

adarga


BRIEFLY

China in the changing world order

13th September 2024

Volume 01
Issue No 6

ADARGA.AI

Powered by
 adarga_vantage

ABOUT

Briefly - China in the Changing World Order

Adarga is a leader in AI-driven information intelligence for defence, national security, and commercial organisations.

'Briefly' is brought to you by Adarga's geopolitical and geoeconomic experts, leveraging our highly curated data sets and Vantage software, which is designed to increase the quality, speed, and breadth of insight through the application of cutting-edge AI tools.

Time taken to generate research for this report with Adarga Vantage:

<10
seconds

Articles & papers scanned:

6.19
million

Including articles from:

Belgium, Bulgaria, China, Egypt, France, Malaysia, Pakistan, South Korea, Spain, Taiwan, UK, US, Vietnam

DEFENCE

Egypt reportedly orders fourth-generation Chinese fighter aircraft

Between 3-5 September the inaugural Egypt International Air Show took place at Al Alamein International Airport with more than 300 companies attending and representatives from over 100 countries.^{1,2,3} In the lead up to the show, several aerobatic display teams conducted flying demonstrations, including the 'Ba Yi' team of the People's Liberation Army Air Force (PLAAF). The team included a Yun-20 and six J-10 aircraft.⁴ This was the first time that the PLAAF's aerobatic demonstration team has performed in Africa.⁵

Following the event, on 7 September several military blogs and publications began to report that Egypt had placed an order to purchase China's J-10C multirole aircraft and potentially the J-20 'stealth' fighter.^{6,7,8} The acquisition of the J-10C and its latest weapons package would provide Egypt with advanced air-to-air missiles and represent an alternative source of an advanced capability for Egypt's air force.⁹ Egypt would also become the second country after Pakistan to procure the J-10C.¹⁰

The story has continued to proliferate across different outlets, but at the time of writing official sources are yet to confirm the order.¹¹

With regards to Chinese media coverage, following the event, *Phoenix News* claimed that "the Egyptian Air Force is seeking modern aircraft due to unmet promises from the US regarding F-35 sales", referencing a 2018 report that "then-US President Trump promised to sell 20 F-35A stealth fighter jets to Egypt, but opposition from the Pentagon and Israel stifled the deal".¹²

Adarga Analysis: The inaugural Egypt International Air Show is a significant milestone for the country and the wider region's aerospace industry. It also demonstrates the shifting dynamics of the international arms trade, with China overtaking Russia as the main supplier of major arms to sub-Saharan Africa, while the US signalled a continuation of strong ties with its traditional Middle Eastern allies.



Egypt's position as a major non-NATO ally with the largest Arab military makes it an important regional ally for the US, and if the reports of a potential purchase of Chinese J-10C aircraft are confirmed it will likely cause concern. Combined with its entry into the BRICS economic bloc in January 2024, this signals a significant pivot in Egypt's geopolitical alignment, reflecting the country's broader ambition to diversify its economic and military partnerships beyond its traditional Western allies, particularly the US. Consequently, the move towards Chinese military technology is best interpreted not merely as a matter of procurement but as a representation of a complex calculus of economic, strategic, and political factors. Egypt appears

to be seeking cost-effective solutions with advanced capabilities, while also expressing implicit concerns over US regional policies, particularly regarding the Israeli-Palestinian conflict.

However, the extent of the shift should not be overstated. As well as the US, Egypt has also historically acquired defence equipment from Russia and France, including the MiG-29M and Dassault Rafale aircraft. Moreover, in its attempt to diversify its economic and military partnerships, Egypt is treading carefully, maintaining its defence relations with the US, as evidenced by the public announcement of an agreement to acquire C-130J Hercules transport aircraft on 6 September.¹³

INTERNATIONAL RELATIONS

Spanish PM visits China

On 8 September Spanish Prime Minister Pedro Sánchez began a four-day visit to China, his second to the country in 18 months.^{14 15} A series of high-level meetings were scheduled for the visit, as well as the inauguration of the Ninth Spain-China Forum and the Spain-China Business Advisory Council, and a bilateral meeting with the China Association of Automobile Manufacturers.¹⁶

On 9 September, Sánchez met with President Xi Jinping, Premier Li Qiang, and Chairman of the Standing Committee of the National People's Congress, Zhao Leiji. In the Chinese read-out, President Xi advocated that the two countries jointly promote development in high-tech fields such as artificial intelligence, digital economy, and new energy, and expressed "the hope that Spain will continue to provide a fair, equitable, safe and non-discriminatory business environment for Chinese enterprises to invest and do business in the country". In a video disseminated via his social media accounts, Sánchez emphasised that "even on those issues

where our positions do not fully coincide, we maintain a constructive willingness to engage in dialogue and cooperation."

On 11 September, following an event at an industrial park in Kunshan, Sanchez said that the European Union (EU) should reconsider proposed import tariffs on Chinese-made electric vehicles (EVs), and urged Brussels and Beijing to find a compromise that avoids a trade war. The comments, made on the final day of the visit, indicate a shift in position by Spain, which was among the EU members that expressed support for a 36.7% tariff on Chinese EVs in July's advisory vote.

