

# TI Observer

March 2024

Vol. 42

by Taihe Institute

## Roundtable Insights: Deciphering China's Economic Future



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# Editor's Note: Deciphering China's Economic Future

China's economy has demonstrated resilience despite recent adversities including the COVID-19 pandemic. This durability is characterized by impressive figures in the first year after China lifted pandemic controls. In 2023, China's GDP climbed to over 126 trillion CNY (about 17 trillion USD), representing a growth of 5.2% and cementing China's position among the world's fastest-growing economies. Also, China represents over 30% of global GDP growth in 2023, making it the definitive largest growth engine in the world, as it has been for the past 15 years. The Chinese labor market, which struggled early on, has witnessed a stabilizing curve, with 12.44 million urban jobs created and the average urban unemployment rate reduced to 5.2 percent.

However, confidence does not seem to fully reflect the optimistic picture painted by the data. Narratives continue to shift towards an economic downturn seen during the pandemic, with discussions about challenges replacing positive sentiments regarding the Chinese economy. Many current narratives describe the Chinese economy to be more fragile than it was just a few years ago, exacerbating anxieties about an uncertain outlook for the future. Whether real or manufactured, these challenges have contributed to a notable cooling effect as mere belief in them can manifest economic woes. Whether or not the worst comes to fruition is a nuanced, complicated issue.

In the face of these potential threats, there are notable dynamics that China is keeping a close eye on. Globally, heightened geopolitical tensions, which spill

over into China and the greater Asia-Pacific region, pose significant challenges to economic recovery efforts. The adoption of protectionist and unilateral policies by Western nations, cloaked under the banner of "de-risking" or "decoupling," has had definitive adverse effects on China's economic landscape. Domestically, China faces some hurdles as its traditional growth engines begin to show signs of aging. China's Consumer Price Index (CPI) dropped by 0.8% in January 2024 compared to the previous year, indicating potential concerns regarding overcapacity and deflationary trends. Insufficient consumption derived from a lack of confidence further exacerbated the situation. Additionally, risks in sectors including real estate, and small and medium-sized financial institutions, coupled with local government debt continue to loom.

As China has begun actively rolling out policies in the real estate and other sectors, challenges previously below the surface have gained more visibility, but also appear to be improving. Philosophically, it is difficult to discern whether the surfacing of these problems mirrors gloomy future forecasts, or if the acknowledgement and presentation of solutions indicates the economy may see an upturn. Moreover, these challenges are not exclusive to China. In today's interconnected world, where complex interdependencies are growing deeper, the roots and impacts of China's challenges are intertwined with those of other nations. Therefore, what is more important is how China is navigating or should navigate these challenges to embrace a more assured future.

To delve into the complexities of fostering economic resilience and identify new growth avenues in the wake of the pandemic, on February 17, 2024, the 8<sup>th</sup> Taihe Civilizations Forum (TCF) convened its first sub-session, "LSE China Development Forum & 8<sup>th</sup> TCF Sub-Session on Economy," at the Sheikh Zayed Theatre, London School of Economics and Political Science (LSE) in London, UK. The speeches made by senior fellows of Taihe Institute at the sub-session are transcribed and included in this issue of TIO.

Scholars and experts present at the sub-session discussed the opportunities and challenges in the economic situation within and beyond China in a post-COVID era, in order to reach solutions that benefit all players involved by enhancing economic resilience and creating growth poles vital to the future. During the discussions, a consensus was reached that despite the current challenges, the Chinese government's determination and its guidelines in the general direction towards a sophisticated economic transformation have provided grounds for optimism regarding China's financial and economic future. China has a remarkable record

of effectively tackling complex challenges, and over the past few decades, it has undergone fundamental economic changes. Quietly yet decisively, China continues to evolve, forging a fresh trajectory and undertaking further reforms. The "next China" is still China. The only question is, what manifestation will this future take?

# The "New Three" and Long-Term Growth Engines for China's Economy

Sun Yongfu



• Senior Fellow of Taihe Institute

In China, the huge impact of COVID-19 on economic development has been widely discussed. I think the situation in China is not that bad if you compare it to that in some Western countries, though there is a downturn. According to Chinese official statistics, there was a 5.2% increase in China's economy last year. Although comparing it with pre-COVID times, this represents a decrease, if we recall the 40 years of economic growth following the reform and opening-up policy in 1978, where we have seen an average annual increase of about 9.5%. So, while the past year was not that bad, it was still a relative recession in a manner of speaking.

