

STRONGER TOGETHER: HOW US-UK COLLABORATION CAN ANSWER CHINA'S GROWING GEOPOLITICAL AMBITION

BY DARREN G. SPINCK



**ASIA
STUDIES
CENTRE**

Published in 2023 by The Henry Jackson Society

The Henry Jackson Society
Millbank Tower
21-24 Millbank
London SW1P 4QP

Registered charity no. 1140489
Tel: +44 (0)20 7340 4520

www.henryjacksonsociety.org

© The Henry Jackson Society, 2023. All rights reserved.

The views expressed in this publication are those of the author and are not necessarily indicative of those of The Henry Jackson Society or its Trustees.

Title: "STRONGER TOGETHER: HOW US-UK COLLABORATION
CAN ANSWER CHINA'S GROWING GEOPOLITICAL AMBITION"
By Darren G. Spinck

ISBN: 978-1-909035-77-5

£9.95 where sold

Cover image: US President Donald Trump travels in his motorcade on 3rd June 2019 as he returns to Buckingham Palace on the first day of his three-day State Visit to the UK, by Michael Tubi at Shutterstock (<https://www.shutterstock.com/image-photo/london-uk-3rd-june-2019-us-1415091257>).

STRONGER TOGETHER: HOW US-UK COLLABORATION CAN ANSWER CHINA'S GROWING GEOPOLITICAL AMBITION

BY DARREN G. SPINCK



About Us



DEMOCRACY | FREEDOM | HUMAN RIGHTS

About The Henry Jackson Society

The Henry Jackson Society is a think-tank and policy-shaping force that fights for the principles and alliances which keep societies free, working across borders and party lines to combat extremism, advance democracy and real human rights, and make a stand in an increasingly uncertain world.



About The Asia Studies Centre

The Asia Studies Centre is a research centre within the Henry Jackson Society that aims to educate the public about the structural shifts, regional complexities and historic tensions that exist alongside the economic and social growth that constitutes the “rise of Asia”. It also advocates a British role in the broader Indo-Pacific region, commensurate with Britain’s role as a custodian of the rule-based international system.

About the Author

Darren G. Spinck is an Associate Research Fellow at the Henry Jackson Society's Asia Studies Centre. He is also managing partner of Washington Consulting Solutions, a US-based public affairs agency, where he focuses on policy analysis, strategic message development and public advocacy programmes.

Mr Spinck authored the Henry Jackson Society's July 2022 report *Securing the Strait: Engaging Taiwan in the UK's Indo-Pacific Tilt* and co-authored the October 2022 report *A New Era for UK Policymaking: An Economic Denial Strategy in the Indo-Pacific* with Dr Robert Seely MP.

As a Vice President at public affairs firm Hannaford Enterprises, he managed a public affairs project for Taiwan and the programme's media activities (strategic messaging, media relations and commentary development) with the Taipei Economic and Cultural Representative Office (TECRO) in Washington, DC, for recognition of the 30th anniversary of the US Congress Taiwan Relations Act, which authorises America's *de facto* diplomatic relations with Taipei and guarantees Taiwan's security through the sales of arms and other assurances.

He is a regular speaker at the Economic Forum in Krynica and Karpacz, Poland, and the Foundation Institute for Eastern Studies' Europe-Ukraine Forum in Rzeszow, Poland, focusing his discussions on the risks of China's growing influence in Central and Eastern Europe and US policy toward Ukraine. He was an international election observer with the Ukrainian Congress Committee of America for Ukraine's 2019 presidential election.

Mr Spinck gained a BA in journalism, specialising in public relations, from the University of Maryland, College Park, MD, and an MA in international commerce and public policy from George Mason University's Graduate School of Public Policy, Arlington, VA.

Acknowledgements

Thank you to Gordon Chang, Elbridge Colby, Ambassador Kelley Currie, Louisa Greve, Akira Igata, Taras Kuzio, Amy K. Mitchell, Robby Saunders, Dr Bob Seely MP and Tomasz Wróblewski for their valuable insight on transatlantic policy vis-à-vis China.

Valued suggestions were made by Krševan Antun Dujmovic, Evan Fowler, Alan Mendoza and Marc Sidwell during the review process.

I appreciate the efforts of Max Eddy, Peter Lau, Nicholas Podell and Hiu Yi Brandon To for their assistance in the research. I also wish to thank Megan Gittoes, Sophia Kayes and Jamila Mammadova for their efforts in organising this research effort.

Contents

About The Henry Jackson Society	2
About The Asia Studies Centre	2
About the Author	3
Acknowledgements	3
Executive Summary	5
Foreword by Rt Hon. Tobias Ellwood MP	7
1. Introduction.....	8
2. The CCP's Diplomatic Initiatives	12
2.1 <i>Fissures in Western Unity</i>	<i>14</i>
2.2 <i>Diminishing US Credibility.....</i>	<i>14</i>
2.3 <i>De-Dollarization.....</i>	<i>15</i>
2.4 <i>Expand PRC-Controllable Supply Chains</i>	<i>15</i>
3. Mitigating the Risks of De-Dollarization	17
3.1 <i>Rise of the Yuan.....</i>	<i>17</i>
3.2 <i>Sanctions Evasion</i>	<i>18</i>
4. The Australia-United Kingdom-United States (AUKUS) Trilateral Security Partnership as an Indo-Pacific Cornerstone Balancer.....	20
4.1 <i>PLA Military Modernisation</i>	<i>20</i>
4.2 <i>Maintaining the Status Quo in the Taiwan Strait is a US/UK National Interest</i>	<i>21</i>
4.3 <i>Reassessing Transatlantic Deterrence Policies.....</i>	<i>22</i>
4.4 <i>Denying PRC Hegemony through AUKUS.....</i>	<i>23</i>
4.5 <i>What AUKUS Needs and Should Do.....</i>	<i>24</i>
5. US-UK Economic Denial Policies	25
5.1 <i>Export Controls.....</i>	<i>25</i>
5.2 <i>Outbound Investment Restrictions.....</i>	<i>26</i>
5.3 <i>Infrastructure Development Finance.....</i>	<i>28</i>
6. Bolstering US-UK Trade Policies.....	30
6.1 <i>Mitigating Risks of a PRC-Led Economic Bloc.....</i>	<i>30</i>
6.2 <i>Trade Liberalisation.....</i>	<i>31</i>
7. Conclusion/Recommendations.....	33

Executive Summary

Washington's and London's "business as usual" approach toward the People's Republic of China (PRC) has fundamentally changed, as most transatlantic policymakers have finally realised the Chinese Communist Party (CCP) has its own economic, security and technology worldview which conflicts with US and UK national interests and values.

Global flashpoints – from growing tensions in the Taiwan Strait to documented human rights abuses in Xinjiang – have made the past level of economic interconnectedness between the West and its partners within the PRC unsustainable. However, despite risks emanating from an interdependent trading relationship with the PRC, some in Europe – and even in the UK Government – appear to still pine for warm commercial ties with Beijing.

Instead, in the face of this growing threat, Washington and London should aim to strengthen their "special relationship", counter China's techno-authoritarian worldview, and pursue policies in the transatlantic partnership's joint national interests. Left unchallenged by Washington and London, China's competing world order could lead to fractured economic and security partnerships for the United States and United Kingdom throughout the Indo-Pacific and Europe, with the CCP cementing its global hegemonic ambitions.

Following three years of China's "isolation" from the world during the Covid-19 pandemic and the CCP's "inward-looking" policymaking, Beijing has aggressively re-engaged the world. With a diplomatic blitzkrieg aimed at reframing deteriorating relations in Europe, deepening ties in the Middle East, and reframing itself as a power broker in the Pacific Islands and Central Asia, the PRC has focused on creating fissures in Western unity, diminishing US credibility, encouraging de-dollarisation, and expanding PRC-controllable supply chains.

In an increasingly bipolar world, Washington and London should pursue grand strategies that reflect the national interests and values of both countries, while also reflecting the world's shift away from US-led unipolarity and the current constraints of US and UK economic/military power. The "special relationship" should strive to continue encouraging US and UK partners to embrace a political and economic model based on classical liberalism – freedom of speech, religious liberty, economic freedom and an independent and uncensored media – with policies pursued by elected representatives which reflect the will of the electorate.

Denying China its ability to supplant the pro-market, democratic vision of the transatlantic partners and dominate any region with its own trade or military bloc will require a two-pronged denial strategy (defence and economic). US and UK technology policy must also align, as the CCP can use advances in artificial intelligence, biotechnology, robotics and other advanced and emerging technologies to further its techno-authoritarian worldview.

With 60 percent of the world's population living in the Indo-Pacific, and the region becoming the primary engine of global economic growth within the next three decades, a free and open Indo-Pacific is unquestionably in the vital national interest of both the United States and United Kingdom. An overarching objective of US and UK foreign policies should be denying the CCP its ability to form an economic or military bloc which would allow the PRC to establish hegemony in the Indo-Pacific or any other global region.

This will require modernisation of military capabilities; pursuing policies to limit the increased use of the yuan as a global currency; reshoring critical manufacturing and liberalising trade policies with partners sharing similar national interests; securing supply chains and sea/air trade routes in the Indo-Pacific and Europe; and maintaining a lead on policymaking for emerging and advanced technologies.

