers, which all require their space and rights to be respected. We need to support a rules-based international order, because we have deeply suffered from an order that relies solely on force. Therefore, Indonesia has opted to be nonaligned and not to engage in any military alliance.

Allow me to also say a few words regarding the ASEAN Outlook on the Indo-Pacific. ASEAN Outlook is consistent with its decades-long role in developing and shaping regional architecture in Southeast Asia and beyond. It is also consistent with ASEAN's norms and principles contained in the ASEAN Charter and other relevant documents. The Outlook on the Indo-Pacific, as envisioned by ASEAN, consists of the following key elements. First, a perspective of viewing the Asia

Pacific and Indian Ocean regions not as a contiguous territorial space, but as a closely integrated and interconnected region, with ASEAN playing a central and strategic role. It is an Indo-Pacific region of dialogue and cooperation instead of rivalry. It is an Indo-Pacific region of development and prosperity for all. And secondly, the importance of the maritime domain and perspective in the evolving regional architecture. The zones of cooperation include maritime cooperation, connectivity, the UN Sustainable Development Goals, economy and many others.

We are convinced that to ensure respect towards the interests of all our neighbors, all our dialogue partners and the great powers in the region, we must all support the centrality of ASEAN. An ASEAN-centered, open, and inclusive regional cooperation architecture is an important cornerstone for the region's long-term peace and prosperity. In order to strengthen our centrality, we kindly seek your continued support for the ASEAN Outlook on the Indo-Pacific, which, among others, encompasses peaceful settlements of disputes, renunciation of the threat or use of force, and promotion of rule of law, with a view to further promoting amity and cooperation among the countries in the Indo-Pacific region.

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# Highlight Quotes

## 2022 Taihe Civilizations Forum Sub-Session on International Relations *Great Power Competition, Regional Cooperation, and Asia-Pacific Security and Development*



**Stephen Orlins**

President of the National Committee on  
United States-China Relations

As we celebrate the 50<sup>th</sup> anniversary of the Shanghai Communiqué, it is hoped that both China and the U.S. can replicate the wisdom of Mao Zedong, Zhou Enlai, Nixon and Kissinger, and push forward the state visit agenda of our two countries' leaders. China and the U.S. should cooperate in a wide range of fields including economy and people-to-people exchanges at a governmental level, in order to make the 21<sup>st</sup> century a more peaceful and prosperous one for all.



**Cui Liru**

President of China Institutes of Contemporary  
International Relations (2005-2013)

Under the combined influence of a hegemonic realism mindset and the discharge of political chaos in Washington, the US policy on China has become unprecedentedly imbalanced. Pelosi's visit to Taiwan pushed the situation across the Taiwan Strait to the edge of crisis. In terms of crisis management, China and the U.S. should focus on the causal policies and pay special attention to preventing political manipulations.



## Rashid Alimov

Distinguished Fellow of Taihe Institute  
Secretary-General of the Shanghai Cooperation  
Organization (2016-2018)

We are witnessing a transition from a unipolar to a multipolar world. This movement resembles a path along a mountain path, which, ultimately, should lead to a wide high road. On this path, regional organizations play an increasingly prominent role.



## Cheng Yonghua

Executive Vice President of the China-Japan Friendship  
Association  
Ambassador Extraordinary and Plenipotentiary of the  
People's Republic of China to Japan (2010-2019)

The Asia Pacific should “be a hotbed for cooperation and development, not a chessboard for major-power rivalry.” People should abandon the Cold War mindset, and work together to safeguard and promote peace, development and prosperity in the Asia Pacific.



## H.E. Moin ul Haque

Ambassador Extraordinary and Plenipotentiary  
of the Islamic Republic of Pakistan to the People's  
Republic of China

Competition itself is not a bad thing. Benign competition can promote cooperation, mutual learning and the sharing of technological progress, thus, leading to greater achievements. But competition can be problematic when it is aimed to exclude and contain others, or to realize one's absolute dominance at the expense of another's development.



**Siddharth Chatterjee**

UN Resident Coordinator in China

Global challenges require global solutions, found only through multilateralism. With the International Day for South-South Cooperation approaching on September 12, we are reminded that Global South countries, including those in Asia and the Pacific, can also combine their efforts to achieve sustainable development.



**Guo Changlin**

Senior Fellow of Taihe Institute

China must keep its goals in mind and the situation in hand. We must give full concentration to construction and development. Only if we keep developing can we be more confident and capable of addressing the new challenges posed by the profound changes unseen in a century.



**Liu Lanchang**

Vice President of Hong Kong Wisdom  
Senior Media Worker in Hong Kong

Among other regions in the world, the Asia-Pacific, which enjoys the world's most dynamic economy, is destined to be the focus of China-U.S. competition. Meanwhile, Hong Kong plays an irreplaceable role in linking the Chinese mainland with the Asia-Pacific region.

# What's Behind Europe's China Policy?

Wu Hailong



President of China Public Diplomacy Association

This afternoon, we are here to talk about European security, and also, I wish to share my views on the China-Europe relationship. As a diplomat devoted to the China-Europe relationship, I have more concerns over recent events than ever. In recent years, both China and Europe seem to be stepping away from partnership to competition and from a global example of harmonious coexistence with different social systems to systemic rivals. Why has this happened? Does China really challenge the interests of Europe? I do not believe so.

China's policy toward Europe has not altered and cooperation has developed consistently. China and Europe share similar views on many major international issues. China has been steadily supporting the integration of Europe and backing the euro's status as an international currency. During the European debt crisis, China offered help with no hesitation. During the COVID-19 pandemic, when countries were facing supply shortages, China-Europe Railway Express ceaselessly delivered commodities to Europe, with the number of trips increasing to more than 10,000 annually. This year, the number of trains had already reached 10,000 in the period of January to August. China has also helped the Central and Eastern European countries to build bridges, railways and highways, assisting locals to achieve what they had dreamt of for centuries. Some people say that China is dividing Europe. But is there any example of dividing others in this way?

