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POLITICS

China-Fiji relations

On 12 August Fijian Prime Minister Sitiveni Rabuka began his 10-day visit to China, the first since his election in December 2022.^{1,2}

Ahead of his visit, Rabuka reportedly emphasised his interest in exploring potential Chinese agricultural and fisheries initiatives which he views as beneficial for poverty alleviation.³ He also emphasised his desire to maintain regional security in the Pacific, clarifying that he would not upset the 'apple cart' in this delicate geopolitical region, consistent with his 'Ocean of Peace' foreign policy to date.⁴ On 18 August Rabuka held talks with Chinese Premier Li Qiang. In the Chinese read-out, Li is quoted as saying that China "has always regarded Fiji as one of its most important cooperation partners in the South Pacific region", supports Pacific island countries in implementing the 2050 Strategy for the Blue Pacific Continent, and aims to strengthen communication and cooperation with Fiji and other island countries in actively implementing the Global Development Initiative, the Global Security Initiative and the Global Civilization Initiative.⁵ Rabuka is the third South Pacific leader to

visit China since early July, and the visit is scheduled to conclude less than a week before the upcoming Pacific Islands Forum, which begins on 26 August in Tonga.⁶

ARI Analysis: Rabuka's visit to China presents an opportunity for Fiji and China to move on from the recalibration of the two countries' security relationship earlier this year. In March, Fiji decided to renew its policing agreement with China and continue to train officers in China but end the practice of Chinese police deployments to Fiji over Rabuka's concerns for its impact on democratic processes.⁷ This also took place against the backdrop of Rabuka's desire to strengthen ties with democratic partners such as Australia, New Zealand, and the USA.⁸ Overall, the visit indicates that the bilateral relationship remains important to both parties, and China remains an important economic and infrastructure partner for Fiji (Rabuka expressed 'support' for the Global Development Initiative and Belt and Road Initiative; in the past, he has also described the Global Security Initiative and Global Civilization Initiative as beneficial to the Global South).⁹



Fiji's overarching strategy continues to be one of balancing ties with China with those with its Western partners and avoiding being drawn into wider geopolitical competition. However, China, the US, and Australia all seek to engage Fiji precisely to gain an edge in such competition. For Australia and the US, China's growing ties with Fiji and other Pacific Island nations (most notably Solomon Islands, with which China has a formal security agreement) present a potential security

threat given the strategically important location of these countries in the South Pacific and their relative proximity to the Australian mainland and key US Pacific territories and bases. In the context of China-US competition, this is reflected in media commentary; Voice of America describes a ramping up of China's 'charm offensive' in the region while the Global Times criticised a perceived inevitably critical stance of US media toward any Chinese diplomatic activity in the region.^{10 11}

ECONOMICS

Chinese response to EU tariffs on EVs

On 9 August, China's Ministry of Commerce announced that it had filed a complaint with the World Trade Organisation (WTO) against additional tariffs that the European Union (EU) has levied on electric vehicles (EVs) imported from China.¹²

This latest Chinese response comes almost two months after the European Commission announced the tariffs at the conclusion of its six-month anti-subsidy investigation.¹³ In a statement from its spokesperson China's Ministry of Commerce argued that the tariffs "lack legal basis and are a gross violation of WTO rules" and "undermine international cooperation on climate change."¹⁴ With provisional tariffs now in place, they will be voted on in November and could become permanent unless the two parties find a resolution before then.¹⁵ Amid heightened trade tensions, China's Ministry of Commerce has launched its own investigations into French cognac and European pork imports.¹⁶

The official Chinese response comes amid increased messaging from Chinese state media about the potential impacts of EU and US tariffs on Chinese imports. In commentary published on 13 August, the People's Daily aggregated a series of quotes and responses to US tariffs on EVs, including from the US-China Business Council (USCBC) but also an IMF statement and quotes from prominent academics such as economist Jeffrey Sachs and William Alan Reinsch, the Scholl Chair at CSIS, in order to advance the argument that US tariffs are "ultimately bad for U.S. growth, productivity, and

labor market outcomes".¹⁷ With regard to the EU tariffs, Xinhua's recent coverage on 17 August quoted the China Chamber of Commerce for Import and Export of Machinery and Electronic Products and emphasised that EU tariffs could lead to a loss of Chinese investment in Europe, stressing the risks of investment for other Chinese companies if identification of Chinese EVs as 'subsidized' became "an excuse to launch future foreign-subsidy investigations into Chinese companies investing in Europe".¹⁸

ARI Analysis: Beijing's formal complaint about the new EU tariffs is the latest development in a wider dispute between China on one side, and the US and the EU on the other. Simply put, there is concern across the West that the Chinese lead on electric vehicles - and the low cost they can produce them for - means that Western car makers will be undercut by the competition.