Other US and UK policy objectives should include:

- Weakening the Sino-Russian “no limits” partnership by preventing China from unduly influencing policy in Ukraine and, subsequently, allowing a CCP foothold in Central and Eastern Europe (CEE);
- Accelerating targeted transatlantic decoupling from China through re-shoring critical sectors, while increasing trade and securing supply chains with like-minded partners in the Indo-Pacific and CEE;
- Engaging with the private sector to encourage investment in regional Indo-Pacific and CEE infrastructure projects as an alternative to China's Belt and Road Initiative;
- Coordinating investment reviews and export controls with regional partners to restrict the PRC from gaining any strategic advantage over the West in advanced and emerging technologies;
- Aligning outbound investment review policy and aiming to limit CCP-linked entities from accessing Western capital markets, particularly those with a nexus to China's military-civil fusion program;
- Countering PRC efforts at de-dollarisation and policies aimed at attaining a larger share of global currency status for the renminbi;
- Denying the CCP its ability to disrupt the status quo in cross-Strait relations and preventing China from attaining hegemon status in the Indo-Pacific through the Australia-United Kingdom-United States (AUKUS) trilateral security partnership;
- Reassessing priorities for arms transfers to ensure Taiwan and US/UK partners in the Indo-Pacific can adequately defend themselves, and increasing defence spending to Cold War levels, as a percentage of GDP, to reflect the growing threat of China's military modernisation effort;
- Restricting CCP efforts to use technology for dual-use military use and human rights abuses, or to influence policy in the West;
- Blocking non-secure apps from government phones and on the personal phones of government officials with high-level clearances.

Foreword by Rt Hon. Tobias Ellwood MP

Few would contest that our world is becoming more insecure and more dangerous, not less. Arguably, our international rules-based order reached its zenith after NATO pulled out of Afghanistan. It was a signal to any authoritarian state that the West no longer had the collective political appetite to stand up and defend our standards and values. Both Moscow and Beijing have taken notice. Whilst Russia's attempt to rekindle its influence in Slavic Europe can easily be contained, China is pursuing an altogether more sinister long term strategy. China's meteoric economic advance over the last couple of decades has come at the expense of dozens of countries lured into "One Belt One Road" development programmes which they cannot afford. China's increasing dominance of the "global south" and its monopoly of strategic resources now poses a geo-strategic threat to the West.

This report, authored by Darren Spinck, highlights the urgent need for greater collaboration between Washington and London to address China's exploitation of our rules-based order. This collaboration must span across defence, trade, and technology and, as Spinck puts it, we must increase defence spending to Cold War levels and accelerate industrial production to supply both Ukraine and offer deterrence in the Indo-Pacific.

Given its growing military, technological and economic dominance this will be China's century. The question for the West is how do we encourage China to conform to international standards before the "Thucydides Trap" predicts a conflict between the world's two superpowers.

In 1941, America and Britain crafted the Atlantic Charter, the basis from which the UN and the Bretton Woods organisations would emerge. As global security continues to deteriorate we must urgently review and upgrade our commitment to what we believe in, stand for and are willing to defend.

1. Introduction

Washington's and London's "business as usual" approach toward the People's Republic of China (PRC) has fundamentally changed, as most transatlantic policymakers have finally realised the Chinese Communist Party (CCP) has its own economic, security and technology worldview which conflicts with US and UK national interests and values.¹ HM Government's *Integrated Review Refresh 2023* identifies China's "epoch-defining and systemic challenge" as the CCP's "aim to shape a China-centric international order more favourable to its authoritarian system".² More precisely, the CCP pursues policies to further its own interests, not those of the Free World, which it actively seeks to undermine, and hopes to transform what remains of the US-led unipolar moment through de-dollarisation, economic coercion, weaponising global supply chains, and maintaining a strategic advantage over strategic assets and technology.^{3, 4, 5, 6} With the world shifting toward bipolarity, the PRC aspires to a hegemonic status in the Indo-Pacific and elsewhere in the Global South.

Global flashpoints - including growing tensions in the Taiwan Strait, documented human rights abuses in Xinjiang, allegations of CCP complicity in covering up Covid-19's origin and incidents of transnational repression - have made the past level of economic interconnectedness between the West and its partners within the PRC unsustainable.^{7, 8, 9} The US and Europe had hoped China's entry into the global trading system would have made Beijing a "responsible stakeholder".¹⁰ However, since China joined the World Trade Organization, trade imbalances and market distortions have helped the PRC's economy grow over 13.25 times, providing Beijing with the ability to weaponise global trade through trade restrictions, tourism curbs, punitive measures against foreign entities and popular boycotts.^{11, 12, 13, 14} Meanwhile, America's

¹ Nicholas Nelson, "UK's Business-As-Usual Approach to China Is Unsustainable", CEPA, 9 July 2021, <https://cepa.org/article/uks-business-as-usual-approach-to-china-is-unsustainable/>.

² Cabinet Office, "Integrated Review Refresh 2023: Responding to a more contested and volatile world", March 2023, <https://www.gov.uk/government/publications/integrated-review-refresh-2023-responding-to-a-more-contested-and-volatile-world>.

³ Peter C. Earle, "De-Dollarization Has Begun", American Institute for Economic Research, 4 April 2023, <https://www.aier.org/article/de-dollarization-has-begun/>.

⁴ Matthew Reynolds and Matthew P. Goodman, "Deny, Deflect, Deter: Countering China's Economic Coercion", Center for Strategic & International Studies, March 2023, https://csis-website-prod.s3.amazonaws.com/s3fs-public/2023-03/230321_Goodman_CounteringChina%27s_EconomicCoercion.pdf?VersionId=UnF29IRogQV4vH6dy6ixTpfTnWvftd6v.

⁵ Gerard M. Acosta, "China's One Road, One Belt Grand Strategy: Founded on the Weaponization of the Global Supply Chain", *Defense Transportation Journal*, 1 December 2020, <https://www.ndtahq.com/chinas-one-road-one-belt-grand-strategy-founded-on-the-weaponization-of-the-global-supply-chain/>.

⁶ Jessica Brandt, Sarah Kreps, Chris Meserole, Pavneet Singh and Melanie W. Sisson, "Succeeding in the AI Competition with China: a Strategy for Action, Executive Summary", The Brookings Institution, September 2022, https://www.brookings.edu/wp-content/uploads/2022/09/FP_20220930_us_china_tech.pdf.

⁷ Ben Blanchard and Yimou Lee, "China stages combat patrols after warning Taiwan about U.S. speaker meeting", *Reuters*, 31 March 2023, <https://www.reuters.com/world/asia-pacific/china-stages-combat-patrols-crosses-strait-median-line-taiwan-says-2023-03-31/>.

⁸ Ken Moritsugu and Jamey Keaten, "China denounces U.N. report detailing human rights abuses of Uyghurs", *PBS NewsHour*, 1 September 2022, <https://www.pbs.org/newshour/world/china-denounces-u-n-report-detailing-human-rights-abuses-of-uyghurs>.

⁹ "The Chinese Communist Party's Coronavirus Cover-Up", Foreign Affairs Committee, 21 September 2020, <https://foreignaffairs.house.gov/chinas-coronavirus-cover-up/>.

¹⁰ Robert Zoellick, "Whither China? From Membership to Responsibility: Remarks to the National Committee on U.S.-China Relations", presented at the National Committee's Members' Gala, 21 September 2005, https://www.ncuscr.org/wp-content/uploads/2020/04/migration_Zoellick_remarks_notes06_winter_spring.pdf.

¹¹ Joe McDonald, "China's trade surplus swells to \$877.6B as exports grow", *AP News*, 13 January 2023, <https://apnews.com/article/inflation-shanghai-business-0c0f7946bc3c08db1df13eb78911f4aa>.

¹² One Hundred Fifteenth Congress, Second Session, "Hearing on U.S. Tools To Address Chinese Market Distortions", U.S.-China Economic and Security Review Commission, 8 June 2018, <https://www.uscc.gov/sites/default/files/transcripts/Hearing%20Transcript%20-%20June%208%2C%202018.pdf>.

¹³ Phelim Kine, "Ending China's 20-year WTO winning streak", *Politico*, 12 September 2021, <https://www.politico.com/newsletters/politico-china-watcher/2021/12/09/ending-chinas-20-year-wto-winning-streak-495395>.