China has been supporting the sovereignty and territorial integrity of European countries. China has not sent warships to Europe, justified under the so-called freedom of navigation, but some of the major European countries have sent their warships to the South China Sea. China has not intervened in the internal affairs of any European country. There are European countries involved in territorial

disputes, and European regions requesting independence. But China has never involved itself in these matters of sovereignty. Nevertheless, some European countries are developing official relations with the Taiwan province of China and sending their delegations of an official nature to Taiwan, seriously violating the “One-China” Principle, challenging China’s sovereignty and interfering with China’s internal affairs.

These European countries have also criticized China for alleged human rights violations, but China has never considered human rights issues as an excuse to interfere with European countries’ internal affairs, despite their domestic human rights problems. Taking advantage of human rights fabrications, European countries have not only criticized, but even sanctioned China, ignoring the fact that there are no human rights violations in China.

In response, China has sanctioned certain European countries, which has been considered by some European countries as an overreaction that equated to “economic coercion.” Why does Europe now consider China, not as a partner as we used to be, but as a competitor or even a challenge? The root causes are found in the following aspects.

First, Europe has too closely followed the United States regarding its policy toward China, which has led it to step away from its previously cooperative track. Europe’s decision is, to a certain extent, an outcome of its own interests, but also the result of various hidden reasons. In particular, at the outset of the Biden administration, the U.S. actively sought to align Europe against China. As a US ally, Europe has followed America’s steps, and has sacrificed its own interests on many occasions. Perhaps this is Europe’s sorrowful predetermined destiny.

Second, affected by the United States, Europe’s recognition of China has also deviated. Europe has come to consider the development of China as a challenge, or even a threat, to its own development. This may turn out to be a self-fulfilling prophecy. China and Europe are geographically distant from one another. How can they be a threat to each other? Europe has no intention to become the global hegemony, and China harbors a deep opposition towards hegemony; thus, the two entities are not locked in confrontation to become a global emperor. China is not threatening Europe from a security perspective and has not deployed even one single soldier on any European border.

When it comes to economy and trade, China and Europe are more complimentary than competitive. The two parties have much to strive for across multiple areas

of cooperation. Moreover, for investment and other activities, the Chinese market has opened more and more to Europe. Conversely, it is Europe that has restricted and regulated its market to limit the entry of Chinese capital. While it is true that China and Europe have different social systems, China has never sought to introduce its social system into Europe. Nor has China attempted to export its ideology to Europe. In fact, China has sought greater cultural exchanges with Europe more frequently. Nevertheless, a number of Confucius Institutes have been closed by European countries, mirroring the U.S., but the cultural centers of European countries are still allowed to operate in China. This contradiction is hard to understand. Why does Europe consider China as a systemic rival? There is no confrontation, collision or conflict. How can China and Europe devolve into systemic rivals? I have asked many of my European friends about this contradiction, but not one has provided a convincing answer.

Third, the China policy of Europe has been kidnapped by politicians of a particular stripe, especially those in the European Parliament. They have taken an increasingly severe stance against China in pursuit of their own narrow interests and to gain public attention and traction with voters. Opposing China has become a new kind of political correctness, which has increasingly impacted the decision-making of some European governments. For example, the China-EU Comprehensive Agreement on Investment has been put on hold, due to the actions of a virulent anti-China lobby.

Fourth, the Ukraine crisis has increased wariness on both sides and increased China-EU division. Why is there a Ukraine crisis? China has its view and I don't want to repeat it here.

But Europe always thinks that China and Russia have a deal or trade arrangement under the table, and consider China and Russia as countries keen to display their power. The U.S. and Europe have divided the world into democratic and authoritarian nations, which manifests as bloc confrontation or division of the world into systemic rivals. They worry that China will cause another Ukraine crisis over Taiwan. NATO has started to think about expansion into the Asia Pacific, and now claims that the organization is transitioning into "a global NATO." This subjective, contrived and groundless misjudgment can only cause Europe and China to drift even further apart.

In the wake of the Ukraine crisis, Europe is already facing difficulties with its national security, sluggish economy, high inflation, euro depreciation and gas shortages as the winter approaches. What Europe needs is to work with the rest

of the world, abandon the old Cold War mentality and break the barriers and constraints of ideology and social system to reconstruct its partnership with China.

The China-EU relationship is not defined by hatred. There are no conflicts over the fundamental interests. Neither party has a historical burden or history of geopolitical competition. A reconstructed China-EU relationship should be based on mutual respect, shared interests, and a win-win mentality. The foundations and fundamentals of the relationship remain strong. As such, Europe needs to see its own interests as the starting point for a review of the relationship with China. European countries should not only pay lip service to their notion of “strategic autonomy,” but be resolute and courageous in pursuit of autonomy and take solid actions. President of France, Emmanuel Macron, has recently said that France will maintain an independent diplomatic policy, not take sides and not affiliate with any major countries. German Chancellor Olaf Scholz also mentioned a similar idea in a recent speech. Both speeches depicted an outlook for a strategically autonomous Europe. As such, European countries should not follow others blindly, instead, they should avoid unnecessary sacrifice for the benefit of others, and remain calm in face of incitement.

Accordingly, the entirety of Europe can embrace a better future and ensure China-EU relations improve. To act otherwise, European people might regret both their current foreign and China policies in the decades to come.

# The Ukraine Crisis: An Excuse for the U.S. to Control Europe

Ding Yifan



Senior Fellow of Taihe Institute

Today, I wish to share with you my thoughts relating to the impact of the Ukraine crisis on Europe. I'm also here to share with you my opinions on how the U.S. has leveraged the Ukraine crisis to control Europe.

