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BRIEFLY

# China in the changing world order

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## ABOUT

# Briefly - China in the Changing World Order

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## DEFENCE

# Chinese forces participate in Brazilian military exercise

**On 9 September, Exercise Formosa began in Brazil with a ground logistics movement of over 1,600 km from Rio de Janeiro to Formosa – 80 km northeast of the capital, Brasilia – and the set up of an expeditionary base.<sup>1</sup> The remainder of the exercise took place over seven days in an area near Formosa.<sup>2,3</sup> Exercise Formosa is one of Latin America's largest military exercises and has been held annually since 1988.<sup>4</sup> This year's iteration involved 3,000 military personnel, and according to Brazil's defence ministry the purpose was to simulate joint landing and anti-landing combat drills, facilitating interoperability, and integration of the navy, army, and air force.<sup>5</sup> As well as participating personnel, the exercise includes observers from eight countries: Argentina, France, Italy, Mexico, Nigeria, Pakistan, the Republic of Congo, and South Africa.<sup>6</sup>**

China's People's Liberation Army Navy (PLAN) dispatched a Marine Corps detachment, consisting of 33 personnel, for the event, while the US sent 54 marines

from 1st Battalion, 24th Marine Regiment, and 3rd Air Naval Gunfire Liaison Company, both of which are from within the Marine Corps Forces Reserve.<sup>7,8,9</sup> This is the first time Chinese troops have actively participated in the exercise; last year, China participated only as an observer.<sup>10</sup> In terms of previous China-Brazil military collaboration, in 2015, Chinese troops took part in training programmes at Brazil's Jungle Warfare Training Centre in Manaus, Amazonas state. This collaboration was later extended to the Brazilian Peace Operations Joint Training Centre, which hosted Chinese students in 2017.

This is also the first time that elements of the Chinese and US militaries have participated in joint military exercises since 2016, when Beijing was invited to take part in the US' Rim of the Pacific Exercise ('RIMPAC').<sup>11</sup> In subsequent editions of RIMPAC, the Pentagon withdrew its invitation, ostensibly as punishment for China's "continued militarisation of disputed features in the South China Sea", as explained by then-Pentagon spokesman Christopher Logan.<sup>12,13</sup> Despite both



countries' participation, Pentagon spokesperson Major Pete Nguyen clarified that US and Chinese forces would not be training directly together.<sup>14</sup> Instead, the US marines will exclusively train with their Brazilian counterparts to enhance collective regional security capabilities.<sup>15</sup>

**Adarga Analysis:** The participation of PLA forces in Exercise Formosa is illustrative of China's growing international military presence, the increasing importance of hedging strategies to countries navigating the China-US rivalry, and the value of ties with China to advancing the strategic interests of other rising powers like Brazil. The US military has made it clear that its personnel will not be training alongside the PLA,<sup>16</sup> however, this has not entirely mitigated national security concerns in the US; Republican Senator Marco Rubio wrote to the US Secretary of Defense to express alarm over the risk of the PLA using the exercise as an opportunity to gather intelligence on "US operations, capabilities, and strategic planning", a risk he considers amplified by China's military cooperation with Russia.<sup>17</sup>

While such intelligence gathering may be a risk, it should be borne in mind that similar concerns will likely be harboured by China. However, the geopolitical significance should arguably be of greater concern to the US. In 2019, the US designated Brazil a Major Non-NATO Ally, granting a range of defence cooperation

benefits; while this may have been intended at least in part as a means of countering China's influence in the country, particularly via economic ties, China-Brazil defence cooperation makes it clear that Brazil does not view military relations with China and the US as mutually exclusive.