¹⁴ Bonnie S. Glaser, "How China Uses Economic Coercion to Silence Critics and Achieve its Political Aims Globally", Congressional-Executive Commission on China, 7 December 2021, <https://www.cecc.gov/sites/chinacommission.house.gov/files/documents/CECC%20Hearing%20Testimony%20-%20Bonnie%20Glaser.pdf>.

trade dependency on China and the ensuing trade deficit led to the loss of an estimated 3.7 million jobs. As US Senator Marco Rubio (R-FL) warned, “capitalism didn't change China – China changed capitalism”.¹⁵

According to the American Chamber of Commerce, for the first time in a quarter of a century, the majority of US firms do not view China as a top-three investment priority.¹⁶ Large multi-nationals have fled China for Vietnam and Central and Eastern Europe (CEE).¹⁷ Public opinion polling has found 81 percent of Americans see economic competition between the US and China as a very/somewhat serious problem for America.¹⁸ While America's trade deficit with China did worsen in 2022, rising to \$382.9 billion (an 8.3 percent year-over-year increase), targeted decoupling is afoot, despite some Biden Administration officials claiming otherwise.¹⁹

Some senior officials in London would also prefer to wish away competition with China, pretending the CCP can remain a partner for managing global issues and advancing British national interests.²⁰ Just because one wishes away the poor state of relations brought about by decades of CCP policies, does not make the fissure between the transatlantic partners and the PRC any less true. As noted by MP Bob Seely, those advocating for a strengthening of policies to answer China's growing geopolitical ambitions are not seeking complete isolation from the PRC.²¹ Mitigating existing economic dependence on China and favouring policies which help ensure the Indo-Pacific remains free and open do not have to lead to an end of all engagement with China, added Seely.²² Officials who believe that pursuing policies to minimise the CCP's ability to use economic coercion while maintaining diplomatic engagement with the PRC are mutually exclusive are stating a strawman fallacy, the Foreign Affairs Select Committee member said.²³

The CCP has already initiated targeted decoupling from the West under its own terms, as detailed in China's 'dual-circulation' economic strategy, which limits PRC reliance on imports and aims to develop China-controlled global supply chains.²⁴ In the 2023 US Director of National Intelligence's Annual Threat Assessment, it was noted that President Xi Jinping has

¹⁵ Marco Rubio, “Rubio: ‘Capitalism Didn't Change China—China Changed Capitalism’”, U.S. Senator for Florida, Marco Rubio, 2 March 2023, <https://www.rubio.senate.gov/public/index.cfm/2023/3/rubio-capitalism-didn-t-change-china-china-changed-capitalism>.

¹⁶ “Majority of US Firms Don't See China as Priority for Investment”, *Bloomberg*, 1 March 2023, <https://www.bloomberg.com/news/articles/2023-03-01/us-firms-turn-more-negative-on-china-as-economy-tensions-bite?sref=p8neHWIG&leadSource=uverify%20wall>.

¹⁷ Elisabeth Braw, “Companies Are Fleeing China for Friendlier Shores”, *Foreign Policy*, 2 August 2022, <https://foreignpolicy.com/2022/08/02/companies-fleeing-china-friendshoring-supply-chains/>.

¹⁸ Laura Silver, Christine Huang, Laura Clancy and Moira Fagan, “Americans Are Critical of China's Global Role – as Well as Its Relationship with Russia”, Pew Research Center's Global Attitudes Project, 12 April 2023, <https://www.pewresearch.org/global/2023/04/12/americans-are-critical-of-chinas-global-role-as-well-as-its-relationship-with-russia/>.

¹⁹ Eric Martin and Ana Monteiro, “US-China Goods Trade Hits Record Even as Political Split Widens”, *Bloomberg*, 7 February 2023, <https://www.bloomberg.com/news/articles/2023-02-07/us-china-trade-climbs-to-record-in-2022-despite-efforts-to-split?sref=p8neHWIG>; Viktoria Dendrinou and Christopher Condon, “Top Treasury Official Says US Not Seeking China Decoupling”, *Bloomberg*, 10 April 2023, <https://www.bloomberg.com/news/articles/2023-04-10/top-treasury-official-says-us-not-seeking-decoupling-from-china?sref=p8neHWIG>; Adrija Chatterjee, “US Not Seeking Technology Decoupling From China, Raimondo Says”, *Bloomberg*, 10 March 2023, <https://www.bloomberg.com/news/articles/2023-03-10/us-not-seeking-technology-decoupling-from-china-raimondo-says-lf2inmbn?leadSource=uverify%20wall>.

²⁰ James Cleverly MP, “Our position on China: Foreign Secretary's 2023 Mansion House speech”, Foreign, Commonwealth & Development Office, 25 April 2023, <https://www.gov.uk/government/speeches/our-position-on-china-speech-by-the-foreign-secretary>.

²¹ Bob Seely, “The UK's dependency on China is “potentially disastrous”, Tory MP Bob Seely tells #TimesRadio”, interview by Carole Walker; Times Radio (@TimesRadio), *Twitter*, 26 April 2023, 11.19am, <https://twitter.com/TimesRadio/status/1651169037508812800?s=20>.

²² *Ibid.*

²³ *Ibid.*

²⁴ “China's 'dual-circulation' strategy means relying less on foreigners”, *The Economist*, 5 November 2020, <https://www.economist.com/china/2020/11/05/chinas-dual-circulation-strategy-means-relying-less-on-foreigners>.

stated the PRC's intention to use supply chain dependencies to "cut off" foreign trade partners during a crisis.²⁵

As China has increased its "statist posture" toward economic policymaking and slowed reforms, Beijing's hostility toward the West has remained high, particularly since protesters opposed China's harsh "zero-COVID" policies in late 2022.²⁶ Xi has since accused America of "containment and suppression" while China's foreign minister Qin Gang warned of "conflict and confrontation" with the US in the Taiwan Strait.^{27, 28}

US-PRC tensions further worsened when Beijing announced plans for retaliation following the democratically elected Taiwanese President Tsai Ing-wen's visit to America and her meeting with US Speaker of the House Kevin McCarthy (R-CA). Beijing had warned of "resolute measures" prior to the meeting and then announced China's Fujian maritime safety administration would board ships in the Taiwan Strait and conduct "on-site inspections".^{29, 30} Taiwanese officials advised operators to refuse any PRC orders to board and to contact Taiwan's coastguard for assistance. Indo-Pacific experts warned such tit-for-tat retaliation "could lead to a confrontation".³¹

Despite risks emanating from an interdependent trading relationship with the PRC, some in Europe - and even in the UK Government - appear to still pine for warm commercial ties with Beijing. Reinhard Butikofer, a European parliamentarian sanctioned by China, believes European Union (EU) officials have been approached by Beijing about an agreement to lift sanctions against EU officials and entities in exchange for Brussels ratifying the EU-China Comprehensive Agreement on China.^{32, 33} Reports indicated Beijing had hoped the trade agreement with Brussels would help drive a wedge between Washington and America's European allies.³⁴

With sabre rattling from Beijing intensifying, German corporations continue "broadening their huge Chinese investments", while French President Emmanuel Macron, during his April 2023 Beijing visit, stated "we mustn't decouple with China" and sought to strengthen France's business and technology ties with the PRC.^{35, 36, 37} During a meeting with Xi in Beijing, European Commission President Ursula von der Leyen stressed Europe's hopes to "de-risk" relations with China, not decouple.³⁸

²⁵ "Annual Threat Assessment of the U.S. Intelligence Community", Office of the Director of National Intelligence, 6 February 2023, <https://www.dni.gov/files/ODNI/documents/assessments/ATA-2023-Unclassified-Report.pdf>.

²⁶ Daniel H. Rosen and Sophie Lu, "How China's Economic Slowdown Could Hurt the World", *Foreign Affairs*, 10 April 2023, <https://www.foreignaffairs.com/china/how-chinas-economic-slowdown-could-hurt-world>.

²⁷ Karson Yiu, "China's Xi blames US for 'containment and suppression' amid tensions", *ABC News*, 7 March 2023, <https://abcnews.go.com/International/chinas-xi-blames-us-containment-suppression-amid-tensions/story?id=97676556>.

²⁸ Ivana Saric, "China warns of path to 'confrontation and conflict' with U.S.", *Axios*, 7 March 2023, <https://www.axios.com/2023/03/07/china-confrontation-conflict-us>.

²⁹ "China to inspect ships in Taiwan Strait, Taiwan says won't cooperate", *Reuters*, 6 April 2023, <https://www.reuters.com/world/asia-pacific/china-inspect-ships-taiwan-strait-taiwan-says-wont-cooperate-2023-04-06/>.

³⁰ Huizhong Wu, "China vows 'forceful' measures after US-Taiwan meeting", *Associated Press*, 6 April 2023, <https://apnews.com/article/china-taiwan-tsai-mccarthy-visit-reaction-2ff3f32a9380ac06f600993dc603df39>.

³¹ Bonnie Glaser (@BonnieGlaser), *Twitter*, 5 April 2023, 3:19am, <https://twitter.com/BonnieGlaser/status/1643800651929976834?s=20>.

³² "Foreign Ministry Spokesperson Announces Sanctions on Relevant EU Entities and Personnel", Ministry of Foreign Affairs of the People's Republic of China, 22 March 2021, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/202103/t20210322_9170814.html.

³³ Reinhard Bütikofer (@bueti), *Twitter*, 22 March 2023, 10:21am, <https://twitter.com/bueti/status/1638486055052533760?s=20>.

³⁴ Samuel Petrequin, "EU, China leaders seal long-awaited investment deal", *AP News*, 30 December 2020, <https://apnews.com/article/europe-emmanuel-macron-xi-jinping-angela-merkel-china-b70f62192e9e53c16ece032bd54a9e72>.

³⁵ Melissa Eddy, "As U.S. Tries to Isolate China, German Companies Move Closer", *The New York Times*, 12 April 2023, <https://www.nytimes.com/2023/04/12/world/europe/germany-china-trade.html>.