The Chinese economy is facing pressure both internally and externally. Internally, for example, China has a problem with real estate, which historically accounted for about 1/3 of our economic growth. Now, the price of real estate is going down, and how to deal with this is a big question for the Chinese government.

Externally, concerning exports, China faces pressure imposed by the United States, such as the high tariffs imposed by the Trump administration in 2018. Determining where to go in terms of exports for China is another big question.

If we talk about the new engines of Chinese economic growth, we have to find a way to tackle both external and internal problems. Internally, I think the People's Bank of China (PBC) is taking some initial measures, including injecting approximately 350 billion CNY (49.1 billion USD) in loans to policy banks through its pledged supplementary lending (PSL) facility, with a focus on three items:

affordable housing, urban village renovation, and the construction of public infrastructure for both normal and emergency use. So, I hope the injection of this 350 billion CNY into the sector will help reverse the downward trend in the real estate market, but this depends on the response from the private sector as well.

Externally, I think China is trying to diversify its exports, not only to developed countries like the United States and European nations, but also to Global South nations. If you look at the data from China's customs, exports to the US from China declined by 17% year on year in the first quarter of 2023, while exports to countries participating in the Belt and Road Initiative (BRI) increased by 25%. China has also been focusing on increasing exports to other emerging markets such as Southeast Asia and Latin America, in addition to the BRI countries. You may know that ASEAN countries have become China's number one trading partner, surpassing the European Union (EU) already. The EU was our number one trading partner for 16 consecutive years until 2019. However, influenced by the United States, I think we witnessed a 7% decrease in bilateral trade between China and the EU last year. So, we must modify our export portfolio accordingly.

Another way is to upgrade the Chinese value chain. Traditionally, China used to export low-end products like toys and some electronics, but presently, China tends to focus on the "new three": autos, especially electric vehicles (EVs), solar cells, and lithium-ion batteries. EVs are particularly notable, with BYD recently overtaking Tesla as the world's best-selling producer of electric vehicles.

The "new three" products not only boost export growth, but are also important drivers of domestic consumption. China aimed to add 160 GW of solar and wind energy capacity in 2023. This is a significant target, exceeding the combined capacity installation of solar and wind in Europe, which was 60.6 GW, and that in the US, which was 13 GW, in 2022. China's overarching goal is to double capacity from 2021 levels and install 1,200 GW of energy from wind and solar sources by 2030. At its current pace, China will be able to achieve this target by 2025, which is five years earlier than expected.

The new energy vehicle (NEV) industry, which includes battery electric vehicles and plug-in hybrids, is booming in China, with both domestic and international companies investing heavily in the sector. China has been paying great attention to the NEV sector since 2012. Favorable government policies, including incentives for both manufacturers and consumers, have spurred the rapid growth of NEV production and adoption.

The NEV industry made remarkable progress in 2023. In the first seven months of the year, the NEV production figures reached 4.53 million, representing a 41.5% year on year growth. China has maintained its position as the world's top NEV producer and seller for eight consecutive years. In the first seven months of 2023, China exported 834,000 EVs, equivalent to more than 15% of China's total EV production in 2022. This represented a 106% increase in export volume compared with the same period in 2022 when only 405,000 EVs were exported.

The People's Bank of China, the central bank of the nation, has been instrumental in driving sustainability through its green financing initiatives to support environmentally friendly projects. By providing financial incentives, favorable lending terms, and regulatory support, the PBC encourages businesses and institutions to invest in green projects that reduce carbon emissions and promote clean technology and retrofitting.

While there are economic challenges and uncertainties in 2024, the focus on green sectors has shown a determination to pivot to more sustainable growth. The transition to renewable energy, NEVs, and financing supports for a greener economy will be key drivers of high-quality growth. Taking a long-term perspective, the challenges may be seen as a transitional phase from an old property-driven growth model to a new green-led growth. We are always concentrating on the high-tech economy, which is how China tackles all the problems that it is facing internally and externally.

*(This is a transcribed speech that has been edited for clarity with the approval of the speaker.)*



# An Economic Comparison Between China and the US: Let the Data Talk

Einar Tangen



• Senior Fellow of Taihe Institute

First, there may be a debt problem in China, but it is not as serious as the debt problem in the United States. China's central government is addressing high local government borrowing. Consumer borrowing is also an issue due to the pandemic. Beijing's solution is to jumpstart the economy and rely on higher disposable income, with a 6.1% increase in 2023, and introduce targeted stimulus aimed at increasing innovative ideas and manufacturing, which will generate higher margins.