Brazil is a major regional power in South America and an important US partner, but one which also cultivates ties with China not only as a hedging strategy, but also to advance an international order in which it is able to play a greater role as a power in its own right. The China-Brazil relationship reflects both countries' interests in advancing a multipolar international landscape. Last month, China and Brazil celebrated 50 years of diplomatic relations; Xi Jinping framed bilateral cooperation and strengthening of coordination on development in terms of a 'shared community', a core concept in China's vision of a new international order, while President Lula lauded the importance of China-Brazil ties for building a multipolar order and promoting fairer global governance.<sup>18</sup> Concretely, this has included cooperation as members of BRICS, an increasingly significant multilateral organisation outside the US-led international order, including efforts to promote alternatives to the US dollar as an international currency, and the two countries' promotion of a six-point consensus for a 'political settlement' to the Russia-Ukraine war.<sup>19 20</sup>

## INTERNATIONAL RELATIONS

# China-Saudi Arabia relations

**From 1-8 September, Saudi Arabia's Minister of Industry and Mineral Resources, Bandar Alkhorayef, led an industry delegation to Guangzhou, Hong Kong, and Singapore to explore cooperation in automobiles, renewable energy, and smart city projects.<sup>21 22</sup> Alkhorayef affirmed Saudi Arabia's openness to Chinese investment and innovative projects, such as electric vehicles and the C919 passenger jet, as part of the country's Vision 2030**

**initiative to diversify its economy, and expressed "openness" to new ideas including settling cross-border crude oil transactions in Chinese RMB.<sup>23</sup>**

Following this, Chinese Premier Li Qiang met with Saudi Arabia's Crown Prince Mohammed bin Salman in Riyadh on 11 September. The visit underscores the rapidly developing relations between the two countries. During the talks, Li highlighted the milestone of bilateral



relations established in 1990 and emphasised expanding cooperation in new and traditional sectors such as energy, digital economy, and infrastructure.<sup>24</sup> Both leaders reaffirmed a commitment to further strengthen the High-Level Chinese-Saudi Joint Committee to take forward bilateral relations and enhance the welfare of their countries' peoples.<sup>25</sup> Several bilateral cooperation documents were signed in fields including technical and vocational training and meteorology.<sup>26</sup> Li's visit also saw discussions with Saudi business representatives on enhancing trade and investment, particularly in emerging industries like artificial intelligence, the green economy, and telecommunications.<sup>27</sup>

Li Qiang followed his time in Saudi Arabia with a visit to the UAE, focused on deepening the two countries' Comprehensive Strategic Partnership.<sup>28</sup>

**Adarga Analysis:** Li Qiang's visit to Saudi Arabia, and subsequently to the UAE, is part of a general push of Chinese bilateral and multilateral engagement in the Middle East that has been increasing in recent years. This stems from a range of factors, including China's reliance on oil imports from the Gulf, opportunities for China to extend its broader geopolitical influence in the region, the security of trade flows around the Gulf and Red Sea, and the opportunities for countries in the region to benefit from increased cooperation with China.

Like many countries in the region and around the world, Saudi Arabia is seeking to balance its close defence relationship with the US with the benefits of technological and economic engagement with China and establish its own position as a regional power within the shifting international order. China-Saudi cooperation in

automotive technology, renewable energy, and smart cities is particularly significant given China's globally leading role across these sectors; these represent areas where China is already setting standards, and given the importance of electric vehicles and renewable energy technology in particular, is set to establish long-term influence. In turn, this makes China a highly desirable partner for countries like Saudi Arabia, which are seeking to become regional hubs in these areas, and does so in a way against which it is hard for the US to compete. At the same time, China has demonstrated its capacity to act as a successful diplomatic mediator in the Middle East, brokering rapprochement between Saudi Arabia and Iran in 2023. China's leverage with Iran also makes ties with China valuable to Saudi Arabia, including the potential for China to assist in applying pressure on the Houthis to curb attacks on Red Sea shipping.<sup>29</sup>

In the long term, strong economic, technological, and diplomatic ties could well lead to an enhanced defence relationship between China and Saudi Arabia. While Saudi Arabia's defence ties with the US are far deeper and more extensive than those with China, since 2022 the Kingdom has signed deals for a range of military equipment, including ballistic missiles, anti-UAV laser systems, and, in February this year, Wing Loong 10B UAVs.<sup>30</sup> Deepening economic and technological ties with China, combined with increased reliance on Chinese provision of certain defence equipment (ballistic missiles and UAVs being areas where China is notably competitive), could in time have a detrimental effect on the US-Saudi relationship. In the meantime, Saudi Arabia likely stands to gain from its relationship with both powers in its position as a key regional actor.