³⁶ Jenny Che and Samy Adghirni, "Macron Sees Role for China on Ukraine, Rejects Decoupling", *Bloomberg*, 5 April 2023, <https://www.bloomberg.com/news/articles/2023-04-05/macron-says-china-can-play-role-in-ukraine-rejects-decoupling?sref=p8neHWIG>.

³⁷ Finbarr Bermingham, "France's Macron ends trip to China with pact to bolster business, military ties", *South China Morning Post*, 8 April 2023, <https://www.scmp.com/news/china/article/3216378/frances-emmanuel-macron-ends-trip-china-pact-bolster-business-military-ties>.

³⁸ Andrew Ross Sorkin et al., "Europe Plots a Reset on China", *The New York Times*, 5 April 2023, <https://www.nytimes.com/2023/04/05/business/dealbook/europe-vonderleyen-macron-xi-china.html>.

Interdependence between the US and Chinese economies, once known as “Chimerica,” is no more.³⁹ The “golden era” of Sino-British commercial ties that former Prime Minister David Cameron once envisioned no longer exists.⁴⁰ Replacing the transatlantic partners’ warm relations with China is a great power competition, which the CCP hopes will drive changes “not seen for 100 years” as Xi told Russian President Vladimir Putin in March 2023.⁴¹

With the United States and United Kingdom diverging from some of their EU allies vis-à-vis China, both Washington and London should aim to strengthen their “special relationship”, counter China’s techno-authoritarian worldview, and pursue policies in the transatlantic partnership’s joint national interests. Left unchallenged by Washington and London, China’s competing world order could lead to fractured economic and security partnerships for the United States and United Kingdom throughout the Indo-Pacific and Europe, with the CCP cementing its global hegemonic ambitions.

In an increasingly bipolar world, US and UK policy objectives should include:

- Weakening the Sino-Russian “no limits” partnership by preventing China from unduly influencing policy in Ukraine and, subsequently, allowing a CCP foothold in CEE;⁴²
- Accelerating targeted transatlantic decoupling from China through re-shoring critical sectors while increasing trade and securing supply chains with like-minded US and UK partners in the Indo-Pacific and CEE – “established and emerging economies alike”, as noted by US National Security Advisor Jake Sullivan;⁴³
- Coordinating investment reviews and export controls with regional partners to restrict the PRC from gaining any strategic advantage over the West in advanced and emerging technologies;
- Aligning outbound investment review policy and aiming to limit CCP-linked entities from accessing Western capital markets;
- Engaging with the private sector to encourage Indo-Pacific and other regional infrastructure development projects as an alternative to China’s development finance initiatives;
- Countering PRC efforts at de-dollarisation and policies aimed at attaining a larger share of global currency status for the renminbi;
- Denying the CCP its ability to force a change in the cross-Strait status quo and preventing China from attaining hegemon status in the Indo-Pacific;
- Reassessing priorities for arms and ammunitions transfers to ensure Taiwan and US/UK partners in the Indo-Pacific can adequately defend themselves;
- Restricting CCP efforts to use technology for dual-use military use and human rights abuses, or to influence policy in the West.

³⁹ Andrew Browne, “Bloomberg New Economy: The Chimera that Was ‘Chimerica’”, *Bloomberg*, 11 July 2020, <https://www.bloomberg.com/news/newsletters/2020-07-11/bloomberg-new-economy-the-chimera-that-was-chimerica?sref=p8neHW1G>.

⁴⁰ Jonathan Ford and Laura Hughes, “UK-China relations: from ‘golden era’ to the deep freeze”, *Financial Times*, 14 July 2020, <https://www.ft.com/content/804175d0-8b47-4427-9853-2aded76f48e4>.

⁴¹ Michelle De Pacina, “Xi Jinping tells Putin they are ‘driving changes not seen for 100 years’ during Kremlin farewell”, *Yahoo! Life*, 22 March 2023, <https://www.yahoo.com/lifestyle/xi-jinping-tells-putin-driving-204633247.html>.

⁴² Patricia M. Kim, “The Limits of the No-Limits Partnership”, *Foreign Affairs*, 28 February 2023, <https://www.foreignaffairs.com/china/limits-of-a-no-limits-partnership-china-russia>.

⁴³ “Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution”, The White House Briefing Room, 27 April 202, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>.

2. The CCP's Diplomatic Initiatives

The steep decline in transatlantic relations with China has coincided with the chaotic 2021 US retreat from Afghanistan and the ensuing demise of unipolarity.^{44, 45} America's and Britain's strategic competitors have tested the resolve of the US-UK transatlantic partnership ever since the last American troops exited Kabul, with Russia invading neighbouring Ukraine less than six months after the withdrawal, and the PRC increasing a grey-zone harassment and coercion campaign aimed at Taiwan.^{46, 47, 48} Today, both China and Russia maintain "a no-limits partnership" which has led to increased trade and military cooperation between the two transatlantic competitors as Beijing's and Moscow's respective relations with the United States and United Kingdom reach a nadir.^{49, 50, 51}

Beijing's and Moscow's disruptive policies have not occurred from within a vacuum, however. Nor did they solely result from the Afghanistan withdrawal and ensuing chaos which saw the Taliban regain control of the country. Domestic political turmoil in both the United States and United Kingdom have helped embolden China's and Russia's attacks on the Western governance model, including Beijing critiquing "American style democracy" and the Kremlin criticising the UK's parliamentary system.^{52, 53, 54, 55} Track I and Track II diplomacy ground to a halt during the Covid-19 pandemic, resulting in mediators and conflict parties having to negotiate virtually without the benefits of face-to-face diplomacy.⁵⁶ Furthermore, China's borders were mostly closed to foreign visitors leading up to the CCP's 20th National Congress in October 2022, at which Xi further consolidated power.^{57, 58}

Questionable policymaking, particularly from the US executive branch, has also led to transatlantic competitors exploiting power voids. In the Indo-Pacific, Washington has delayed arms shipments to Taipei and US President Joe Biden has confused allies, partners and

⁴⁴ Ruby Mellen, "Two weeks of chaos: A timeline of the U.S. pullout of Afghanistan", *The Washington Post*, 10 August 2022, <https://www.washingtonpost.com/world/2022/08/10/afghanistan-withdrawal-timeline/>.

⁴⁵ Darren Spinck, "America's 'Forever War' and the End of the Washington-led Unipolar World", Institute for Development and International Relations, October 2021, <https://irmo.hr/wp-content/uploads/2021/10/IRMO-Brief-10-2021.pdf>.

⁴⁶ Laurence Teillet and Ahmad Ali Shariati, "Analysis: Did NATO's Withdrawal from Afghanistan Inspire Vladimir Putin to Invade Ukraine?", *Jurist*, 20 April 2022, <https://www.jurist.org/features/2022/04/20/analysis-did-natos-withdrawal-from-afghanistan-inspire-vladimir-putin-to-invade-ukraine/>.

⁴⁷ "Dozens of Chinese warplanes cross Taiwan median line", *The Guardian*, 26 December 2022, <https://www.theguardian.com/world/2022/dec/26/dozens-of-chinese-warplanes-cross-taiwan-median-line>.

⁴⁸ Zoë Weaver-Lee, "Combating Beijing's Multifaceted Economic Coercion Strategy against Taiwan", Global Taiwan Institute, 8 February 2023, <https://globaltaiwan.org/2023/02/combating-beijings-multifaceted-economic-coercion-strategy-against-taiwan/>.

⁴⁹ Elizabeth Wishnick, "The China-Russia 'No Limits' Partnership Is Still Going Strong", CNA, 12 October 2022, <https://www.cna.org/our-media/indepth/2022/10/the-china-russia-no-limits-partnership-is-still-going-strong>.

⁵⁰ "China's trade with Russia surges at double-digit pace in Jan-Feb", *Reuters*, 7 March 2023, <https://www.reuters.com/business/chinas-trade-with-russia-surges-double-digit-pace-jan-feb-2023-03-07/>.

⁵¹ Sarah Carter, "Russia, China and South Africa start military drills amid Ukraine war, but Russia says no hypersonic missile test", *CBS News*, 22 February 2023, <https://www.cbsnews.com/news/russia-china-south-africa-military-exercise-during-ukraine-war-no-hypersonic-missile-test/>.

⁵² Michael Dimock and Richard Wike, "America Is Exceptional in Its Political Divide", Pew Research Center, 29 March 2021, <https://www.pewtrusts.org/en/trust/archive/winter-2021/america-is-exceptional-in-its-political-divide>.

⁵³ Luke McGee, "Britain weathered political turmoil in 2022. But Brexit remains the elephant in the room", *CNN*, 27 December 2022, <https://edition.cnn.com/2022/12/27/europe/brexit-2023-intl-analysis-cmd-gbr/index.html>.

⁵⁴ "The State of Democracy in the United States: 2022", Ministry of Foreign Affairs of the People's Republic of China, 20 March 2023, https://www.fmprc.gov.cn/mfa_eng/wjbxw/202303/t20230320_11044481.html.

⁵⁵ "Kremlin: We don't expect 'political wisdom' in selection of new British PM", *Reuters*, 21 October 2022, <https://www.reuters.com/world/europe/kremlin-we-dont-expect-political-wisdom-selection-new-british-pm-2022-10-21/>.

⁵⁶ Isabel Bramsen and Anine Hagemann, "The missing sense of peace: diplomatic approachment and virtualization during the COVID-19 lockdown", *International Affairs*, Volume 97, Issue 2, March 2021, <https://doi.org/10.1093/ia/iaa229>.