Taking a dispassionate view, if I was the IMF and evaluating the United States, what would I say? I would probably say that the US government budget is a Ponzi scheme. The country is borrowing money to pay the interest on its existing debt, while adding more debt with no plan or intention to address it, as evidenced by the recent increases in the debt ceiling. Consumer and corporate defaults and bankruptcies are higher than those during the 2008-09 financial crisis, caused by the greed and selfishness of those responsible for the capital markets.

Last year, the total spending of the US government was around 6.2 trillion USD, resulting in a deficit of 1.7 trillion USD. About 1 trillion USD went to debt repayment, which was up dramatically over the previous years due to the increase in the nation's debt and the Federal Reserve's repeated rate hikes. This is going to continue this year. Growth in the United States is projected to be 1.2%. That's a rosy projection, given the problems that are now occurring in the Middle East. What could potentially happen if there's a further escalation? This doesn't take into

account all the other "black swans," "gray rhinos," or whatever you want to call these looming potential disasters. As more conflicts are erupting around the world, they are disrupting already fragile economies and logistics.

Examining this through another lens, you cannot separate politics and economics. I often hear people say, "I don't want to talk about that," at investment banking events, "That's politics." My retort is, how can you separate the two? Policies and money are never far apart because power feeds on money and those with the money are continually trying to maximize their returns by influencing policy.

In terms of China, China does have many problems. What is the difference? In the United States, the problem is a 34 trillion USD national debt, contributing to a spiraling crisis. What has been the government's response as debt and inequality grow out of control? Kick it down the road, literally, like a child kicking a can down on a road, whilst saying it's a problem and there is no plan to deal with the mounting debt.

So, what do they do in China? China says, there is a problem with real estate and a problem with local government debt and private debt, so we must transform the economy to get over the middle-income trap, and we want to figure out how we can do that. China is doing this at a time of geopolitical change, at a time when the economic paradigm is shifting into a digital age. You couldn't pick a worse time, but you can't pick when the change comes.

What has China's response been, and why is that so important? Right now, the global economic gravity has been moving eastward, not within the last couple of years, but for the last 30 or 40 years. It used to be somewhere in the Atlantic, but now it's somewhere near Kazakhstan, and this is going to continue. Why? Because the resources, production, and markets are there.

China continues to try to bring down costs even as it raises wages. China accounted for more than 50% of newly installed industrial robots worldwide in 2022 and 2023. Why would a country with 1.4 billion people be interested in robots? Because it has to, in order to stay competitive. What is the US doing? Is it installing robots in an effort to compete? No, not at all. In fact, US companies ordered about 30% to 40% fewer robots last year because US businesses are unwilling to invest in more plants while there is so much uncertainty and higher borrowing costs. At a time when they should be building their competitiveness, they're doing nothing.

For China, it's not only about low-cost production, but about driving what they call "high-quality development." China is trying to figure out ways of cutting costs, which means increasing productivity. When productivity increases, everyone benefits. This is happening not only in the production part of the industrial supply chain, but also in the logistics part of it, and now it's moving towards the transactional part. Think of how much time and effort goes into the transaction component between two companies in different countries. If you have a smart contract that simplifies the negotiation and payment process, you don't need lawyers and accountants. If you have AI, you don't have to have a negotiation or bank intermediary. When you get rid of these costs, profits rise while consumers benefit from lower prices.

For comparison, what is the cost of your credit cards right now? If you go out and use your Visa card, they will add around 4% or 5% to what you pay in fees paid by both you and the vendors. What does it cost when you use WeChat Pay? Nothing.

The London School of Economics and Political Science is famous for the fact that it looks at business in a very balanced form, and looks at the market fundamentals. So, looking at the data is their way to understand the history and trends. That's what I am emphasizing today.

Every time you hear these narratives about how China is failing, and the West is just doing terrific, take it with a grain of salt. For 50 years, the United States has been going sideways, going from 61% of the nation being middle class to less than 50%. Fifty percent of American renters pay more than 30% of their income for rent. People can't afford that. They are seeing downgrades to their lifestyles. The problem, exacerbated by inflation, can't be solved by adjusting rates, because the underlying issue is America's higher costs and lack of competitiveness.

