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Briefly - China in the Changing World Order

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DEFENCE

China-Singapore Military Exercises

On 1 September China and Singapore began a joint maritime exercise, 'Sino-Singapore Cooperation 2024', near Zhanjiang in Guangdong province.^{1,2} The participating forces include China's guided-missile frigate *Sanya* and minesweeper *Hejian*, as well as the Singaporean navy's Formidable-class frigate *RSS Stalwart*, which arrived at a military port in Zhanjiang on 29 August. This is the third iteration of the joint exercise and first bilateral joint exercise held between the Chinese and Singaporean navies to take place in Chinese waters.³

The exercise is expected to take place over five days and is divided into three stages: port planning, professional exchanges, and maritime joint sea exercises.⁴ The maritime exercises are expected to comprise a range of offshore drills such as helicopter cross-deck landing, gunnery, search-and-rescue, and manoeuvring exercises.⁵ In comparison to previous iterations in 2015 and 2023, these are expected to be more complex with expanded exercise topics and deepened information exchange.⁶

Adarga Analysis: Singapore is not a formal ally of the US, although it is a close partner as evidenced by it being one of only three countries in Asia (along with Japan and South Korea) to be allowed to buy F-35 aircraft. The island state is also home to a UK naval facility, and is part of the Five Power Defence Arrangements alongside Australia, Malaysia, New Zealand, and the UK.

Economically, Singapore has strong dependencies on China. This is likely to be partly the reason – along with China being an increasingly major military power in the Indo-Pacific – why it continues to have a good defence relationship with Beijing, including a number of joint training exercises (of which 'Sino-Singapore Cooperation 2024' is the latest). This does not mean that Singapore is now allied to China, but it should be viewed instead as part of a pattern of UK and US military partners around the world seeking to maintain strategic autonomy amidst the context of great power competition, and balancing their relationships with the UK, US, and China. The UAE, for example, recently held joint air force exercises over Xinjiang with the PLA, despite being a major military partner of the West.⁷



Where it becomes more tricky is when US and Western military allies start adopting Chinese defence-related digital technology, which provides much more structural influence for Beijing over that country. Pakistan, officially a US ally, is reported to now use China's BeiDou satellite navigation system rather than GPS for its advanced

weaponry; this gives Beijing de facto control over Islamabad's military as the only country that produces BeiDou compatible hardware is China. As London and Washington are no doubt pleased to know, so far there is no evidence of Singapore adopting Chinese defence-related digital technology.

ECONOMICS

German Investment in China

In the first two quarters of 2024 (1H24), German direct investment in China was EUR7.28 billion, according to figures provided by the Bundesbank, the German central bank.^{8,9} These figures represent a dramatic increase in investment, exceeding the 2023 full-year figures (EUR6.5 billion) by almost 13%.¹⁰ It is likely that much of this investment is reinvested profits earned in China; research by IW Köln has previously shown that more than half the 2023 profits made in China by German companies were reinvested there.¹¹

On 16 August, the *China Daily* also reported on these figures. The article quoted Maximilian Butek, Executive Director of the German Chamber of Commerce in China, as saying that German companies "are taking steps to minimise potential risks and overcome challenges".¹² According to the Chamber's latest survey, more than half of German companies plan to increase their investments in China, particularly big corporates, automakers, and manufacturers of electronic products.¹³

According to recent data from China's Ministry of Commerce ('MOFCOM'), the broader picture of the country's FDI flows for 1H24 is mixed. Although direct investment from Germany and Singapore surged in 1H24, the actual utilised FDI amount declined by 29.1% year-on-year.¹⁴ The trend in German investment stands in sharp contrast to the broader strategic European picture. In recent years, European policy towards China has shifted towards a 'de-risking' approach, emphasising

risk minimisation rather than outright decoupling, as outlined in the EU's Economic Security Strategy, which was adopted in June 2023.¹⁵

Adarga Analysis: In July 2023 German Chancellor Olaf Scholz's government adopted the country's first ever China strategy, a plan predicated on the need to 'de-risk' its own relationship, encouraging companies to diversify their supply chains and export markets away from China to reduce vulnerability to external shocks.¹⁶ This approach reflects an increased awareness of systemic rivalry and strategic dependencies on the Chinese economy, and the focus has shifted towards safeguarding Germany's economic interests, with a more critical tone in government documents regarding China. The policy is characterised by principles of 'self-protection' and 'political indifference', indicating a reactive approach rather than a proactive strategy.¹⁷