Adarga Analysis: Prime Minister Sanchez's visit comes at an important time, as China seeks to move beyond ongoing tensions over trade with Europe, including the spat regarding tariffs on Chinese EVs and broader concerns with dumping. Spain was among the countries that voted in favour of tariffs on Chinese EVs (it is Europe's second-largest exporter of EVs) to which China



responded by investigating pork imports, which are of major significance to Spain-China trade.^{22,23} In fact, tariffs on Chinese EVs could also impact Spanish-designed vehicles manufactured in China, such as by the SEAT and CUPRA brands.²⁴

China has long sought to cultivate a relationship with Europe independent of the US, for reasons both of continued economic engagement and as a way of dividing the Western alignment; the tension between economic engagement and geopolitical and security concerns is felt on both sides. A strong economic relationship with Europe is especially important from China's perspective given not only the importance of trade with the EU and ties with individual member states, but also the increasing damage to China-EU relations done by China's ongoing support for Russia in the context of its war against Ukraine.

It is evident from the visit that both sides wish to avoid a trade war. This visit also signalled a desire to repair China-EU relations more broadly, notably prompting Xi

Jinping to voice the hope that Spain would continue to play a constructive role in building China-EU relations. However, the situation has become more complex with Prime Minister Sanchez's shift in position. The change reflects the delicate balance Spain must strike between protecting its domestic industries and maintaining crucial economic ties with China.

Sanchez's new stance also demonstrates the challenges faced by European countries in general in maintaining their ties and increasingly distinct position from the US out of necessity, while also managing the potential divisions within the EU regarding trade policy towards China, as member states weigh their individual economic interests against broader EU strategic considerations. This development conveys an increasing divergence between bilateral and multilateral priorities and adds another layer of complexity to the ongoing negotiations that could potentially influence the EU's final decision on the tariffs, underscoring the dynamic and often unpredictable nature of China-EU trade relations.

ECONOMICS

US announces additional export controls

On 5 September the US Bureau of Industry and Security published new controls on advanced technology, including quantum computers and semiconductor goods. The rules added 18 Export Control Classification Numbers (ECCNs) to the Commerce Control List, covering general product categories and capabilities rather than specific products. The measures specifically target quantum computers and components and advanced chipmaking tools, including Gate All-Around Field-Effect Transistor (GAAFET) technology – used in high-performance chips for supercomputers – as well as components and software related to metals and metal alloys.

Export controls are the mechanism by which certain

goods, software, and technologies are classified as “controlled items”, and are designed to prevent sensitive items from being used in ways that could harm national security or violate international agreements. Practically, exporters are then required to obtain licences, adhere to any destination restrictions, and declare the end user and intended use of the items.

In a statement, the US Department of Commerce stipulated that the controls would cover all worldwide exports, but include exemptions for countries that implement similar measures, a group which includes Japan and the Netherlands, among other allies. Alan Estevez, under-secretary for the Bureau of Industry and Security emphasised this coordination in his statement: “Today's action ensures our national export



controls keep step with rapidly evolving technologies and are more effective when we work in concert with international partners. Aligning our controls on quantum and other advanced technologies makes it significantly more difficult for our adversaries to develop and deploy these technologies in ways that threaten our collective security." Officials will hold a public referendum within 60 days before making a final decision on their implementation.

Adarga Analysis: The significance of US export controls on quantum computing extends beyond mere regulation; it reflects the pursuit of strategic national security interests, especially amidst wider dynamics of geopolitical and geoeconomic competition between the US and China. The controls are consistent with a broader trend of securitisation of emerging technologies; due to the growing recognition of their strategic importance and potential applications, technologies such as quantum are frequently framed through the lens of national security, leading to increased government involvement, regulation, and investment.

Notably, the definition of "export" extends beyond physical goods to encompass any transfer of technology, data, or information. Consequently, these controls are likely to have knock-on effects beyond international trade of end-products, including on academics and those working in R&D. Such a move is likely to be combined with other government initiatives and additional funding announcements to these as areas of strategic priority.

These controls are distinct from the rumoured package of additional controls on AI memory chips (discussed in *Briefly Issue 1*) but almost certainly part of a broader trend. While China has not been specifically identified, most of the new controls are compatible with a series of moves the Biden administration has made to limit Beijing's development in the fields of AI and quantum computing. Export controls are a part of this strategy, and the Department of Commerce's most recent announcement can be understood as the latest move within a broader trend of US technology export controls since those introduced on semiconductor chip technology in October 2022. Likewise, China has implemented its own export controls including in

quantum technologies as part of its broader strategy to safeguard national security and maintain technological sovereignty, primarily focused on restricting the export of advanced quantum computing technologies and related components that could be utilised for military applications or enhance foreign military capabilities. Both countries are treating quantum technologies as a new frontier in their strategic rivalry and these latest export controls are reflective of a global trend where multiple countries are tightening their own regulations. Export controls will be vital for shaping the way that both sides continue their development.