Let us begin with NATO. Established during the Cold War, NATO faced the survival challenge when the Cold War ended and the Warsaw Pact dissolved. When your opponent has disappeared, what is the point of your presence? Against this backdrop, the eastward expansion of NATO became the most important justification for NATO's purpose of being . During the Cold War, the Europeans had described the NATO mission as to keep the Russians out, the Americans in, and the Germans under. However, after the Cold War, the Soviet threat no longer existed. Although some people considered that the military threat from Russia still existed, great financial distress befell Russia's economy in the post-Soviet period. The economy of Russia, measured by GDP at that time equaled only a small fraction of the GDP of the EU and was similar in size to the GDP of Portugal. When the major European countries were still cooperating with Russia on energy, I once had a talk with the strategists of France and Germany. Both countries had been importing a huge amount of energy from Russia, and were totally bonded to Russia. "Are you concerned that you are overly reliant on Russia?" I asked. I remember clearly that the French and the Germans responded by saying that "Russia's GDP is only the size of Portugal. Why do we need to worry about Russia? And, if we become the biggest market and the top buyer of Russian energy, guess who will have the greater power?" What's more, the current interdependence, or energy relationship between Russia and Europe, has existed for dozens of years. No one at that time had foreseen what would happen in 2022. Because Russia

no longer posed a threat after 1991, the need for the US presence in Europe was vastly diminished. Europeans may wonder why America should continue to maintain a military presence in Europe. Why is it necessary? If NATO's mission to keep the Russians out and the Americans in is over, and it has only a mission to "keep the Germans under," could Germans be happy to accept its implication? Thus, NATO's eastward expansion turned out to be the sole and only reason for Americans to stay in.

After the 1990s, NATO embarked on five rounds of eastward expansion, respectively in 1999, 2004, 2009, 2017, and 2020, and not to mention the current expansion with Finland and Sweden, as the procedure of joining the organization has not yet started. Previously, while NATO expanded, Russia, reluctant or not, remained tolerant and silent. That is, until NATO encroached upon the fundamental security interests of Russia, it started to resist and retaliate. The first sign of active Russian opposition was in Georgia when it planned to join NATO. At that time, Russia had warned the West that Ukraine, Belarus, and Georgia are in the bosom of Russia, and that Russia would never allow the United States to co-opt these countries in its efforts to contain Russia.

Peering into the past, the historic links are clear to see. Only one or two centuries ago, Russian civilization, and Belarusian, Ukrainian, and Georgian cultures were still intertwined historically. Sometimes it is hard to distinguish the nationalities of Russian artists, writers, or even politicians. No one knows whether they should be considered as Russians, Belarusians, or Georgians. This points to why Russia has looked upon these countries very differently, and why the United States has been actively trying to co-opt them into NATO. The U.S. has grasped every opportunity to disturb and destabilize Russia's periphery.

Zoom into Ukraine. Over the past few years, there have been many attempts to have the country join NATO. The US Assistant Secretary of State Victoria Nuland once had a phone call with the EU, yelling "we have spent \$1 billion to support Ukraine! We don't want the money to be wasted!" That is solid proof that the U.S. has been investing in Ukraine in its attempts to engineer peripheral destabilization for Russia. The recording can still be found on the Internet. Some former US politicians and American scholars of international relations have also foreseen the catastrophic outcome and repeatedly warned the US government not to play with fire by continually urging Ukraine to join NATO and challenge Russia. These figures include the former US Secretary of State Henry Kissinger, as well as the academic celebrity John Mearsheimer, the key proponent of offensive realism theory in international relations. However, the US government has simply

ignored their warnings.

In following this story, it becomes apparent that the current status quo, which is aligned to the US government's intent, has allowed the U.S. to exert greater control over European policy and politicians. At the NATO summit of 2019, prior to the Ukraine crisis, French president Macron said that NATO was functionally "brain dead," and that he was not satisfied with its purpose or direction. After the Ukraine crisis broke out, the U.S. re-controlled NATO, and NATO re-controlled Europe. Europe is now standing firmly against Russia alongside the U.S., portraying Russia as a new "Nazi Germany."

For now, the plan is to completely sever the EU from the energy supply of Russia from 2027 to 2030. By that time, not only energy supply chains will have been cut, food, minerals, services, and much more will have been severed between the EU and Russia. However, cutting the energy link between Europe and Russia may prove tougher than cutting the flesh from the European bones. The cooperation on energy between Europe and Russia can be traced back to the era of the Soviet Union and has lasted for several decades. Considering their history, for the Europeans to completely sever the energy reliance may endanger their economies. However, for now, the European leaders are not interested in their cooperative history. What they do care about is politics. They have not considered the short- and medium-term impact on their people's lives, nor the long-term effects on the economy of the European Union members and its periphery and trading partners. Europe is now trapped in dogmatism. For example, the European Union has said it needed its enterprises to return to the sub-continent to rejuvenate the manufacturing industry. However, both energy supply and cost in Europe make that equation improbable. Manufacturing enterprises cannot simply return to Europe in such an environment. Last year, many European companies began moving outward and this continued into the first half of 2022. Contrary to some narratives, European investment in China is increasing at a rapid pace. The same thing has happened in North Africa, as well as in other regions and countries. European companies are investing less in their own sub-continent, because energy costs in Europe are several times higher than in any other parts of the world. How is it possible to restore European manufacturing industry under these circumstances?

Looking inwards, both the U.S. and Europe are facing mounting domestic risks. The U.S. is facing problems with debt, inflation, and currency policy. If the currency policy is tightened, various US financial bubbles risk will burst, and a new financial crisis might occur, which would also place Europe in a perilous situation. Under

such context, leaders of European countries have divided opinions. For Germany, the Ukraine war serves as an excuse for national normalization of its military forces. After World War II, Germany had been imposed limitations on its military force by the victors. The Ukraine war has given Germany an excuse to rebuild and renew high-standard military forces. However, Germany's effort to renew and rebuild its military power has caused increased vigilance of its neighbors, such as France. Several days ago, French parliamentary leaders expressed their concern over Germany's remilitarization, claiming that France shall not be left behind in terms of military strength. Any enlarged divergence between Germany and France, the two pillars of the EU, will increase the US capacity to manipulate Europe. Thus, we may conclude that the risks in Europe lie in its blocked energy supply and dependent regional security. It is not convincing for Europeans to talk about strategic autonomy in such context, and the relations between China and Europe will also be challenged, considering that the United States recognizes China as its greatest threat and strategic adversary. It is foreseeable that the U.S. will further increase pressure on Europe to pick a side. And, because Europe is highly dependent on the United States to guarantee its regional security and energy supply, European countries would have to act according to US demands. If the Lithuania event were to be repeated, more tensions would also occur. As Europe is getting more and more divided, certain countries are more likely to follow the United States, thus leading to more difficulties between Europe and China.