The EU tariffs came hot on the heels of the introduction of US tariffs on Chinese EVs earlier this summer. Although the timing may insinuate similarity between the two, the EU and US tariffs differ both in content and in purpose. Unlike the US's 100% tariffs, the EU's tariffs are set at a maximum of 38.1% plus an existing 10% and aim to address the lack of a level playing field due to Chinese state subsidies rather than protect domestic industries or engage in geopolitical competition.¹⁹ Consequently, the EU is more likely open to negotiations with China to resolve these issues and remove tariffs in future, whereas the US tariffs are more protectionist and



part of a broader list of tariffs on various Chinese imports. While the EU's tariffs could lead to higher production costs for Chinese EVs they are unlikely to eliminate their presence in the EU market. It is notable that recent analysis by the Rhodium Group has suggested that 38% tariffs will not have a major impact on Chinese EV imports to the EU because the profit margins are so great.²⁰

The EU's stance is reflective of its broader approach to China, emphasising negotiation over escalation. Consequently, China has responded to the announcement with a mix of incentives and warnings, reflecting the importance of the EU market for its EVs.

In addition to pursuing official channels at the WTO, Beijing's use of state media channels allows the Chinese government to rapidly disseminate its narrative, express discontent, and attempt to shape public opinion both domestically and internationally. By highlighting the potential negative consequences of tariffs for the US

and EU economies, China aims to undermine the rationale for these measures and portray itself as a victim of unfair trade practices as part of a broader strategy to counter the narrative that China is engaging in unfair trade and investment practices.

These warnings by Beijing include making it harder for Chinese companies to invest in Europe, a standard line whenever tariffs are introduced. A fall in Chinese investment would be more probable if the EU tariffs are the precursor for further action, such as a full EU investigation into the subsidies given to all Chinese firms investing in Europe.

Overall, we assess that while the EU's tariffs don't mean much in themselves, they are part of a continued and rising trend in divergence between the West and China. Tit for tat measures – such as the investigation in French cognac – must be expected if the tariffs continue.

DEFENCE

Defence messaging during Vietnamese officials visit

On 19 August, China and Vietnam signed 14 memorandums of understanding (MoU) covering areas such as cross-border railways, defence, and trade.²¹

The agreements were signed following high-level talks between Xi Jinping and Tô Lâm during Lam's visit to Beijing, his first international trip since becoming General Secretary of the Communist Party of Vietnam (CPV). Tô Lâm has been President of Vietnam since 18 May, having replaced his predecessor, Võ Văn Thưởng, who resigned in March. Following the death of Nguyễn Phú Trọng on 3 August, he was elected General Secretary, becoming Vietnam's foremost leader. Defence was a key focus in read-outs from both sides, with statements emphasising deepening defence cooperation between the two countries, and a desire to enhance political trust, security cooperation, and as improved management of maritime disputes in the South China Sea.²²

On 20 August Chinese Defence Minister Admiral Dong Jun met with his Vietnamese counterpart, General Phan Van Giang, also in Beijing.²³ In the Chinese media's read-out, Dong Jun was quoted describing China and Vietnam as sharing a "strategically significant community of destiny" and advocating that the two militaries should "seize the opportunity, follow the blueprint and guidance of the two parties' top leaders [...] and promote more pragmatic results in the cooperation between the two".²⁴

ARI Analysis: The recent visit by newly appointed General Secretary of the Communist Party of Vietnam, Tô Lâm, to China signals Vietnam's strategic prioritisation of its relationship with China. Newly appointed leaders of Vietnam's Communist Party tend to first visit traditional allies and neighbours Cambodia or Laos, after taking office, but Lâm had visited both in July. On the surface, it could seem as if the choice to



visit China, while a natural choice, was made despite elevated tensions in the South China Sea (SCS). However, while the SCS disputes are a significant factor in Vietnam-China relations, they do not define the entire relationship. Although SCS disputes are a focus of Western interest and strategically important for the countries involved, for a regional actor like Vietnam, there are other significant bilateral priorities and regional concerns, in addition to the Party-to-Party links between the two countries and China's clear geopolitical significance, that make it an obvious first choice for Tô Lâm to visit.

The visit's messaging around defence issues can also be viewed through the lens of Vietnam's strategic policy to de-escalate present tensions. The bilateral talks took

place against the backdrop of heightened tensions in the South China Sea where maritime disputes involve China, the Philippines and Vietnam as claimants. Prior to the visit, two separate incidents occurred on 2 August and 5 August, during which a Wing Loong-10, a Chinese military drone, intruded into Vietnam's airspace and exclusive economic zone, flying along the coastline for approximately 800km before turning back. The visit to China by the CPV, paired with the country's strategic silence over the incursion into its airspace, is consistent with an overall framework of strategic patience toward the disputes by Vietnam. Paired with the references to 'improved management' of disputes, the recent talks signal a shared desire to maintain stable Vietnam-China relations on more difficult issues by appealing to the broader desire for regional stability.

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