The US has placed significant emphasis on aligning its export control measures with key allies, particularly Japan and the Netherlands. This strategy aims to create a unified front in restricting China's access to advanced technologies, including quantum computing and semiconductor manufacturing. The recent announcement explicitly mentions exemptions for countries implementing similar measures, with Japan and the Netherlands already having taken steps in this direction. Given this focus on alignment, it is highly likely that we will see Japan and the Netherlands introduce comparable export controls on quantum technologies. Both countries have previously cooperated with the US on semiconductor export restrictions, and their participation is crucial for the effectiveness of these controls, given their significant roles in the global high-tech supply chain.

However, it is worth noting that both countries may face economic pressures and potential retaliation from China, which could influence the extent and timing of their alignment with US policies. The Dutch government has indicated it will consider the interests of its national champion in semiconductor manufacturing, ASML, in its decision-making, while Japan may be cautious about potential impacts on its companies operating in the sector. Despite these considerations, the trend towards closer coordination on export controls among US allies is likely to continue, with Japan and the Netherlands expected to implement similar measures in the near future, albeit potentially with some modifications to balance their economic interests with security concerns.



References

- ¹ <https://www.dailynewsegypt.com/2024/09/02/egypts-international-air-show-kicks-off-tuesday/>
- ² <https://www.voanews.com/a/chinese-military-planes-displayed-at-egypt-airshow-but-demand-is-in-question-7774615.html>
- ³ <https://www.afcent.af.mil/News/Article/3893159/us-aircraft-arrive-for-first-egypt-international-airshow>
- ⁴ <http://www.kaz.people.cn/n3/2024/0904/c416688-20214633.html>
- ⁵ <https://news.ifeng.com/c/8cNkyZm8PGQ>
- ⁶ <https://militarywatchmagazine.com/article/egypt-j10c-f16s-reports>
- ⁷ <https://defencesecurityasia.com/en/egypt-chooses-chinese-made-j-10c-fighter-jets-rejects-f-16-upgrade/>
- ⁸ <https://bulgarianmilitary.com/2024/09/07/egypt-selects-chinese-j-10cs-instead-of-upgrading-its-f-16vs/>
- ⁹ <https://militarywatchmagazine.com/article/egypt-j10c-f16s-reports>
- ¹⁰ <https://nationalinterest.org/blog/buzz/f-16-being-replaced-chinas-j-10c-fighter-1-air-force-212643>
- ¹¹ <https://breakingdefense.com/2024/09/china-russia-pitch-defense-hardware-to-mena-at-the-first-egypt-airshow/>
- ¹² <https://news.ifeng.com/c/8cNkyZm8PGQ>
- ¹³ <https://www.janes.com/osint-insights/defence-news/defence/egypt-signs-for-c-130j-airlifters>
- ¹⁴ <https://thediplomaticinsight.com/pms-of-spain-norway-visit-china>
- ¹⁵ <https://www.globaltimes.cn/page/202409/1319461.shtml>
- ¹⁶ <https://www.lamoncloa.gob.es/lang/en/presidente/news/Paginas/2024/20240909-trip-to-china-beijing.aspx>
- ¹⁷ <https://www.lamoncloa.gob.es/lang/en/presidente/news/Paginas/2024/20240909-trip-to-china-beijing.aspx>
- ¹⁸ https://www.fmprc.gov.cn/mfa_eng/xw/zyxw/202409/t20240911_11488697.html
- ¹⁹ <https://www.euractiv.com/section/eu-china/news/spanish-pm-sanchez-in-china-to-meet-xi-boost-trade/>
- ²⁰ <https://www.reuters.com/world/spanish-prime-minister-says-we-dont-need-another-trade-war-2024-09-11/>
- ²¹ <https://www.euronews.com/business/2024/09/09/spains-sanchez-seeks-to-temper-trade-war-during-talks-with-president-xi>
- ²² <https://apnews.com/article/china-spain-prime-minister-cars-tariffs-pork-f0efbc37e84347dfe7da7344e62e851e>
- ²³ <https://thediplomaticinsight.com/pms-of-spain-norway-visit-china>
- ²⁴ <https://www.reuters.com/business/autos-transportation/volkswagens-cupra-at-risk-planned-eu-tariffs-says-brand-ceo-2024-09-03/>
- ²⁵ <https://www.taipeitimes.com/News/front/archives/2024/09/07/2003823390>
- ²⁶ https://www.theregister.com/2024/09/06/us_rolls_out_new_export
- ²⁷ https://www.theregister.com/2024/09/06/us_rolls_out_new_export
- ²⁸ <https://www.taipeitimes.com/News/front/archives/2024/09/07/2003823390>
- ²⁹ <https://vneconomy.vn/techconnect/hoa-ky-ra-loat-bien-phap-kiem-soat-xuat-khau-moi-khi-trung-quoc-dat-duoc-nhieu-tien-bo-ve-ban-dan.htm>
- ³⁰ <https://www.newscientist.com/article/2436023-multiple-nations-enact-mysterious-export-controls-on-quantum-computers/>
- ³¹ <https://www.csis.org/analysis/updated-october-7-semiconductor-export-controls>

To provide feedback on *Briefly - China in the changing world order*, or suggest themes that you would like to see covered, please email hello@adarga.ai

To learn more about the Adarga Research Institute please contact us [here](#).