Beyond these concerns, the greatest risk for the U.S. is that the economic policy of the United States is also trapped in a dilemma. The U.S. is incapable of controlling inflation while its debt issues continue to worsen. If the US economy falls into a recession, Europe, technically already in a recession, will follow. One only needs to remember what happened in 2008. The Global Financial Crisis (GFC) emanated from the United States' mismanagement of mortgage financing, and in no time, had spilled over into Europe and later evolved into a sovereign debt crisis. The economic recession of Europe in 2008 was even worse than that of the United States. In the future, if the same situation were to happen again, Europe might find itself the greatest victim of US unilateralism, and lose all chances of establishing strategic autonomy.

# The Pragmatic Cooperation Between China and Europe

Sun Yongfu



Senior Fellow of Taihe Institute  
Director General of European Affairs  
Department of Ministry of Commerce  
of China (2003-2015)

Today, I will talk about how to set aside disputes and focus on cooperation between China and Europe in order to further promote the healthy development of the trade relationship between both parties.

We know that European countries are important trading partners for China. The economic and trade relations are the crux of a wider relationship between the two sides. The pandemic still exists, and we have wars, energy and food insecurity, protectionism, global supply chain problems, and diminishing international trade. Despite all these negative developments, bilateral trade volumes between China and the EU still demonstrate a strong momentum for growth.

The two sides have a wide range of common interests and have had fruitful achievements regarding bilateral trade and investment. This economic and trade cooperation has great potential in the future. Europe is still motivated to seek pragmatic cooperation with China. Therefore, China and Europe can work together to further enhance our trade and economic cooperation, stabilize global supply chains, deliver benefits to countries around the world, and boost global economic recovery.

The 9<sup>th</sup> EU-China High-Level Economic and Trade Dialogue (HED) was held on July 19 this year. The two sides held discussions on four areas: macroeconomy, industry and supply chains, trade and investment, and financial cooperation. We had pragmatic, candid, and efficient dialogues. Focusing on issues such as macro policy coordination, cooperation in terms of industry and supply chains, WTO reform, expanding reform and opening-up policies, animal quarantine,

and financial inspection, the two sides reached a number of consensuses. The economy today is readily seeing profound changes, and healthy and stable bilateral relations are beneficial to the development and prosperity of the world. The two sides should work together to promote bilateral pragmatic cooperation so we can better address the uncertainties throughout the world. Currently, the global economic downturn is overlapping with different geopolitical confrontations and conflicts. The two sides should continue to facilitate dialogue in terms of finance and economy, and through institutional dialogues, we can strengthen our communication and coordination in terms of macroeconomic policy, and deepen our cooperation in terms of food security to better promote global economic and financial market stability.

China and Europe both agreed to maintain the stability of the global industry chain and supply chain, and strengthen coordination and cooperation in COVID-19 pandemic control.

In 2021, according to statistics, China's annual trade reached \$828.1 billion, up by 27.5%. In the first seven months of this year, our bilateral trade reached \$497.9 billion, up by 8.9%; China's exports to Europe stood at \$330.5 billion, up by 19.7%, whilst China's imports recorded at \$167.4 billion, a decline of 7%. In the first seven months of this year, investment from Europe to China was \$8.6 billion and increased by 126%. These fully demonstrate that European enterprises prioritize the Chinese market and have full confidence in it. We hope that politicians in Europe can understand and respect the independent choice of the corporations and entrepreneurs, and do not set up artificial barriers in the name of ideology. China's investment in Europe in the first seven months was \$3.56 billion and increased only by 3% year on year, which was directly related to investment barriers set by the EU. Before 2020, for 16 years in a row, the EU had been the biggest trading partner of China. Since 2020, China has already become the biggest trading partner of the EU overall, surpassing the United States.

The healthy development of bilateral trade and investment shows that the economic and trade relations between the two sides are, above all, still very stable. China-EU economic and trade relations are ultimately complementary to each other, and bilateral cooperation is particularly of great potential in terms of low carbon, new energy, renewable energy, as well as electric vehicles.

It is hoped that both sides can reject external interference, focus on cooperation, manage differences to stabilize the supply and industry chains, and continue to facilitate the approval of the China-EU Comprehensive Agreement on Investment

which has been interrupted and suspended because of ideological opposition and interference from politicians in the European Parliament. We need to continue to facilitate the signing of the agreement, so that we can further boost the economic recovery of China and Europe, and also of the rest of the world.

# Highlight Quotes

## 2022 Taihe Civilizations Forum Sub-Session on International Relations

### *The Changing European Security Landscape and Its Impact on the International Order*



#### Shi Mingde

President of the China-Germany Friendship Association  
Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to Germany (2012-2019)

Both China and Europe are contributors and beneficiaries of globalization. Both sides have no direct conflicts of interests and are willing to promote multilateral cooperation and oppose unilateralism, facilitate free trade and oppose trade protectionism, support peaceful resolution of regional conflicts, and realize carbon neutrality objectives. The enhanced cooperation between China and Europe can surely inject more positive energy for peace and stability into the turbulent world.



#### Dr. Hans-Peter Friedrich

Member and Former Vice President of the German Bundestag

For Europe, it is desirable to have a multipolar world alongside the interests of China and the U.S., in which the interests of Europe, the interests of Africa, of South America, and of India have their own weight and are balanced within a common, fair and regular framework.



#### Men Jing

Senior Fellow of Taihe Institute  
Distinguished Professor at School of Politics and International Relations of East China Normal University

Even though the EU has backed Ukraine tooth and nail, if the coming winter does not pass smoothly, the EU may descend into an even more chaotic status.