Look at what nurses, farmers, doctors, and everybody in Britain and Europe are complaining about. They are not paid enough, yet their wages are much higher than those in other countries. For example, if you need to have a heart valve replacement, you can do it for 170,000 USD in the US, or you could go to Mexico and get it done for 22,500 USD. Then again, you could go to India and do it between 4,000 and 8,000 USD. Guess what? In India and Mexico, your treatment would be akin to staying in a five-star hotel, but in the US you would be lucky to receive overpriced aspirin every four hours.

Start looking at the data, and start thinking about it. I don't think that China has the kind of problems that are being used in the narrative against it. China has problems, but it seems that they are trying to work towards solutions, whereas many countries around the world have done nothing. We were talking about earlier that in the US, we have tactics, but we have absolutely no clear view of an ending. I don't care if you're talking about Gaza or Ukraine. I don't care if you're talking about our economy or debt. Think very carefully about this. When you hear these narratives, go back to the data and judge the situation based on who is implementing solutions and who is not.

*(This is a transcribed speech that has been edited for clarity with the approval of the speaker.)*

# Global South: The Next Round of Industrialization and Modernization

Charles Liu Yangsheng



- Senior Fellow of Taihe Institute
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First and foremost, 20 years ago, a book titled *The Coming Collapse of China* was published. Since then, numerous books or pitches have echoed similar sentiments, but such "predicted" collapse never occurred. Whether sitting here in Beijing, traveling throughout China, or staying on university campus, people would come to the same conclusion that it would also not happen this time. There is no point for China to focus on the US or Europe. All China must do is diligently conduct its business without alienating potential partners, whilst simultaneously accounting for present and future variables.

Speaking of China's problems, unfortunately, we must return to the subject of the United States again, because they are partially manufactured by the United States with the trade war, with sanctions, and with blockages. It is noticeably clear that the United States does not want China to develop. What right does the US have to forbid China from developing technology, from advancing manufacturing capacity, and from developing its trading routes to the rest of the world? The modus operandi here is noticeably clear, and everybody will admit that this is what the United States is doing. Donald Trump now talks about a plan to impose tariffs of 60% on everything made in China. The justifications for this are somewhat obtuse and contradictory. China has many problems to deal with and has been managing them admirably whilst not "stealing from the future." The US, however, continues to rally its allies to suppress China wherever possible under the pretense of national security or whatever you can imagine.

The world has changed, with a multitude of initiatives like South-South Cooperation and the Belt and Road Initiative. The latter has played a crucial role in building a structure for developing countries and allowing them to grow and develop. The impact is evident in ASEAN countries where the supply chain is intricately linked to the Chinese domestic market. The Middle East is also undergoing a transformation. I have been in the Middle East three times in the last four months. I was more than surprised to find that every secondary school student in Saudi Arabia now must take two lessons of Chinese per week. This was unimaginable four or five years ago. This shift in global dynamics brings new rules to sales growth, the formation of new markets, and supply chains. These allow developing countries to seek what they genuinely want: stability, peace, and development, not conflict. In terms of the Middle East, the region is increasingly integrating with the Asian economy. Central Asia is pursuing a similar, but not completely identical course. Parts of South America are actively and enthusiastically embracing the Belt and Road Initiative as well.

In the past 10 years, the Belt and Road Initiative version 1.0 has enabled many developing countries to boost their trade and foster exchanges between people. In the next 10 years, we will see, similar to the construction of industrial zones in China, four new special economic zones in Saudi Arabia, two new industrial zones in the United Arab Emirates (UAE), and one more industrial zone in Oman. This transformation and economic bolstering was made possible by infrastructure and economic support supplied by China. The next priority is the industrialization and modernization of society. This will benefit the Global South and change the Global South's entire pattern of development. This grouping will no longer be beholden to the hegemons like the United States and its allies.

These are the points that I would like to make about China's development. I do not think we have to worry about a doomsday collapse of the Chinese economy.

So, the world will go on. There will be ongoing negative discourse surrounding China's development, but I think things will go along quite well, especially based on what is happening with the Global South collaboration.