## ECONOMICS

# Wang Wentao meets with European leaders ahead of EV vote

**On 16 September, the European Commission announced that Chinese electric vehicle (EV) manufacturers had failed to meet the deadline of 24**

**August to make price commitments, leading to the formal rejection of all their offers.<sup>31 32</sup>**



On the same day, Wang Wentao, the Chinese Trade Minister met with Antonio Tajani, the Vice-President of the Foreign Affairs Council and Minister for International Cooperation at the Farnesina.<sup>33</sup> This is the third meeting in a year between the two officials; previous talks were held in Beijing in September 2023 and Verona on 15 April this year.<sup>34</sup> A key focus of the discussion was the European Union's (EU's) proposed tariffs on Chinese EVs, and the minister's visit comes a week after a delegation of senior Chinese trade officials, led by deputy commerce minister Li Fei, visited Brussels for meetings with their EU counterparts.<sup>35</sup> In the Italian read-out, Minister Tajani said "I wanted to reiterate the need for fair market access in China and a level playing field among our companies, particularly SMEs as well as agri-food businesses. On this basis, we want to continue working with our Chinese partners on strengthening economic cooperation and rebalancing the trade balance between Rome and Beijing".<sup>36</sup>

On 17 September Wang Wentao met with German Prime Minister Wolfgang Schmidt and Robert Habeck, the German Minister of Economy, in Berlin.<sup>37</sup> On 18 September the Chinese side issued a press release stating that China and Germany had "in-depth exchanges" on the EU's anti-subsidy tariffs on EVs; in the press release Wang Wentao insisted that China "always had the greatest intentions" and "made great efforts" to attempt to resolve the issue through dialogue and negotiations.<sup>38</sup> In reaction to the EU response to Chinese overtures, Wang reportedly said "China is deeply disappointed but will not give up its efforts and persevere in the negotiations until the last moment."<sup>39</sup>

**Adarga Analysis:** The ongoing dispute between the EU and China over proposed tariffs on Chinese EVs has reached a critical point. The bilateral meetings on 16-17 September are part of Wang Wentao's – and his government's – broader diplomatic push to attempt to dissuade member states from supporting the Commission's position in the vote on 25 September. At the time of writing, Wang Wentao is scheduled to meet with Trade Commissioner Valdis Dombrovskis in Brussels on 19 September as the final stop on this diplomatic tour, and we could yet see an eleventh-hour compromise between the two.<sup>40</sup>

Some of these diplomatic efforts to date have seemed

successful for China, leading to pivots in positions such as that of the Spanish Prime Minister, Pedro Sánchez, as discussed in last week's issue of *Briefly*. Others have been less productive, as with the Italian reiteration of support for the Commission's position. However, we should be cautious of overstating even the change in Sánchez's stance. His comments emphasised negotiation with China to avoid a trade war and consequently, we can also interpret this move as trying to mitigate the risk of retaliation, rather than necessarily an indication that Spain will actively vote against the tariffs.

As discussed previously, this again highlights the divergence for EU member states between domestic and multilateral priorities within the economic bloc, but it also leads us to the key question of how China may respond. It is unclear exactly how China may react if tariffs are formally approved next week but both historic precedent and the visible anxieties of domestic automotive industries, especially in the case of Germany, indicate a genuine fear of expected retaliation among member states, whether symmetrically on EU car manufacturers with large export markets in China, or asymmetrically as seen throughout the negotiations with both Cognac and pork export markets targeted by Chinese investigations.

The outcome of this vote will have significant implications for global EV market dynamics and EU-China trade relations. As discussed in previous issues of *Briefly*, there is a notable distinction between the aim of these potential tariffs compared to equivalent ones in the US; rather than containment of China, the emphasis in the European context – as demonstrated in Tajani's comment – is on fair play.<sup>41</sup> If the vote passes next week, it is highly unlikely that EV flows from China into the EU will cease, regardless of whether Chinese manufacturers continue to export directly into the European market or via third countries such as Morocco or Turkey to mitigate the impact of tariffs.

A potential compromise that could garner more support from EU member states involves encouraging Chinese manufacturers to make substantial greenfield investments in European domestic manufacturing capacity, such as the CATL projects in Germany and Hungary. However, to gain broader acceptance, these investments must go beyond simple assembly operations and deliver tangible economic benefits to the host countries.



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