# How Can the Social and Governance Aspects of ESG Facilitate Global Climate Actions

Thorsten Jelinek



Senior Fellow of Taihe Institute  
Director of Taihe Institute Europe Center  
Associate Director at the World Economic Forum (2011-2014)

My work on ESGs and climate action started with my work at the World Economic Forum from 2011. At that time, the WEF published, together with the Ellen MacArthur Foundation, the first Circular Economy Report. I was fortunate enough to initiate the first high-level multistakeholder discussions with the goal to mainstream Circular Economy. Later, I also had the privilege to join several German government delegations to China, participating at the environmental and climate exchange mechanism between Germany and China, which has taken place since several years.

Let me first come back to the WEF, which has just reconfirmed the urgency of climate action. According to *the Global Risks Report 2022*, there are three major risks over the next ten years: 1) climate action failure; 2) extreme weather, and 3) biodiversity loss. In contrast to this decade, the risks of previous years were more diverse. Today, three of the major risks are climate-related. However, since we are talking about ESG, and as the presentations have shown, the question of how much progress has been made is pertinent. In Germany, and in the West in general, concerns about the usefulness of ESGs have been raised, whether they effectively help with reaching carbon zero or carbon neutrality.

The criticism voiced by the previous speakers may refer to ESGs as a sideshow, for some, they are an instrument of greenwashing. The “S” for society or social is sometimes seen as “woke washing.” Others say ESGs are too complex, especially when navigating between the “E” and the “S,” between the environmental and the

social side. One must deal with a lot of multi-stakeholder interests. And then you have the international element especially related to carbon border taxing. Also, ESGs are hard to measure, at least on a practical level. It is argued that there is no causal link between ESG and financial performance. Yet, when you look at ESG in terms of standard taxonomy, to make it comparable, especially between China and Europe, related issues have already gone through many discussions.

However, today's discussions also highlight progress, which can be substantiated by recent analysis of the S&P 500 largest companies in the world. Ninety percent of the S&P 500 publish ESG reports. For the Russell 1000, it is 70%. This uptake of ESG reporting is irreversible. The trend has been established and companies are using it because their externalities are constantly growing. The impact of climate change can be felt everywhere, and business involvement is increasingly substantive in that respect. While some say the West is more advanced, I think differences between the West and the Global South, including China, need to be considered. While a universal ESG approach might be desirable, we need to accommodate for the different stages of development and problems the Global South faces today. Regarding China, as one speaker highlighted, not only is the stage of development different, but also the time between carbon peaking and carbon neutrality. Although China will be later with both carbon peaking and neutrality compared to the West, China only has half the time. Thus, there is less time to repeat the mistakes of the West. The responsibility of the West can be summed up in two actions: to provide investment, financing, and technology for the Global South, and to establish and maintain fair carbon pricing and carbon border tax to avoid discrimination when carbon tariffs are imposed.

Let me focus on another key point, and it is my final reflection. Much of the discussions have centered on the "E," on the environmental side, but less so on the social element or on "G," the governance side. Instead, the focus has been on technology. Is this how we should approach ESGs? For me, and for many other observers, it is quite worrying. Technology can be seen as a means of governance because it standardizes, it normalizes behavior, it aids progress, and it is necessary to resolve the climate crisis. However, in prior years, or even decades, the entirety of the climate discourse and the Paris Agreement have been fundamentally grounded in technology, including carbon offsetting, carbon sinks, and taxonomy. Those discussions are technical in nature. In fact, one of the main risks is climate action failure, this is probably because too much focus has been on technology, an over-reliance on technology and the belief that technology would provide a complete panacea. This is a big risk. During COVID, governments acted very swiftly to introduce measures, which would have been unconceivable

in the past. But we can also observe how measures were implemented. I mean, although introduction and implementation speeds were comparable between the countries, but how they were implemented has differed. The actions of many countries and governments diverged. When we compare COVID measures with climate action, speed has not been a priority. As climate problems intensify, action can be swifter, but we can also ask: how do countries and governments implement climate action? Here again, those countries have diverged from introducing different approaches, which is a cause for concern. This is a question of governance.

To conclude, governance is the possibility of collaboration under common principles. Governance is an inherently political dimension as opposed to a technological one. This characteristic should always be reintroduced into discussions about ESG and carbon and climate action.

There is a famous proverb that I hope climate action will not fall prey to - *the road to hell is paved with good intentions*. There are many good intentions about carbon and climate actions, but we are running out of time. It is not about saving planet Earth, which will take care of itself, but it's about saving mankind.

# China's "Dual-Carbon Goals": Domestic Status Quo, Policies and National Strategies

Zhang Juntao



Supervisor of China Energy  
Conversation Association, Deputy  
Secretary-General of Carbon  
Neutrality Committee of China Energy  
Conservation Association

It is widely understood that carbon neutrality and carbon peak, otherwise known as the "dual-carbon goals," are important development targets for China. They are particularly important for the energy industry and China's high-quality development and have wide-spread relevance across all sectors of people's lives. In particular, I wish to talk about how solving carbon problems can be effectively coordinated with the development of the economy, and how China must strive for the "dual-carbon goals" while promoting green development of its economy. Another important topic is how the future development of enterprises can integrate and improve diversity by adopting the "dual-carbon goals."

There is always an important historical reason driving the formulation and publishing of major policy initiatives. As such, deep reflection about the positive effects of policy initiatives to build China into a great modern socialist country must be undertaken. What is the current status of carbon neutrality in China? In addition to the "1+N" policy, "1" refers to the long-term approach to combating climate change and "N" refers to solutions to achieve peak carbon emissions by 2030, where is China placed regarding industry adjustment and energy upgrading? What about the key areas and industries, policies and markets, and what are the country's arrangements concerning them? To understand these questions, the analytical approach includes the following four aspects.