*(This is a transcribed speech that has been edited for clarity with the approval of the speaker.)*

# Challenges to the Chinese Economy: Economic Duality and "De-Risking"

Ding Yifan



• Senior Fellow of Taihe Institute

China's 2023 economic performance was not completely satisfactory. Although it remained unique in the global economy with a GDP growth rate of over 5%, and accounted for more than 30% of the world's economic growth, the Chinese people were unsatisfied, as they felt that their income had not increased, and they had encountered certain microeconomic difficulties. These sentiments were related to the "de-risking" strategies of the Western world, and also to the structure of the Chinese economy.

China's GDP growth is robust, driven by the rapid development of new industries such as renewable energy production, electric vehicle manufacturing, and other emerging sectors. Despite this impressive growth, traditional fields in China are grappling with overcapacity issue and struggling with exports problems due to the fact that market competition drives down prices. As a result, corporate profits have dropped significantly. As debt repayment burdens have become heavier, many small and medium-sized enterprises are eager to deleverage.

China's development presents a dual structure, with emerging sectors leading the way while traditional ones falter. In light of this, China's economic recovery and future development cannot rely solely on the high-tech field. Other economic sectors are also important for a society's normal functioning. To use a different analogy, but with similar logic, the United States once believed that as long as it maintained advantage in the financial sector and with new technologies, the deindustrialization of other sectors wasn't a concern. However,

as deindustrialization reached a threshold, it became clear that advanced technologies cannot be scaled up for mass production without the support of a robust manufacturing supply chain, and cannot be quickly transformed into products for mass consumption. In the same way, if an advanced manufacturing industry is highly developed, but the basic manufacturing industry is neglected and unable to meet consumer demands, then the society and the greater economy will be in trouble.

When China carried out reforms in the past, they always focused on the supply side, believing that if they compensated for shortcomings, the economy would naturally resume development by itself. However, this perception is rooted in China's experience with a shortage economy. Nowadays, the biggest threat the Chinese economy faces is overcapacity, and reforms need to target the demand side, because without sufficient demand, only stimulating the supply side cannot solve the problem. China has a population of over 1.4 billion, but only around 400 million people are in the middle class. If this group could be doubled, China would become the largest consumer market in the world. When that happens, difficulties in the traditional manufacturing sector will be alleviated. If we can assert that China's modern challenge lies on the demand side of the economy, resultant financial policies should also consider the plight of these traditional industries and provide them with the necessary support, so that people operating traditional industries can enter the middle class. At the same time, China should also encourage more investment in developing areas to make the rural population wealthier, thereby strengthening the purchasing power of the domestic consumer class.

When it comes to China's external economic challenges, it is evident that the "de-risking" strategies of Western countries present hurdles for the Chinese economy. These challenges stem from Western countries' traditional stratagem of assembling tactical alliances and creating competitive landscapes. The West is path-dependent and seeks to revive its influence in the post-Cold War era by "uniting" Northern coalitions that include EU nations and Japan, while simultaneously containing nations such as China, Russia, Iran, and North Korea.

Western countries face similar situations characterized by severe deindustrialization and excessive financial development that may have spillover effects into the development of other industries. Their development strategies are similar, as they all aim to restore the supply chain. However, they are competing rather than complementing each other. Instead of allowing different economies



to exert their respective comparative advantages in accordance with market principles, the West seeks to create a coalition of different economies based on geopolitical considerations and ideological similarities. If this artificial coalition manages to survive, it would greatly reduce the efficiency of the participating economies. As a result, this coalition may lead to increased production costs in these economies, potentially impacting their competitiveness in the global market over time.

Although Western countries still have some technological advantages and seek to use this edge to "stop or delay China's rise," China is actually in a strong position relative to most Western countries. Taking the US sanctions against Huawei as an example, not only did the United States mobilize the bulk of its entire country to impose sanctions on Huawei, it also teamed up with other Western countries to cut the Chinese tech giant off from technologies including microchips. However, when Huawei launched the Mate 60 Pro using its own advanced chips, it sparked concerns among politicians in Western countries.

This change in basic assumptions is evident to all countries in the Global South. When the United States led other Western countries to impose comprehensive sanctions on Russia, no Southern country participated in the sanctions. They did not want to align themselves with Western countries. Through the Belt and Road Initiative, economic cooperation between China and Southern countries is constantly deepening. This cooperation is based on complementarity, allowing both parties to leverage their respective comparative advantages in cooperation. Economic cooperation between China and other Southern countries will accelerate in the future. The world economy has undergone a significant transformation, with the GDP of the BRICS countries already surpassing that of the G7 based on purchasing power parity. After the expansion, BRICS Plus will represent a more powerful and important role in the global economy, and will likely become more attractive to other Southern countries. The cooperation between BRICS Plus countries and other Southern countries is incrementally creating more wealth, while the United States' attempt to build alliances with other Western countries only allows wealth to flow within these countries. It is simply a redistribution among members. Thus, these two development models will likely follow a predictable trajectory for the near future.