⁵⁷ Steven Jiang, "'Walled-In' China under Xi Jinping poses long-term global challenges", *CNN*, 17 October 2022, <https://www.cnn.com/2022/10/17/china/walled-in-china-xi-jinping-global-challenges-intl-mic/index.html>.

⁵⁸ Tom Mitchell, Primrose Riordan, Gloria Li and Ryan McMorow, "Xi Jinping consolidates power with leadership shake-up at party congress", *Financial Times*, 23 October 2022, <https://www.ft.com/content/fa7b9d68-7c73-4287-8ca7-78c8ddc8dc72>.

competitors alike with his claims, on four separate occasions, that America would defend Taiwan if invaded.^{59, 60} This reversal of over four decades of US strategic ambiguity coincided with China closing the existing military capability gap with America, including an estimated quadrupling of the PRC's nuclear forces by 2035.^{61, 62}

Meanwhile, no US free trade agreements have been struck with America's Indo-Pacific partners, with Washington finalising only a "vague" Indo-Pacific Economic Framework (IPEF).^{63, 64} A US free trade accord has not been reached with the UK either, nor with any other American trading partner for over ten years.⁶⁵ Fortunately for the transatlantic partnership's efforts at deepening commercial ties with Indo-Pacific partners, the UK has been far more engaged on trade, joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and signing trade deals with Japan, Australia and New Zealand.^{66, 67} The UK's Indo-Pacific tilt reflected Britain's post-Brexit trade realities, rather than London forming a strategic view on competition with China.

Former US Treasury Secretary Larry Summers has warned that US global influence is waning, adding, "there's a growing acceptance of [global] fragmentation... [and] a growing sense that ours may not be the best fragment to be associated with."⁶⁸ Summers cited concerns relating to developing economies not yet aligned with the US or China who complained that while China provides infrastructure development, the US only provides lectures.

Following three years of China's "isolation" from the world during the Covid-19 pandemic and the CCP's "inward-looking" policymaking, Beijing has aggressively re-engaged the world. With a diplomatic blitzkrieg aimed at reframing deteriorating relations in Europe, deepening ties in the Middle East, and reframing itself as a power broker in the Pacific Islands and Central Asia, the PRC has focused on creating fissures in Western unity, diminishing US credibility, encouraging de-dollarisation, and expanding PRC-controllable supply chains.^{69, 70, 71, 72, 73, 74}

⁵⁹ Ellen Nakashima, "Taiwan frustrated by weapons delays, key lawmaker finds in stealth visit", *The Washington Post*, 22 February 2023, <https://www.washingtonpost.com/national-security/2023/02/22/taiwan-weapons-china-gallagher/>.

⁶⁰ Zack Cooper, "The Fourth Taiwan Strait Slip-Up", American Enterprise Institute, 19 September 2022, <https://www.aei.org/foreign-and-defense-policy/the-fourth-taiwan-strait-slip-up/>.

⁶¹ Josh Luckenbaugh, "China Has 'Theory of Victory' to Defeat U.S. Military, Report Finds", *National Defense Magazine*, 26 October 2022, <https://www.nationaldefensemagazine.org/articles/2022/10/26/china-has-theory-of-victory-to-defeat-us-military-report-finds>.

⁶² Tara Copp and Lolita C. Baldor, "China to increase nuclear warheads to 1,500, Pentagon warns", *AP News*, 29 November 2022, <https://apnews.com/article/taiwan-europe-china-united-states-beijing-af4dd76e993f450df7af8e63d1a0187c>.

⁶³ Kentaro Iwamoto, "Indo-Pacific Economic Framework Is not an FTA: 5 things to know", *Nikkei Asia*, 19 May 2022, <https://asia.nikkei.com/Politics/International-relations/Biden-s-Asia-policy/Indo-Pacific-Economic-Framework-is-not-an-FTA-5-things-to-know>.

⁶⁴ Matthew P. Goodman and William Alan Reinsch, "Filling in the Indo-Pacific Economic Framework", Center for Strategic & International Studies, 26 January 2022, <https://www.csis.org/analysis/filling-indo-pacific-economic-framework>.

⁶⁵ Clark Packard, "U.S. Can't Afford Another Decade Without New Free Trade Agreements", CATO Institute, 20 December 2022, <https://www.cato.org/blog/us-cant-afford-another-decade-without-new-free-trade-agreements>.

⁶⁶ Kemi Badenoch MP and Rishi Sunak MP, "UK strikes biggest trade deal since Brexit to join major free trade bloc in Indo-Pacific", Prime Minister's Office and Department for Business and Trade, 31 March 2023, <https://www.gov.uk/government/news/uk-strikes-biggest-trade-deal-since-brexit-to-join-major-free-trade-bloc-in-indo-pacific>.

⁶⁷ Tom Edgington, "Brexit: What trade deals has the UK done so far?", *BBC News*, 20 September 2022, <https://www.bbc.com/news/uk-47213842>.

⁶⁸ Chris Anstey, "Summers Warns US Is Getting 'Lonely' as Other Powers Band Together", *Bloomberg*, 14 April 2023, <https://www.bloomberg.com/news/articles/2023-04-14/summers-warns-us-getting-lonely-as-other-powers-band-together?sref=p8neHW1G>.

⁶⁹ Amy Hawkins, "After years of isolation, Xi's China looks to dominate world stage", *The Guardian*, 13 March 2023, <https://www.theguardian.com/world/2023/mar/13/after-years-of-isolation-xi-jinping-china-looks-to-dominate-world-stage>.

⁷⁰ David Lubin, "Why a more inward-looking China is bad news for the world economy", Chatham House, 17 October 2022, <https://www.chathamhouse.org/2022/10/why-more-inward-looking-china-bad-news-world-economy>.

⁷¹ Mathew Fulco, "China succeeding in diplomatic push to win over Europe", *The Japan Times*, 19 February 2023, <https://www.japantimes.co.jp/opinion/2023/02/19/commentary/world-commentary/eu-china-relations/>.

⁷² Trita Parsi and Khalid Aljabri, "How China Became a Peacemaker in the Middle East", *Foreign Affairs*, 15 March 2023, <https://www.foreignaffairs.com/china-became-peacemaker-middle-east>.

⁷³ Jennifer Staats, "Four Takeaways from China's Tour of the Pacific Islands", United States Institute of Peace, 9 June 2022, <https://www.usip.org/publications/2022/06/four-takeaways-chinas-tour-pacific-islands>.

⁷⁴ John C.K. Daly, "China Unveils 'Grandiose Plan' for Central Asia", The Jamestown Foundation, 10 April 2023, <https://jamestown.org/program/china-unveils-grandiose-plan-for-central-asia/>.

2.1 Fissures in Western Unity

China's Global Security Initiative (GSI), described as "Xi's wedge in the US-led order", is the CCP's effort to position Beijing as a global peacemaker.^{75, 76} While some of the GSI's aims are ostensibly admirable, such as upholding the global consensus on preventing use of nuclear weapons, the CCP hopes the initiative will create fissures in Western unity. By shifting the former unipolar moment toward bipolarity, or a PRC-dominated multipolar world, Beijing is influencing critical economic and infrastructure policies via United Nations' global governance institutions and through diplomatic efforts targeting BRICS nations (Brazil, Russia, India and South Africa, along with China) along with France and Germany. Nineteen countries, including Indonesia, Egypt and Argentina, have submitted membership applications to join the BRICS bloc.⁷⁷

China has viewed global governance institutions as favouring Western developed nations and reflecting the national interests of those nations which developed these international organisations.⁷⁸ Subsequently, China has worked prodigiously to gain leadership posts at key organisations including the UN Industrial Development Organization (UNIDO), International Telecommunications Union (ITU), International Civil Aviation Organization (ICAO) and Food and Agriculture Organization (FAO).⁷⁹

China's state-run media outlet Global Times has proclaimed the China-brokered agreement between Iran and Saudi Arabia, which resumes diplomatic ties between the two, a "successful practice of the Global Security Initiative" which "shattered the assumption of US dominance in the Middle East".^{80, 81} The GSI will extend into Russia's "near abroad" with the inaugural "China-Central Asia Summit" which will attempt to increase China's influence in the former Soviet Republics.⁸²

2.2 Diminishing US Credibility

A key objective of China's GSI is "the degradation of U.S.-led alliances", according to the US-China Economic and Security Review Commission (USCC).⁸³ By committing to "peacefully resolving differences and disputes between countries through dialogue consultation", China has proposed a political settlement in Ukraine which would provide the GSI with credibility amongst those nations seeking to diminish America's global influence.^{84, 85} Should the PRC

⁷⁵ Pak Yiu, "China's Global Security Initiative: Xi's wedge in the U.S.-led order", *Nikkei Asia*, 1 November 2022, <https://asia.nikkei.com/Spotlight/Asia-Insight/China-s-Global-Security-Initiative-Xi-s-wedge-in-the-U.S.-led-order>.

⁷⁶ "The Global Security Initiative Concept Paper", Ministry of Foreign Affairs of the People's Republic of China, 2 February 2023, https://www.fmprc.gov.cn/mfa_eng/wjbxw/202302/t20230221_11028348.html.