## The Current Status of Carbon Neutrality in China

First, the definition of the carbon peak and carbon neutrality, which is well

understood and often talked about by professionals, needs little explanation. However, the coverage, boundaries and focal point of carbon peak and carbon neutrality need to be clarified. The government has announced carbon peak targets for CO<sub>2</sub> emissions, but for the coverage of carbon neutrality, experts have not yet reached an agreement. Some experts believe that carbon neutrality covers all seven types of greenhouse gases, while some believe it should only cover the remission of CO<sub>2</sub>. Despite the differing views, the coverage will be defined by the government according to China's stage of development. In relation to boundaries, carbon peak relates to energy activities and industrial production. But for carbon neutrality, it includes not only energy activities and industrial production, but also agricultural activities, land use changes, forestry disposal processing and much more. In other words, all productive activities are involved in the process of reaching carbon neutrality. In regard to the focal point, carbon peaking focuses on incremental change, while neutrality implies large-scale emission reduction.

Understanding the aforementioned definitions allows better analysis from the perspective of the economy. China's GDP per capita is merely one-sixth of that of the U.S. and one-third to one-fourth of that of Europe, Japan and Korea - a large difference. With such a difference, we can go back to the comparative difference between the energy dependence of China's economy with that of the U.S. In 2021, China's National Bureau of Statistics released *the Statistical Communique of the People's Republic of China on the 2021 National Economic and Social Development*. According to the communique, the annual energy consumption of China was 5.24 billion tons of standard coal, while per capita GDP was about \$12,000, compared to an average US per capita GDP between \$60,000 and \$70,000. If China reaches half of the average US per capita levels, then its total energy consumption may exceed 15 billion tons. However, because China has been striving for high-quality development, it will not allow an extensive future development as what we used to do. To ensure less future energy dependence, the Dual Carbon pathway provides the best solution. Thus, China's economy can switch from energy resource dependence to the dual pillars of technology and service.

The route to carbon peaking, which defines the decoupling of emissions from economic development, is a necessity for China's development. According to *China's Carbon Peak and Carbon Neutrality Strategy and Pathway* published by the Chinese Academy of Engineering, the country will reach its carbon peak in 2027 at 12.2 billion tons of standard coal. The experience of developed countries, such as the U.S., the EU, Canada and Japan, reveal that the average level per capita of GDP to USD when reaching the carbon peak is \$20,000 to \$30,000, and be defined as "high-quality peaking." Can China reach that level? We must wait and see. The

signal from China's adoption of carbon neutrality is that its economic and social development has reached a new stage. To ensure its success, China needs to create a path that combines cost efficiency, economic benefits and social benefits that both synchronize with realization of the Second Centenary Goal and serve as a milestone to the transition towards a low carbon economy and society.

In sum, China's carbon neutrality goal is based on long term research and field study. It is neither an improvised command nor a conspiracy of Western countries. Rather, carbon neutrality is an important decision made by the central government and is crucial to ensuring China's sustainable development and the establishment of a community with a shared future for mankind, and the central government has already come up with a number of policy documents that provide further clarification to the timetable, road map and blueprint of both carbon peaking and carbon neutrality. The adoption of carbon neutrality motivates China to continue its efforts in pushing for high-quality development and high-level environmental protection. It is also the minimum requirement to protect the Earth as the home of mankind.

## **China's Place Regarding Industry Adjustment and Energy Upgrading**

We now turn to the current status of domestic carbon neutrality. The focus is on the low carbon trend based on technological innovation and the search for new models, new mechanisms and new development paradigms. While paying attention to the 30·60 targets, which is, to hit peak carbon emissions by 2030 and achieve carbon neutrality by 2060; we need to notice that they are designed to serve China's 2035 and 2050 development goals. The 2035 goal is to realize socialist modernization. And by 2050, China will have become a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful. Within the scope of the "1+N" system, China has made a policy guarantee for the realization of "dual-carbon goals," and it is also providing a guarantee for the building of a great modern socialist China. To achieve the "dual-carbon goals," the whole process is segmented into four stages: the peaking period, the plateau, the reduction period, and the carbon neutrality period. The peaking period is when China's economy suffers most, while the plateau period requires vigorous development of low carbon technology. During the reduction period, when China has already carried out effective works regarding emission reduction, it must also bear international climate and social

responsibilities. The reduction period is going to be a turning point for China's high-quality economic development. By the end of the carbon neutrality period, the whole of society will have attained zero-carbon emissions.

To sum up, "dual-carbon goals" require a "self-revolution." Concurrently, China must coordinate four pairs of relations: development and emission reduction; global concern and local concern; long-term and short-term goals; and government and market.

## **Key Areas, Industries and Domestic Policies and Markets**

Thirdly, I would like to analyze China's investment in the key areas of carbon neutrality. According to the figures released by the International Institute of Applied System Analysis in its climate scenarios database, the world needs to achieve a two-degree temperature control target with a global investment over 40 years of about \$150 trillion. For a 1.5-degree target, the estimate is \$168 trillion. Thus, the 0.5-degree gap costs about \$18 trillion. In other words, the world would need to produce seven times the current nominal value of Africa's \$2.7 trillion economy to cover the cost. It would be foolish to underestimate the true investment needed for only a 0.5-degree planetary improvement.

And, according to the predictions from China's National Center for Climate Change Strategy and International Cooperation, Tsinghua University and China International Capital Corporation (CICC), China's domestic future investment in carbon neutrality will exceed 100 trillion RMB. Where are these investments to be found? In large part, the investments are about adding and cutting on energies, namely more sustainable energy and less traditional energy, the biological carbon sink, carbon capture, utilization, and storage (CCUS), low carbon and zero carbon or even minus carbon technology, etc. Finance, too, plays a vital role. Otherwise, there is no way to realize carbon neutrality.

Taking the industrial structural perspective, industrial structure reform will create more space for business, and business requires the injection of capital, the innovation of a green finance and carbon financial products. Moreover, within the topic of carbon finance innovation lies both carbon market development and carbon tax imposition.

In the near future, the EU's Carbon Border Adjustment Mechanism (CBAM) will also need to be addressed. The extant and increasing carbon crisis challenges each and every business. Nonetheless, investment opportunities abound in five major industrial chains: new energy, energy saving and emission reduction, environmental protection, New Energy Vehicle (NEV) and green building materials. Moreover, those five industries play an active role in future carbon neutrality. For example, China spends trillions of dollars on fossil fuels like oil, natural gas and coal. If we use those funds for the five industrial chains, even industrial chains of wider scope, how many future employment opportunities can be obtained? Take NEV industry as an example, China's NEV industry has already become a pillar of domestic environmental industry and an important section for Chinese economy, and facilities employment, economy as well as emission reduction.

