



## DEBATE

### **Thierry de Montbrial**

Thank you very much. We can take now two or three questions. I see some hands, Enrico Letta?

### **Enrico Letta**

Thank you Kevin. I would like to ask you to elaborate a bit more on the divisions of European countries in the relationship with China. How do you see these divisions, and what is the future on that point?

### **Kevin Rudd**

What I did not get around to saying before was that, if China's strategy is as I described it before, and if the US-China divide is as I described it as well, and we find ourselves in an increasingly bipolar world, Europe will become increasingly the swing state for the future. That is, which way does it go? The Chinese, when they look at Europe, see it as a very large, integrated economic entity. They know that in political, foreign policy and security policy terms it is relatively weak, in terms of a single voice in Brussels. However, given the reality of what we can call China's unfolding decoupling with the US, however far it goes in trade, technology and finance, let alone currency questions, the Chinese thinking is that there is only one other entity in the world currently big enough to actually fill up that gap, and that is Europe.

Now, I am describing very early stages of China's thinking, because this decoupling process has really only unfolded in the last 12 months in one form or another. Therefore, that will present Europeans with certain binary decisions for the future. Whereas all of us as American allies love a world where we can be friends of both China and the US, this will prospectively become harder and harder. For which the 5G demand by the current US administration is just the first example of many others still to come.

Regarding Chinese perceptions of Europe itself, you can see what they have done in the former Eastern Europe with the 16 Plus 1, or the 17 Plus 1 now, they are reasonably happy with the success there. They are delighted that Italy joined as the first G7 state the Belt and Road Initiative. They have had for 10 years now big investments in Greece, and have seen Greece as a country which will reflect Chinese realities in internal EU deliberations. The Chinese are carefully following their analysis of the Reformation line. They will be targeting a whole bunch of countries in southern Europe, but elsewhere as well in Eastern Europe.

But the binary nature of our future, which is uncomfortable for all of us, including US allies in Asia, including Australia, will be one of the characteristics of this difficult period we are about to enter.

### **Thierry de Montbrial**

I am asked to take only one question, so I will take two. Brian Gallagher and... yes, because we need a British citizen. Please, let us start with America, and Britain. After all, Hong Kong was British not so long ago.

### **Brian A. Gallagher**

Thank you, I am Brian Gallagher, CEO of United Way Worldwide, two of the most confused countries in the world apparently. Prime Minister, I presume you believe that the decoupling and the strategic competitive path that the US and China are now on is not a good thing, is a negative thing. Who, besides Europe, are the other mitigating players to avoid what would be a catastrophic decoupling, whether other state actors, multilateral players, or even civil society players? What will keep China and the US, when we do come back together again, from entering a military conflict or an all-out cyber-conflict, or something that would be destructive globally?

**Kevin Rudd**

Regarding the trade war, let us be clear about our American friends. This is not just a Trump initiative; it has widespread Democrat support in the US, because with a change in administration today, the Democrats would be pursuing a strategy towards China about as hard-line as the current one, but more systematic than we have seen under President Trump.

Regarding the second point, remember that the trade war exists for a purpose, and that China has been dragging its feet on trade liberalisation, market access, forced technology transfer, IP protection and state subsidy for its firms, and these are alive in WTO disputes raised with China over a long period of time. So these are necessary frictions to resolve. Certainly, however, it is a vast ocean between that, on the one hand, and a decoupling of tech and finance, let alone the currency, on the other. That is where you are into economic war, or let me call it economic cold war. And there is a view within parts of the White House that, in fact, this is the direction in which we should go, that to decouple is necessary to contain, and this is part of an integrated strategy.

It is unclear, for me, how much the US will actually proceed down the decoupling road. What I fear is that China has concluded internally that it is a big enough risk for it that China must take its own preparatory actions, which then, once they are prepared, tend to be implemented, rather than simply remain on the shelf. We have mutually reinforcing concerns, as it were, which therefore tend to produce an even more adverse reality.

Regarding the final point about off-ramps for this, how you exit it, countries which have an ability to talk to the US about where to go in the future on this and would be listened to in Washington would be Japan, Germany (which the US identifies as the new core of Europe given Britain's decision) and, less so, India, and possibly countries like Australia, in other words, close allies, but those who are able to say to Uncle Sam, 'Be careful what you wish for.'

**Thierry de Montbrial**

Lord Lothian. That is the last question.

**Michael Lothian**

Thank you very much. I might make this the last two questions, very briefly. The first is that I am seeking your advice, Kevin. Britain, as you know, still has guarantor status in relation to Hong Kong, and we have been fairly cautious in the light of what has been happening there. What would be your advice as to what we should be doing at this moment? Secondly, you referred to the BRI as advancing trading opportunities for China. It has been described by certain military figures in Europe as neo-colonialism, building a colonial empire on behalf of China. Would you agree with that?

**Kevin Rudd**

Let me take the second question first, and then allow me to duck and weave and try to avoid a direct answer on the first question that you asked, which is on Hong Kong! Regarding BRI, what is the big distinguishing feature of China's global strategy? It is against, frankly, what for 500 years was a relatively appalling Western colonial history in the rest of the world, whether it is Asia, Africa or Latin America. China has no interest in occupying anybody else's territory; it is just not there. China's territorial boundaries were largely settled in the Qing Dynasty, between, let us call it, 1600 and 1900, when they achieved their maximum shape, which is kind of where they are today. There have also of course been debates with the Russians primarily about the long-term durability of that border. But an interest in the foreign acquisition of territory is not on the agenda. It is not the way in which China sees the world. China's ultimate view, though, of Eurasia, let us call it, is that they would want it to be as strategically benign and ultimately as compliant as possible to China's core strategic interests. And on the question of markets, China is on the hunt for global markets, in Africa, as all of our African friends and colleagues at this important conference will know, but also in Latin America and the rest of Asia. Look at the recent changes in Chinese economic and political diplomacy towards India because of its anticipation of where decoupling might go.

Therefore, I do not see BRI as such as a military strategy. There is, however, a separate Chinese military reach through the Indian Ocean, evidenced most recently by the acquisition of a 99-year lease in Djibouti for, effectively, a



Chinese naval base there. China will have a range of justifications for that, including protecting its own sea lines of communication out of the Gulf if they cannot in the future rely on the US. This will also generate its own strategic consequences. However, when I have spoken to people at the core of the BRI business in Beijing and queried those who are frank enough to explain what they are on about, there is still a lack of clarity as to what it is. That is not me saying that China has no interest in extending its military presence in other parts of the world for other reasons. It does. Watch closely what China is doing in terms of the increased intensity and location of its joint military exercising with the Russians – in the Baltic, in the Mediterranean, and certainly in the Pacific.

Regarding Hong Kong, you raised a highly sensitive matter, which is what Britain's diplomacy should be towards Hong Kong right now. Let me just say this. I have just come from London. I have been chatting to a few of our friends there about these questions. Uniquely, as you say, under international law, the UK has a responsibility that none of the rest of us have. Other than under international human rights law and the UN Charter and the provisions outlined therein. However, the UN Charter is about states, and Hong Kong is not a state. International human rights law is valid for all peoples, but as we know, but it is a soft international instrument. Therefore you, uniquely, have the treaty power. However, to be frank, if I were Whitehall or Westminster, I would rarely, but nonetheless clearly, be articulating where, in the UK's view the Joint Declaration and the Basic Law contained in the 1997 treaty arrangement, were being violated at a particular time. These are not occasions to use lightly.

**Thierry de Montbrial**

Thank you very much, we could spend hours with you, talking about China.