⁷⁷ Peter Aitken, "New world disorder: China, Russia bloc shores up influence as countries eager to join, including US allies", *Fox News*, 2 May 2023, <https://www.foxnews.com/world/china-russia-led-economic-bloc-receives-19-applications-group-seeks-expansion>.

⁷⁸ Melanie Hart and Blaine Johnson, "Mapping China's Global Governance Ambitions", Center for American Progress, 28 February 2019, <https://www.americanprogress.org/article/mapping-chinas-global-governance-ambitions/>.

⁷⁹ Brett D. Schaefer, "Countering China's U.N. Influence: A Blueprint for the United States", The Heritage Foundation, 13 September 2022, <https://www.heritage.org/asia/report/countering-chinas-un-influence-blueprint-the-united-states>.

⁸⁰ Ding Long, "Saudi-Iran talks in Beijing mark successful practices of the Global Security Initiative", *Global Times*, 11 March 2023, <https://www.globaltimes.cn/page/202303/1287095.shtml>.

⁸¹ Nic Robertson, "China has shattered the assumption of US dominance in the Middle East", *CNN*, 15 March 2023, <https://www.cnn.com/2023/03/15/world/us-saudi-china-relations-intl/index.html>.

⁸² "China's Xi Invites Ex Soviet Republics of Central Asia for Summit", *NDTV*, 21 March 2023, <https://www.ndtv.com/world-news/china-central-asia-summit-chinas-xi-invites-ex-soviet-republics-of-central-asia-for-summit-3881073>.

⁸³ "China's Paper on Ukraine and Next Steps for Xi's Global Security Initiative", USCC, 7 March 2023, https://www.uscc.gov/sites/default/files/2023-03/Chinas_Paper_on_Ukraine_and_Next_Steps_for_Xis_Global_Security_Initiative.pdf.

⁸⁴ Ibid.

⁸⁵ "China's Position on the Political Settlement of the Ukraine Crisis", Ministry of Foreign Affairs of the People's Republic of China, 24 February 2023, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202302/t20230224_11030713.html.

succeed in its pursuit of brokering a ceasefire between Russia and Ukraine, the CCP would likely gain a strategic advantage over the US-UK transatlantic partnership with not only Ukraine, but Europe and the Global South as well.^{86, 87}

Washington and London should side-line China's attempts to enhance the GSI's global standing by defining the peace terms in Ukraine. At the right time, the US and UK should be the powers leading Kyiv and Moscow to the negotiating table through a joint transatlantic effort with the EU. China's ability to broker a negotiated settlement in Ukraine would also likely lead to the PRC influencing Kyiv's reconstruction plans and impact the transatlantic partners' ability to hold Russia accountable for damages to Ukraine's infrastructure. Through possible influence over policymaking in Ukraine, Beijing could likely gain advantages over bidding processes for reconstruction, which would block US and UK companies from participation.

2.3 De-Dollarisation

Beijing's diplomatic overtures toward the Global South are already paying dividends with PRC efforts to derail the "King Dollar" as the pre-eminent global trade and reserve currency. During an April 2023 visit to China, Brazil's president Luiz Inacio Lula da Silva, said "Every night I ask myself why all countries have to base their trade on the dollar" and called for BRICS nations to use an alternative currency when trading goods and services.⁸⁸ After meeting with Xi at the March 2023 Bao Forum in Hainan, China, Anwar Ibrahim, Malaysia's Prime Minister, stated, "there is no reason for Malaysia to continue depending on the dollar."⁸⁹ Lula's and Anwar's comments follow Russia's increasing use of the yuan for trade and finance, while French President Emmanuel Macron, also after meeting with Xi in China in April 2023, remarked that Europe should minimise its dependence on the "extraterritoriality of the dollar".^{90, 91}

2.4 Expand PRC-Controllable Supply Chains

Should the cross-Strait status quo destabilise, China is focused on expanding its access to controllable supply chains to ensure the PRC's ability to quickly export goods. In Europe, China would maintain a supply chain alternative to the Indo-Pacific sea and air trade routes with control of the Southern Corridor of the 9500-kilometre Trans-Asian railway.⁹² China has recently proposed a \$58 billion, 1580-mile railway from Pakistan's Gwadar Sea Port to Xinjiang, China, "to further reduce Western trade dependence".⁹³ In Central Asia, China has now concluded Belt and Road Initiative (BRI) agreements with all regional former Soviet Republics, after reaching a memorandum of understanding with gas-rich Turkmenistan in

⁸⁶ Alexander Gabuev, "Inside China's Peace Plan for Ukraine", Carnegie Politika, 1 March 2023, <https://carnegieendowment.org/politika/89172>.

⁸⁷ Jo Inge Bekkevold, "China's 'Peace Plan' for Ukraine Isn't about Peace", *Foreign Policy*, 4 April 2023, <https://foreignpolicy.com/2023/04/04/china-xi-ukraine-russia-peace-plan-diplomacy-global-south/>.

⁸⁸ Joe Leahy and Hudson Lockett, "Brazil's Lula calls for end to dollar trade dominance", *Financial Times*, 13 April 2023, <https://www.ft.com/content/669260a5-82a5-4e7a-9bbf-4f41c54a6143>.

⁸⁹ Anisah Shukry, "Malaysia, China to Discuss 'Asian Fund' to Cut US Dollar Dependency", *Bloomberg*, 4 April 2023, <https://www.bloomberg.com/news/articles/2023-04-04/malaysia-china-to-discuss-asian-fund-to-cut-dollar-dependency?sref=p8neHW1G>.

⁹⁰ Chelsey Dulaney, Victoria Simanovskaya and Evan Gershkovich, "Russia Turns to China's Yuan in Effort to Ditch the Dollar", *The Wall Street Journal*, 28 February 2023, <https://www.wsj.com/articles/russia-turns-to-chinas-yuan-in-effort-to-ditch-the-dollar-a8111457>.

⁹¹ Jamil Anderlini and Clea Caulcutt, "Europe must resist pressure to become 'America's followers,' says Macron", *Politico*, 9 April 2023, <https://www.politico.eu/article/emmanuel-macron-china-america-pressure-interview/>.

⁹² Tomasz Wroblewski and Darren Spinck, "The Three Seas Initiative: a Counter to Chinese Influence in Europe?" *The National Interest*, 6 February 2023, <https://nationalinterest.org/feature/three-seas-initiative-counter-chinese-influence-europe-206181>.

⁹³ Caitlin McFall, "China's railroad to world domination: \$58 billion rail link with Pakistan will reduce reliance on West", *Yahoo! Life*, 27 April 2023, <https://www.foxnews.com/world/chinas-railroad-world-domination-58-billion-raillink-pakistan-reduce-reliance-west>.

January 2023.⁹⁴ With 19.5 trillion cubic metres of gas reserves, Turkmenistan can transport gas 7000 kilometres to Shanghai via the Central Asia-China pipeline.⁹⁵ The 962-kilometre Atasu-Alashankou pipeline, a BRI initiative of the Kazakhstan-China Oil Pipeline Project, will have a capacity of 20 million tons annually.⁹⁶ A 2018 US Geological Survey found 10 percent of the Earth's rare earth element reserves are in Central Asia. PRC control of supply chains in Central Asia could also disrupt food production, as Kazakhstan produces 2 percent of global wheat.⁹⁷

⁹⁴ "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on January 10, 2023", Embassy of the People's Republic of China in the United States of America, 10 January 2023, http://us.china-embassy.gov.cn/eng/lcibt/wjbfyrbt/202301/t20230110_11005338.htm.

⁹⁵ "Turkmenistan - Country Commercial Guide: Oil & Gas", International Trade Administration, 8 August 2022, <https://www.trade.gov/country-commercial-guides/turkmenistan-oil-gas>.

⁹⁶ Klara Rakhmetova, "Kazakhstan-China Oil Pipeline Project", Pipeline Transport Development Department, <https://www.energycharter.org/fileadmin/DocumentsMedia/Presentations/CBP-KZ-CN.pdf>.

⁹⁷ Margarita Assenova, Ariel Cohen and Wesley A. Hill, "Kazakhstan Could Lead Central Asia in Mitigating the World's Energy and Food Shortages", The Eurasia Center, The Atlantic Council, April 2023, https://www.atlanticcouncil.org/wp-content/uploads/2023/04/Eurasia_Kazakhstan_digital.pdf.