In relation to capital allocation, the "dual-carbon goals" provide short-term, medium-term and long-term opportunities. Over the short-term, China can focus on the industries and companies that are expected to reduce emissions most. Moreover, outdated production capacity will be replaced at a quickened pace. Companies that are capable of shouldering environmental responsibilities and industry leading enterprises are expected to benefit greatly from the new round of supply-side reform. Key areas for reform are mineral-based industry and building materials supply.

In the mid-term, the general trend is for energy structural reform. As such, the proportion of new energy in power generation, heating, construction, manufacturing and other fields should be substantially increased. In transport, China should accelerate the popularization of NEVs and also focus on renewable energy industries, including wind, photovoltaic, nuclear and other kinds of green energy as well as NEV industrial chains, new energy batteries and the supporting charging piles. Concurrently, the environment protection industry, which is the final target of the carbon emission, has great significance. China can focus on waste classification, waste incineration and power generation.

Over the longer-term, the opportunities arising from carbon neutrality are to be found in R&D and the application of high energy efficiency and energy saving equipment, retrofitting emission reduction equipment, carbon management, green finance, and so on and so forth.

## China's National Arrangements

The fourth and final aspect for the “dual carbon goals” is the emergence of a national unified ecological environmental market, which is also arising from the general trend. China requires a stable and unified trading market for energy usage rights, carbon emission rights, water usage rights and pollution discharge rights to promote green development and green investments, and to leverage market knowledge to accelerate the development of a greener China.

To conclude, China must stay on the path toward realizing the “dual-carbon goals.” China needs a strong financial sector to support its enormous market and to engender a new international energy paradigm. It is also important that entrepreneurs follow the low carbon trend by moving beyond a fixed mind-set and taking the initiative to expand businesses through increased cooperation and the sharing of technical knowledge and its applications.

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# Highlight Quotes

## 2022 Taihe Civilizations Forum Sub-Session on Economy and Technology



### Dong Zhanfeng

Director of the Institute of Environmental Policy  
of Chinese Academy of Environmental Planning  
under the Ministry of Ecology and Environment of  
the People's Republic of China

To advance modern climate governance capacity, the key is to break carbon information barriers among market entities, and between market entities and regulators. Enterprises need guidance to adopt low-carbon production, operation and investment, improve their environmental performance, and to better demonstrate their own efforts and compliance in reducing carbon emission through carbon information disclosure.



### Lu Peili

Fellow of Taihe Institute, Researcher of Antai  
College of Economics and Management (ACEM) at  
Shanghai Jiao Tong University, Guest Lecturer at  
China Financial Futures Exchange

ESG reflects the carbon account value, credit value and market value of an enterprise. The market value of an enterprise signals that people recognize its valuation and earnings reflected in the financial market.



### Sun Tianyin

Deputy Director of the Center for Green Finance  
Research of National Institute of Financial  
Research at Tsinghua University

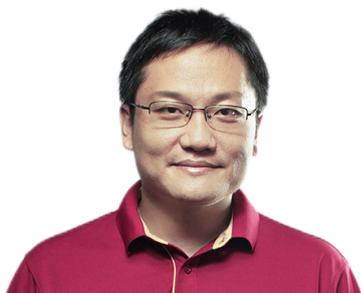
The “planetary boundaries” of climate change and biodiversity integrity have been broken and seriously “extravagated.” While society and the financial community have paid more attention to climate change, the understanding and attention to biodiversity loss is still relatively limited. Biodiversity integrity is an important measurement of the health of ecosystems. Moreover, our economic activities are highly relevant to various services provided by the ecosystem. Green finance needs to feature the assessment and prevention of biodiversity loss-related financial risks and generous financial support for the protection and promotion of biodiversity as the pillars of its work.



### Wang Le

Chairman of Infinities Technology International  
(Cayman) Holding Limited

Information technology has played an important role in the history of human civilization: first, characters were created; second, the invention of printing; third, the emergence of digitalization in the late 20<sup>th</sup> century. Digitalization is only the most recent critical juncture in the development of human civilizations driven by information technology.



### Yin Ye

Chief Executive Officer and Executive Director of  
BGI Group

Technology is what was whimsical in the past, barely possible today, and commonplace for the future. And we understand that as the known grows, the unknown expands. No technology, including life sciences, can solve all problems for humankind. Nor should mankind advance technology at the expense of morality, ethics, religion, culture and law. It must be understood that humanism without technology may be foolish, but technology without humanism is truly dangerous.



## Zhang Lei

Fellow of Taihe Institute, Chief Specialist of Big Data R&D Centre of Taihe Institute, CEO of Cheche Technology

Corporate social responsibility requires companies to go beyond the traditional vision of merely pursuing profits. They must now emphasize human values in production and operation, and make contributions to environmental protection, consumers and society. In the digital economy era, the focus is on applying technological innovation for social value creation. Beginning with fields encouraged by national policies, technological innovation can serve social development and industrial progressing, thus, bringing a better life to more people.

# TCF: Understanding the Changing World and China

Ding Yifan



Senior Fellow of Taihe Institute

The Taihe Civilizations Forum (TCF) has become an important platform for international communication, where prestigious scholars and political figures from different countries share insights on major issues of global concern, assess the latest trends in global development and provide informed recommendations for constructive progress. The dialogue and interaction fostered by the TCF promote public understanding of our changing world and function as an important channel for sharing China's unique stories to the world. By giving voice to Chinese scholars, the TCF facilitates better understanding of Chinese viewpoints, objective analyses of China affairs and Chinese perceptions on the developing trends of the world issues, and thus, a deeper understanding of China.

# Good Hearts and Rich Insights: A Summary for 2022 TCF

Einar Tangen



TIO Content Advisor  
Senior Fellow of Taihe Institute  
Independent Political and  
Economic Affairs Commentator

It was a pleasure to moderate the second part of the Taihe Civilizations Forum Sub-Session on International Relations concerning EU-China relations.