*(This is a transcribed speech that has been edited for clarity with the approval of the speaker.)*

In

Focus



# Navigating the Tumultuous Seas of Great Power Competition

Awale Ali Kullane



• Ambassador of the Federal Republic of Somalia to the People's Republic of China

Today, the world is witnessing unmistakable signs of a major shift in global power dynamics. From the icy North to the sunny South, from the bustling East to the serene West, significant changes in geopolitical landscapes have unfolded over the past few decades. It appears there is a frantic rush to find one's place, to belong, or to be part of something larger than oneself. It comes as no surprise that established superpowers and influential regional players are scrambling to maintain their positions, but at what cost?

Against the turbulent backdrop of global power dynamics, countries are grappling with the intricacies of striving for superpower status while navigating a complex network of alliances, rivalries, and interests. For Somalia, positioned strategically at the intersection of continents and cultures, these dynamics hold significant implications. Being a "young" and recovering economy, Somalia positions itself as a neutral ally, drawing attention from various corners of the world. Its strategic location makes it both a possible center for collaboration and a key point for geopolitical rivalry. As Somalia aims to reconstruct and assert its influence on the world stage, it must deftly navigate these conflicting interests while upholding its independence and fostering stability in the area. The country's role as a neutral participant presents chances for involvement and cooperation, but also demands alertness and strategic planning to steer clear of being entangled in conflicts or power competitions beyond its borders.

## The Reality of Great Power Competition

Scholars have delved into the realm of global interactions by scrutinizing the disparities in power dynamics among prominent actors. Realist ideologies suggest that nations, as key players, are embroiled in perpetual quests for security within a chaotic global framework where conflict and warfare loom in the absence of a dominant force or equilibrium among nations. Neorealism underscores military might as the yardstick for gauging relative power, taking into account the configuration of the international system. On the other hand, liberalists and institutionalists challenge the deterministic perception of global anarchy by proposing that inter-governmental collaboration is attainable through a well-structured set of cooperative regulations and establishments.<sup>1</sup>

The historical account of great power transitions over 500 years paints a rather bleak picture for those hopeful of a peaceful shift from US supremacy to a new dominant state or alliance. Graham Allison, an American political expert, delved into 16 significant instances where emerging powers challenged established great powers and discovered that only 4 cases, or 25%, ended without conflict. Allison's study underscores a pressing question: Can the transfer of power from the United States to its successor occur without resorting to violence?<sup>2</sup>

From 1992 to 2008, such concerns seemed irrelevant as the US reigned unchallenged as the sole superpower after the fall of its Cold War adversary, the Soviet Union. During this era, China was seen as a prime candidate for great power status, actively engaged in the global capitalist system and profited from world economic principles. A prevailing belief in the West was that China's economic expansion would naturally lead to calls for political reform, integrating Beijing into the liberal international framework championed by American leadership.

In the new era of great power competition, the United States perceives that it faces a surge of competition from nations like China and Russia, whom the US perceives to challenge the fundamental economic framework established after the Cold War. Despite pursuing different strategies, both nations aim to assert their influence and reshape the world order.

1 Joseph Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42, no. 3 (Summer, 1988): 485–507, <https://www.jstor.org/stable/2706787>.

2 Richard Hannania, "Graham Allison and the Thucydides Trap Myth," *Strategic Studies Quarterly* (Winter 2021): 13–24.

A decade ago, the world looked quite different for small nations, offering them a mix of chances and obstacles amidst intense competition among major powers. As competing forces vie for control, smaller states now have fresh opportunities to reap rewards. However, they also find themselves entangled in a complex web of challenges that strain their internal stability and resilience. To thrive in this evolving landscape, small countries must unite against internal rifts and demonstrate strategic vision. Those who can adeptly maneuver through these intricate dynamics are poised to emerge as the ultimate winners during this period of transition.

## Risks to International Security

The consensus widely accepted among experts is that the risks stemming from intense competition among major nations extend far beyond their borders. These dangers encompass various areas, ranging from cyber and technological conflicts to economic, military, and political proxy confrontations.