3. Mitigating the Risks of De-Dollarisation

3.1 Rise of the Yuan

Jacob Helberg, a USCC commissioner, has stated, “China is waging a global assault on the U.S. dollar.”⁹⁸

Following Russia's invasion of Ukraine, the yuan has become the most traded currency in Russia.⁹⁹ China has signed energy deals with Russia's Gazprom, remitting payments in both yuan and roubles.¹⁰⁰ Brazil and China have agreed to pay for bilateral trade using the yuan, making the Chinese renminbi the second most held currency in Brazil's foreign reserves. Argentina followed suit, announcing that payment for Chinese imports will clear in yuan, not dollars.^{101, 102, 103}

As China makes diplomatic inroads in the Middle East, and as Saudi Arabia's tensions with the Biden Administration increase over US security commitments in the region, Riyadh has contemplated accepting the yuan for payment of oil to China.¹⁰⁴ Even US ally France conducted a 65,000 ton liquified natural gas (LNG) transaction with China in renminbi.¹⁰⁵ Global trade clearing in Indian rupees has gained popularity as well, with New Delhi's trading partners Russia, Mauritius, Iran, Malaysia and Sri Lanka trading in India's currency.¹⁰⁶ Commercial partners trading in currencies other than the US dollar have faced challenges, however, with Russia accumulating billions of Indian rupees after abandoning a rupee-rouble trade clearing mechanism for Russian oil exports to India.¹⁰⁷

While previous efforts aimed at de-dollarisation mostly reflected commercial pragmatism, i.e., Russia trading critical goods outside the US dollar due to sanctions, the effort to dislodge “King Dollar” as the global reserve currency now appears political. Following meetings with China's Xi, leaders from France, Brazil and Malaysia have expressed some willingness to end their reliance on the dollar. France's Macron, Brazil's Lula and Malaysian Prime Minister Anwar have - either purposely or unwittingly - provided tacit support for the CCP's efforts to create a separate economic bloc, trading in non-US dollar denominated currency. Should Beijing succeed in forming an economic bloc outside the influence of the US dollar, it would limit

⁹⁸ Jacob Helberg (@jacobhelberg), *Twitter*, 4 April 2023, 1.03 pm, <https://twitter.com/jacobhelberg/status/1643222635797528576?s=20>.

⁹⁹ “China's Yuan Replaces Dollar as Most Traded Currency in Russia”, *Bloomberg*, 3 April 2023, <https://www.bloomberg.com/news/articles/2023-04-03/china-s-yuan-replaces-dollar-as-most-traded-currency-in-russia?sref=p8neHW1G>.

¹⁰⁰ Muyu Xu, “Russia's Gazprom, CNPC agree to use rouble, yuan for gas payments - Gazprom”, *Reuters*, 7 September 2022, <https://www.reuters.com/business/energy/peetrochina-signs-gas-agreement-with-russias-gazprom-2022-09-07/>.

¹⁰¹ Jamie Seidel, “Brazil, China ditch US dollar for trade payments, favour yuan”, *AU News*, 31 March 2023, <https://www.news.com.au/finance/markets/world-markets/brazil-china-ditch-us-dollar-for-trade-payments-favour-yuan/news-story/682a517c37ba14f306e65ad0e83f6307>.

¹⁰² “Yuan tops euro as Brazil's second currency in foreign reserves”, *Reuters*, 31 March 2023, <https://www.reuters.com/article/brazil-economy-fx/yuan-tops-euro-as-brazils-second-currency-in-foreign-reserves-idUSL1N3632DU>.

¹⁰³ “Argentina to pay for Chinese imports in yuan rather than dollars”, *Reuters*, 27 April 2023, <https://www.reuters.com/world/china/argentina-govt-pay-chinese-imports-yuan-rather-than-dollars-2023-04-26/>.

¹⁰⁴ Summer Said and Stephen Kalin “Saudi Arabia Considers Accepting Yuan instead of Dollars for Chinese Oil Sales”, *The Wall Street Journal*, 15 March 2022, <https://www.wsj.com/articles/saudi-arabia-considers-accepting-yuan-instead-of-dollars-for-chinese-oil-sales-11647351541>.

¹⁰⁵ Andrew Hayley, “China completes first yuan-settled LNG trade”, *Reuters*, 28 March 2023, <https://www.nasdaq.com/articles/china-completes-first-yuan-settled-lng-trade>.

¹⁰⁶ Robert Semonsen, “De-Dollarization: Brazil, India, China Move Away from Currency”, *The European Conservative*, 3 April 2023, <https://europeanconservative.com/articles/news/de-dollarization-brazil-india-china-move-away-from-currency/>.

¹⁰⁷ “Russia Says It Has Billions of Indian Rupees That It Can't Use”, *Bloomberg*, 5 May 2023, https://www.bloomberg.com/news/articles/2023-05-05/russia-says-it-has-billions-of-indian-rupees-that-it-can-t-use?sref=p8neHW1G&in_source=embedded-checkout-banner.

the ability of America and its closest trading partners to maintain any significant economic leverage over the CCP's hegemonic ambitions. US credibility would further erode.

Commonwealth of Nations member state Malaysia has even proposed – likely at Beijing's behest – developing an Asian Monetary Fund to lessen Indo-Pacific dependency on the US dollar, which would almost certainly use the PRC renminbi as the region's reserve currency.¹⁰⁸ Anwar stated, "There is no reason for Malaysia to continue depending on the dollar."¹⁰⁹ As Malaysia and other Commonwealth members in the Indo-Pacific share the same interests, values and historic ties as the United Kingdom, it would behove London, as the newest member of the CPTPP, to raise concerns about de-dollarisation with the UK's Commonwealth trading partners in the region and to clearly communicate the risks increased yuan-trade would pose for those seeking to mitigate existing dependence on trade with the PRC.

3.2 Sanctions Evasion

US Secretary of the Treasury Janet Yellen has acknowledged the risk of undermining the strength of the US dollar as a global currency should the US and its allies overuse sanctions linked to America's currency.¹¹⁰ US sanctions increased by over 933 percent from 2000-2021 and Washington has imposed more than 2500 sanctions against Russian individuals and entities since the Kremlin-ordered February 2022 invasion of Ukraine.^{111, 112} Four months after Russia's invasion of Ukraine, Xi criticised the "abuse of sanctions" while meeting with BRICS leaders.¹¹³

Potential for widespread sanctions evasion through non-dollar trade was first realised by the United Kingdom, France and Germany in January 2019, when the Instrument in Support of Trade Exchanges (INSTEX) platform launched to facilitate transactions with Iran. Formed as a mechanism to circumvent US sanctions against Tehran, INSTEX was a special-purpose vehicle (SPV) and included European nations Belgium, Denmark, Finland, Netherlands and Sweden, as well as Norway, which joined the platform in November 2019, with Spain later becoming an INSTEX shareholder.^{114, 115, 116} INSTEX executed at least one trade, exporting medical goods from Europe to Iran, before announcing in March 2023 that shareholders had chosen to dissolve the trading platform.^{117, 118} UK support for rapidly dissolving the SPV and not collaborating with

¹⁰⁸ Toru Takahashi, "Asian Monetary Fund idea revived amid U.S.-China row", *Nikkei Asia*, 20 April 2023, <https://asia.nikkei.com/Economy/Asian-Monetary-Fund-idea-revived-amid-U.S.-China-row>.

¹⁰⁹ Louis Casiano, "China, Malaysia to discuss Asian Monetary Fund to reduce dependence on US dollar", *FOX Business*, 4 April 2023, <https://www.foxbusiness.com/economy/china-malaysia-discuss-asian-monetary-fund-reduce-dependence-us-dollar>.

¹¹⁰ Huileng Tan, "Sanctions against Russia could hurt the US dollar as countries like Iran and China seek alternative currencies for trade: Treasury Secretary Janet Yellen", *Business Insider*, 17 April 2023, <https://www.businessinsider.com/economic-sanctions-russia-us-dollar-dominance-yellen-alternative-yuan-dedollarization-2023-4?r=US&IR=T>.

¹¹¹ "The Treasury 2021 Sanctions Review", U.S. Department of the Treasury, October 2021, <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>.

¹¹² "Targeting Key Sectors, Evasion Efforts, and Military Supplies, Treasury Expands and Intensifies Sanctions against Russia", U.S. Department of the Treasury, 24 February 2023, <https://home.treasury.gov/news/press-releases/jy1296>.

¹¹³ "China's Xi criticizes sanctions at meeting of BRICS nations", *AP News*, 23 June 2022, <https://apnews.com/article/russia-ukraine-putin-jair-bolsonaro-beijing-d13c56ed449bd2570fe224bc316d6d24>.

¹¹⁴ Annalisa Girardi, "INSTEX, a New Channel To Bypass U.S. Sanctions And Trade With Iran", *Forbes*, 9 April 2019, <https://www.forbes.com/sites/annalisagirardi/2019/04/09/instex-a-new-channel-to-bypass-u-s-sanctions-and-trade-with-iran/?sh=42ff55a6270f>.

¹¹⁵ Zoe Didili, "Six European nations join INSTEX mechanism for trade with Iran", *New Europe*, 3 December 2019, <https://www.neweurope.eu/article/six-european-nations-join-instex-mechanism-for-trade-with-iran/>.

¹¹⁶ "About Us – INSTEX", INSTEX, 13 April 2020, <https://instex-europe.com/about-us/>.

¹¹⁷ "INSTEX successfully concludes first transaction", Foreign & Commonwealth Office, 31 March 2020, <https://www.gov.uk/government/news/instex-successfully-concludes-first-transaction>.

¹¹⁸ "The 10 INSTEX shareholder states have decided to liquidate INSTEX due to continued obstruction from Iran: E3 statement", Foreign, Commonwealth & Development Office, 9 March 2023, <https://www.gov.uk/government/news/the-10-instex-shareholder-states-have-decided-to-liquidate-instex-due-to-continued-obstruction-from-iran>.

other similar sanctions-evading platforms, such as the EU Blocking Regulation, is needed to ensure countries are unable to circumvent existing human rights sanctions. Should Beijing succeed in developing fissures between the US, UK and EU on China policy, any efforts to develop a similar SPV for European commercial entities to evade transatlantic sanctions on China's human rights abuses must be thwarted.