However, as these latest figures demonstrate, the reactions of German businesses to pressure to 'de-risk' from China have been mixed. While some companies, particularly in the Mittelstand sector, have begun taking steps to reduce their reliance on China, many large corporations, including major companies like Volkswagen, Mercedes-Benz, and BASF remain deeply committed to Chinese markets.^{18,19,20} This reluctance to significantly alter business strategies is likely driven by China's importance as Germany's largest trading partner as well as the perceived potential of its consumer market. In an interview with *DW* following the publication



of the figures, Maximilian Butek emphasised the capital expenditure required to enter new markets to diversify supply chains, as well as the perspective that Russia-China comparisons are mistaken because of perceived greater economic interdependence in Germany's relations with China.²¹

This divergence between Germany's official 'de-risking' strategy and the actual investment behaviour of German companies highlights the interplay and trade-offs between economic interests and geopolitical concerns. This poses challenges for the government as it seeks to implement its national strategy, but it could also have implications for broader EU strategy towards China.

Divisions across EU member states were evident on 18 July in the non-binding advisory vote over proposed provisional tariffs on Chinese electric vehicles. Ten

of the 27 EU countries, including Belgium, France, Italy, Poland, and Spain, supported these tariffs, while Germany, Sweden, and Austria abstained, and Hungary, Slovakia, Cyprus, and Malta voted against.²² In a statement, a German source said its abstention was in the spirit of "critical solidarity" with the Commission.²³ This also likely reflects a broader fragmentation across Europe following the 2024 EU Parliament elections, suggesting that in future the union will face a more complex and uncertain path to forming a cohesive strategy towards China.²⁴ Securing a qualified majority in October remains uncertain; if the voting pattern of the advisory vote were repeated then tariffs would enter force, but the high numbers of abstentions demonstrate that member states are wavering and divided; while France is reportedly lobbying for higher duties, Germany is pushing for exemptions to be made for its companies which manufacture cars in China.^{25 26}

INTERNATIONAL RELATIONS

China-Africa Summit

At least 53 African heads of state are meeting in Beijing this week for the Forum on China-Africa Cooperation (FOCAC), a high-level forum between Xi Jinping and his counterparts.²⁷

Leaders began to arrive on 2 September with the multilateral forum itself taking place between 4 and 6 September.²⁸ On 23 August, Chen Xiaodong, Vice Minister of Foreign Affairs, set out China's expectations for the summit.²⁹ A press release stipulated that the Forum will lay out new designs and formulate new blueprints for the future development of China-Africa relations, introduce a series of new cooperation initiatives to deepen mutual understanding, and that China sees the summit as an opportunity to seek greater synergy with Africa's development strategies.³⁰

Described as "the largest diplomatic gathering" hosted by China in recent years. The summit will feature four

high-level meetings focusing on state governance, industrialisation and agricultural modernisation, peace and security, and Belt and Road cooperation.³¹ In terms of outcomes, China is expected to announce new measures and cooperation agreements, potentially focusing on green technology and fairer extraction deals.^{32 33} Two formal outcome documents are also expected to be adopted: the Declaration and the Action Plan, which will guide China-Africa cooperation for the next three years.³⁴

Adarga Analysis: FOCAC is a central pillar of China's engagement with Africa, and an important part of Chinese foreign policy. Africa is an area where China demonstrates a far greater willingness than the US to proactively engage; more African leaders attend FOCAC than the UN General Assembly, and the triennial forum is more frequent than the US-Africa Leaders Summit.³⁵



President Xi, in his speech at the opening ceremony of FOCAC, pledged USD50 billion for 10 partnership actions ranging from political education (1,000 African political party members will be sent to China for experience in the China model); trade (zero tariffs on many African exports, including food); infrastructure building; and RMB1 billion (USD140 million) in military grants, including increased military education of young African officers in China.³⁶

Green technology is a key part of this programme, linked to the evolution of the Belt and Road Initiative the Green programmes address both China's massive capacity and its global leadership in the field, together with African countries' need for sustainable electricity provision. This illustrates the close link between China's domestic and international priorities.³⁷ Xi announced

the launch of thirty clean energy projects in Africa, including the use of (Chinese) nuclear technology and the establishment of joint laboratories. There will also be money for collaboration on satellite remote sensing and lunar and deep space exploration, all of which will likely use Chinese tech and thus further embed Chinese digital infrastructure (a key source of influence) across the continent.

The tone of Xi's speech was anti-Western. "Modernisation is an inalienable right of all countries. But the Western approach has inflicted immense sufferings on developing countries". This is in line with China's attempts to portray itself as a champion of the Global South, with the West as its historical (and current) oppressors.

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