According to Cormac Smith, the concept of global security is of paramount importance in the minds of decision-makers and officials worldwide, with a particular emphasis on the "great powers."<sup>3</sup> Due to their ability to impact global events, affect countless lives, and shape future trajectories, these influential nations possess the capability to mold international affairs in different directions. In his book *The World After the Peace Conference*, Arnold Toynbee defines a great power as "a political force exerting an effect coextensive with the widest range of society in which it operates."<sup>4</sup> In simpler terms, a great power is a country with sufficient reach to effectively assert its influence and interests on the world stage.

In moments of history, the world has come close to the edge of nuclear conflict because of powerful nations' actions. The possession of nuclear weapons has always symbolized military superiority, dating back from the 1950s until now. Internationally, Russia is at the forefront in terms of nuclear stockpiles, with the United States right behind, and China also possesses considerable nuclear strength. Additionally, emerging nuclear players like Iran and North Korea have started to disrupt the established power balance, making the nuclear situation even more intricate.

3 Cormac Smith, "To What Extent Is 'Great Power Competition' a Threat to Global," *Katehon*, May 19, 2022, <https://katehon.com/en/article/what-extent-great-power-competition-threat-global-security>.

4 Arnold Toynbee, *The World After the Peace Conference: Being an Epilogue to the 'History of the Peace Conference of Paris' and a Prologue to the 'Survey of International Affairs, 1920-1923'* (Oxford: Oxford University Press, 1926).

In the realm of international relations, nuclear weapons have long been seen as a tool to deter powerful nations from engaging in conflict. However, with the current trend moving away from cooperation among multiple nations, there is a growing concern about creating an unstable environment. During the intense period of the Ukraine crisis, organizations like the United Nations observed that major countries were escalating global tensions and pushing the world perilously close to a potential nuclear crisis.<sup>5</sup> This emphasizes the delicate balance of today's geopolitical landscape and underscores the pressing need for strong diplomatic initiatives to bring back stability and prevent conflicts from spiraling out of control, posing grave risks to global security.

### Global Risks in a Fractured World

The complex relationship between climate change and intricate human systems, such as worldwide food markets and security structures, presents notable risks. Severe weather occurrences have the potential to disturb agricultural output, affecting the availability and costs of food on a global scale. Rising sea levels and prolonged dry spells could worsen social and political strains, resulting in disputes over resources and mass migrations of people.<sup>6</sup>

According to a recent report by the World Economic Forum, a troubling pattern emerges where economic warfare is on the rise, leading to more frequent clashes between powerful nations and increased government interference in markets projected for the next couple of years. Economic strategies are predicted to shift towards defensive motives, aiming to secure self-reliance and independence from rival nations.<sup>7</sup> However, these tactics are also expected to be used aggressively to hinder the growth of others. This escalation in using economic tools as weapons exposes vulnerabilities in security due to the interconnectedness of trade, finance, and technology among globally linked economies, potentially resulting in a spiral of suspicion and disconnection.

When it comes to geopolitical rivalry and risks, the connection is often made with military conflict, but it can also manifest in other ways that are just as disruptive. These may include issues related to resource access, territorial control, or ideological differences.

5 United Nations, *Alarmed by Risk of Nuclear Escalation Among Major Powers, Speakers in General Assembly Warn Growing Distrust, Divisions Are Driving Multilateral System Towards Dysfunction*, September 23, 2023, <https://press.un.org/en/2023/ga12538.doc.htm>.

6 Huimin Li et al., "Understanding Systemic Risk Induced by Climate Change," *Advances in Climate Change Research* 12, no. 3 (June 1, 2021): 384–94, <https://doi.org/10.1016/j.accre.2021.05.006>.

7 World Economic Forum, *The Global Risks Report 2023*, January 2023, [https://www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2023.pdf](https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf).

## The Imperative for Robust Global Governance

Over time, conflicting viewpoints surrounding the impacts of globalization and geopolitical competitions have coexisted. However, these disagreements have recently heightened dramatically, diminishing the effectiveness of the global system. Various perspectives on global governance objectives have surfaced, giving rise to contradictory narratives that impact both local and international entities. These narratives sow domestic tensions and impede multi-party dialogues, potentially disrupting the operations of global organizations. This tension is palpable at the UN Security Council, where opposing stances on breaches of international law have hindered decision-making regarding conflicts in regions such as Iraq, Myanmar, Ukraine, and the Israel-Palestine conflict in the Middle East. Likewise, diverging positions impede advancements in global discussions on climate change. Prompt reforms are imperative to synchronize international institutions with the diverse global landscape and effectively tackle these obstacles.