There were a number of frank exchanges on both sides, beginning with H.E. Wim Geerts, Ambassador of the Netherlands, from the EU side. He claimed that the war in Ukraine was interwoven with the international order and the economic catastrophe which has resulted in “a war that’s inflicting suffering and destruction, threatening European security and undermining the rules-based international order. A war that has sent economic shock waves around the globe.”

These themes were to become the common talk points of the EU diplomats and scholars attending, who made it clear that the conflict is on their doorstep, and mandated a collective response, if the international order was to be maintained and economic order restored.

There were numerous calls for condemnation, armed response and trade restrictions, however missing was how the situation could be solved peacefully. The collective sentiment seemed to be that China was culpable because it had not taken the EU/US side. All indicated, to one degree or another, that China was the one who must choose, between civilization and chaos.

Susan Thornton, Senior Fellow of the Paul Tsai China Center at Yale Law School, did call for more and better communication and institutions and decried the major global concerns which are being sidelined by the Ukrainian situation: “like

climate change, economic development and inequality. These are the major concerns that most people in the world have." But there was no mention of the core issue: how to solve Russia's desire for security, and Ukraine's desire for its territorial integrity, without which there can be no peace.

And also, at no point did any of the European speakers indicate any culpability in the situation, instead insisting that Russia's actions were unprovoked, that NATO is a peaceful defensive organization with no agenda and that Russia needed to be answered with force. No effort was made to examine how NATO's actions triggered a reaction by Russia. Or mention, that most of the world regards this as a regional issue that has created problems and suffering for developing and emerging countries, not involved.

To the extent that the voices of the Global South spoke, it wasn't about the war directly, but its economic and political consequences. Dino R. Kusnadi, the Deputy Chief of Mission of the Embassy of the Republic of Indonesia in China, talked about the necessity for great powers to show by example the leadership the world is desperately in need of.

From the Chinese side, Taihe Institute Senior Fellow Ding Yifan indicated his, and many of his colleagues' puzzlement at how the EU is seemingly letting itself be manipulated by a US intent on strengthening itself, at the expense of its allies. Politically, economically and socially, it is the EU which is bearing the brunt of the war, while US businesses savor the prospect of taking over the EU's dependency on Russia for energy and agriculture. He intellectually scratched his head over the need for NATO, firstly, to exist, and secondly, to be so intent on expanding if it is merely a defensive alliance.

In the robust discussions that followed the speeches a number of things became clear, the EU collectively do not feel they can rely solely on the U.S. for their security, and the situation in Ukraine will be an impediment to EU-China relations, as long as the conflict lasts. For the EU, the situation was black and white, you are either on our side or theirs. But for the Chinese side, while voicing unusually strong views on China's interests, namely while it understood Russia's frustrations and actions, as it has similar ones about the use of Taiwan, it does not, and will not, condone the interference of one nation in another's internal affairs, military or otherwise. The discourse was respectful but strong. It was suggested, at the end of the discussion, that people who are looking for answers to problems are those with good hearts. It was also suggested that if your neighbor's house is on fire, you help him, rather than ask how the fire started.

The Taihe Civilizations Forum acted as a conduit for meaningful exchanges about some difficult issues and while some of the speeches talked past each other, the discussion that followed was productive in that there was a better understanding of the positions. Change does not come easily or merely by words, but hard work and careful thinking can create change.

# Agreeing on How to Disagree Is Key to Future of Sino-American Relations

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In face of substantial uncertainties, conflicts, and escalating animosities between countries, one may find the slogan, “More talking, less fighting,” clichéd – if not Pollyannaish. Obviously, it is not the case that all conversations help ameliorate skepticism and bridge divides; otherwise, there would be no case to answer for on the part of those who resort to war and violence as what they advocate and portray as the last resort to disagreement.

Yet talking does at least help somewhat – in that the alternative, without genuine conversations and dialogue, is almost always much worse. As Susan Thornton aptly noted in her remarks, “dynamic cooperation among civilizations” requires discussions such as those that took place at the Forum – discussions, in turn, can only take effect if both parties agree on the rules of engagement, and disagree candidly and openly over areas of difference.

We need shared, overarching principles of dispute resolution in order to anchor the discussions across the two sides of the Pacific. In the status quo, a growing undercurrent in Washington’s discourse increasingly frames China as existentially inimical to American values, norms, and interests; with all engagement and collaboration with China being deliberately misconstrued as being to the detriment of America. Likewise, there exist precipitous nationalistic sentiments in China that argue that the era of talking with and seeking empathy from the West is over.

To set the tone right and put a stop to this unhelpful backsliding, bridge-builders from both sides must proactively push back against such Manichean thinking.

There are rules to the discussion that all parties must obey – the right to speak unfetteredly, without fear of consequences; the need to seek unity and similarities despite differences, and to learn to live with much disagreement. We need to recognize the underlying reality that the plethora of grave threats our Earth face require China and the United States to – at the very least – learn to coexist with each other peacefully.

This does not mean, of course, that China and the United States should and can aspire towards a state of complete convergence and alignment. The two countries cater to peoples with distinctively unique histories, cultures, and values – both of which call for different systems of governance that are most adapted to their contextual needs. Much of American chagrin towards China is predicated upon the impractical and arguably arrogant assumption that China should become “more like us” in the event of economic growth and modernization. Similarly, the talk that the “Chinese way” is superior to “Western democracy” strikes me as a conjecture for which the jury is still out.

We should accept that there are fundamental differences between how governments and citizenries of different countries conceptualize and realize governance – indeed, such differences exist internally, too. The best means of hashing out such rifts is not through acrimonious finger-pointing or ideologically dogged scaremongering, but through honest, self-reflective, and conscious dialogue that consistently grapples with two questions, “What can I learn from the other?” and, “How can I do better?” Humility and empathy are vital, not just to life, but to international statecraft – especially between two great powers.

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TI Observer would like to thank the following individuals for their time and insights.

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