In the grand scheme of things, Somalia acknowledges the crucial role that international organizations, such as the United Nations, play in advancing stability and security. Nevertheless, it is vital to hold these entities accountable. Despite their goal of deterring aggression from major powers, they tend to prioritize the interests of these nations over smaller ones like Somalia. Often, participants are pressured into merely supporting decisions or aligning with influential groups. We must actively push for openness and accountability within these establishments. We need to ensure that global governance caters to the needs of all countries, not just a select few powerful ones. It is our responsibility to stand resolute and demand that these organizations function for the greater good of the worldwide community.

## Upholding Universal Values for Global Peace and Resilience

The significance of fundamental principles such as justice, equality, and respect cannot be emphasized enough. Challenges arise in upholding robust scientific methods for justice delivery, while global cooperation hinges on these common values. Technological progress presents opportunities for precise intelligence and evidence, but international relations function within a web of legal, governmental, and societal complexities. It is essential to grasp this intricate landscape to positively influence justice systems.

Similarly, mutual values form the groundwork for collaboration and peace among nations in international relations. These values act as guiding principles that support fairness, inclusiveness, and mutual understanding, nurturing trust and cooperation worldwide. Embracing these shared values ultimately fosters a more equitable and just global order where countries come together to tackle collective obstacles and pursue common goals.

Somalia is currently on a path of significant change towards peace, stability, and growth, representing a remarkable chance for national rejuvenation. Leading this endeavor is the Somalia Quint Group gathering in Abu Dhabi. During this meeting, President Hassan Sheikh Mohamud engaged with delegates from important countries such as the United Arab Emirates, Qatar, the United States, the United Kingdom, and Turkey. The focus of this gathering was to enhance support for Somalia's stability and prosperity while also upholding regional stability, fighting terrorism, and protecting Somalia's independence and territorial integrity. This diplomatic move highlights Somalia's dedication to utilizing global collaboration to move forward. Moreover, Somalia's viewpoint on the United Nations' role in worldwide governance stresses the need for comprehensive and responsible international frameworks that match its development goals and encourage mutual respect among nations.<sup>8</sup>

### Strategies for Global Peace and Resilience

Somalia employs a multifaceted diplomatic strategy to tackle global challenges while actively engaging in regional initiatives. Globally, it advocates for multilateralism and partnerships, emphasizing mutual accountability and shared values to advance peace and resilience. Simultaneously, Somalia leverages its participation in regional organizations like the Intergovernmental Authority on Development (IGAD) and the East African Community (EAC) to address regional security, economic, and developmental issues.

Additionally, Somalia plays a vital role in countering terrorism, particularly against al-Shabaab, and combating oceanic piracy. Through proactive engagement, Somalia strengthens ties with neighboring countries, contributes to peacekeeping efforts, and promotes regional integration, fostering stability and cooperation in the broader East African region.<sup>9</sup>

8 "Somalia's President Attends Quint Group Meeting in UAE," *Somali Guardian*, February 1, 2024, <https://somaliguardian.com/news/somalia-news/somalias-president-attends-quint-group-meeting-in-uae/>.

9 "Somalia Piracy, Once Unsolvable Threat, Almost Completely Stopped. Here's Why...", *The East African*, September 29, 2023, [https://www.theeastafrican.co.ke/tea/news/east-africa/somalia-piracy-almost-completely-stopped-here-s-why-4384132#google\\_vignette](https://www.theeastafrican.co.ke/tea/news/east-africa/somalia-piracy-almost-completely-stopped-here-s-why-4384132#google_vignette).



## Conclusion

Somalia finds itself at a crucial point in time amidst changing power dynamics worldwide. It is essential to take a strategic approach, embracing collaboration with multiple nations and forming alliances to tackle global issues. Active involvement in local programs and full use of organizations like the IGAD and the EAC are necessary to address common security and economic issues. Somalia should stand firm against terrorism and piracy, thereby strengthening stability in East Africa. Upholding fundamental principles of fairness and equal treatment is important, especially in global peace initiatives. When navigating intricate geopolitical scenarios, it is vital to prioritize Somalia's needs while promoting both local and international cooperation.

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