At the same time, the effectiveness of existing sanctions for use as a deterrent should be re-evaluated. Prior to the invasion of Ukraine, US Secretary of State Antony Blinken stated, "When it comes to sanctions, the purpose of those sanctions is to deter Russian aggression."¹¹⁹ Four days before the Russian invasion launched, US Vice President Kamala Harris echoed Blinken's sentiment and remarked that "the allied relationship is such that we have agreed that the deterrence effect of these sanctions is still a meaningful one."¹²⁰ Once allied sanctions failed to deter the Kremlin from launching the invasion, the Biden Administration dramatically changed its view of sanctions and possibly damaged the potential future use of sanctions as an effective policymaking tool, when President Biden declared, "sanctions never deter".¹²¹

As sanctions failed to deter Russia from invading Ukraine, there is no reason to believe sanctions on Beijing, which has begun implementing countersanctions measures, would succeed in deterring China from forcibly reunifying with Taiwan, as "...Russia and China do not seem cowed, either by the risk of failure to achieve their objectives or by the fear of retaliation."¹²²

If sanctions overuse ultimately leads to de-dollarisation, the effectiveness of future US-led sanctions will then be diminished. The bite of sanctions backed by the dollar as the global currency will be lessened, and punitive economic policies aimed at the world's worst human rights abusers could lose their impact. Perhaps even more problematic, accelerated de-dollarisation and increased use of the yuan as the global reserve currency would allow the CCP to dictate sanctions policy on their terms. Xi and his CCP politburo, if emboldened by a "King Yuan", could theoretically cut off US or UK corporations from global trade and then exert coercive power on those governments and entities relying on the yuan for trade.

¹¹⁹ Jacob Reyes, "Blinken: Sanctioning Russia now will undercut deterrence", *Axios*, 23 January 2022, <https://www.axios.com/2022/01/23/blinken-sanctioning-russia>.

¹²⁰ "Remarks by Vice President Harris in Press Gaggle", The White House Briefing Room, 20 February 2022, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/02/20/remarks-by-vice-president-harris-in-press-gaggle-2/>.

¹²¹ Alexander Ward and Joseph Gedeon, "What Biden means by 'sanctions never deter'", *Politico*, 25 March 2022, <https://www.politico.com/newsletters/national-security-daily/2022/03/25/what-biden-means-by-sanctions-never-deter-00020602>.

¹²² John R. Allen and Michael Miklaucic, "American Deterrence Is Failing", *The National Interest*, 18 April 2023, <https://nationalinterest.org/feature/american-deterrence-failing-206411>.

4. The Australia-United Kingdom-United States (AUKUS) Trilateral Security Partnership as an Indo-Pacific Cornerstone Balancer

Successfully denying CCP global hegemony will require not only maintaining the US dollar as the global reserve currency, so the threat of economic sanctions maintains more bite and less bark, but hard power through what former US President Ronald Reagan described as “peace through strength”.¹²³ As noted by Congressman Mike Gallagher (R-WI), “deterrence failed... It is long past time to... get serious about investing in the hard military capabilities that will ensure that deterrence does not fail again...”¹²⁴

4.1 PLA Military Modernisation

While military conflict in the Taiwan Strait is not imminent, according to the US Secretary of the Air Force,¹²⁵ a recent war game simulation of a conflict between the US military and the People's Liberation Army (PLA), conducted by the US House Select Committee on the Chinese Communist Party, was not encouraging for Washington, London or the Indo-Pacific. The simulation found likely heavy US and Taiwanese casualties, a depleted US long-range missile stock, a destabilised global economy and many transatlantic allies watching from the side-lines.¹²⁶ Further clouding the security of the Taiwan Strait, *The Guardian* has reported that Taiwanese military officials have questioned whether the island's air defences could detect PLA missile launches and believe that only approximately half of Taiwan's air force is combat capable.¹²⁷

US intelligence believes Xi has tasked the PLA with having the capability to invade Taiwan by 2027, coinciding with the centenary of the founding of the PLA and the penultimate year of Xi's third-term.¹²⁸ Global Taiwan Institute (GTI) advisory board member Gordon Chang warns that Xi believes he has the right to rule *tianxia* - “All Under Heaven” - with the “Mandate of Heaven”.¹²⁹ As China's ruler will likely focus on his historical legacy as his third terms ends, Chang believes Xi may wish to force “reunification” by the PLA centennial (Chang notes the correct term is “unification” not “reunification” as the PRC has in fact never ruled Taiwan).¹³⁰ The former head of the US Indo-Pacific Command has also indicated that China is seeking parity with the US military by 2027, focusing on modernisation of the PLA Navy (PLAN), long-range weapons development, and amphibious landing and maritime strike training exercises to simulate an invasion of Taiwan.¹³¹

¹²³ Ronald Reagan, “Peace Through Strength.” Ronald Reagan Presidential Library & Museum, 17 July 1980, <https://www.reaganlibrary.gov/permanent-exhibits/peace-through-strength>.

¹²⁴ Congressman Mike Gallagher, “Gallagher on Biden's Deterrence Debacle: Hard Power Deters, Not Sanctions,” 24 March 2022, <https://gallagher.house.gov/media/press-releases/gallagher-bidens-deterrence-debacle-hard-power-deters-not-sanctions>.

¹²⁵ Xinghui Kok, “No imminent threat of Chinese Invading Taiwan, says senior U.S. official”, *Reuters*, 23 March 2023, <https://www.reuters.com/world/asia-pacific/no-imminent-threat-china-invading-taiwan-says-senior-us-official-2023-03-23/>.

¹²⁶ Ellen Knickmeyer, “Lawmakers war-game conflict with China, hoping to deter one”, *AP News*, 22 April 2023, <https://apnews.com/article/china-taiwan-united-states-war-game-deterrence-a0a31285a16afedd04c2a5d9c0fc934b>.

¹²⁷ Jon Henley, “China likely to rapidly achieve air superiority over Taiwan, US leaks say”, *The Guardian*, 16 April 2023, <https://www.theguardian.com/world/2023/apr/16/china-rapidly-achieve-air-superiority-taiwan-us-leaks>.

¹²⁸ Dustin Volz, “CIA Chief Says China Has Doubts About Its Ability to Invade Taiwan”, *The Wall Street Journal*, 26 February 2023, <https://www.wsj.com/articles/cia-chief-says-china-has-doubts-about-its-ability-to-invade-taiwan-670b8f87>.

¹²⁹ Gordon Chang, “A Seat at the Table keynote address”, Summit, New Jersey, USA, 27 April 2023.

¹³⁰ *Ibid.*

¹³¹ Philip Davidson, “Statement of Admiral Philip S. Davidson, U.S. Navy Commander, U.S. Indo-Pacific Command Before the Senate Armed Services Committee on U.S. Indo-Pacific Command Posture”, 9 March 2021, https://www.armed-services.senate.gov/imo/media/doc/Davidson_03-09-21.pdf.

As tensions between the PRC and Taiwan worsen, Beijing has announced plans to increase military spending by 7.2 percent, aiming to “help to project China’s power beyond its shores”.¹³² China’s operational nuclear warhead stockpile, estimated at 400, is expected to increase to 1500 by 2035, and PRC nuclear weapons policy will continue prioritising China’s ability to maintain a nuclear force capable of first-strike survival.¹³³ China has also increased production of its DF-26 anti-ship missiles, dubbed “carrier killers”, which would target any US and UK aircraft carriers tasked with defending Taiwan, and its DF-41 intercontinental ballistic missiles which have a range of up to 15,000 kilometres.^{134, 135}

4.2 Maintaining the Status Quo in the Taiwan Strait is a US/UK National Interest

In the South China Sea, China has constructed military outposts in the Paracel and the Spratly Islands, giving China the ability to “obstruct or interfere with international trade” according to retired US Admiral Harry B. Harris Jr.¹³⁶ The CCP’s ability to impact supply chains and global sea and air trade routes through the threat of war or the invasion of Taiwan would have catastrophic effects on the world economy. Approximately half of the global container fleet, and 88 percent of the world’s largest cargo ships by tonnage, traversed the Taiwan Strait in 2022 according to Bloomberg.¹³⁷ Despite efforts by the US and the UK to increase domestic production of semiconductors, American chip production will take years to ramp up to required levels while British chipmakers, with the Government’s semiconductor strategy still unreleased since the Johnson premiership, are seeking subsidies to even remain competitive with the US and EU.^{138, 139, 140} Taiwan will remain the dominant semiconductor manufacturer for the foreseeable future, producing an estimated 90 percent of the world’s advanced chips.¹⁴¹

With 60 percent of the world’s population living in the Indo-Pacific, and the region becoming the primary engine of global economic growth within the next three decades, a free and open Indo-Pacific is unquestionably in the vital national interest of both the United States and the United Kingdom.^{142, 143} Forced reunification of Taiwan would not only disrupt supply

¹³² Brian Spegele, “China’s Military-Spending Growth to Accelerate to 7.2% This Year”, *The Wall Street Journal*, 5 March 2023, <https://www.wsj.com/articles/chinas-military-spending-growth-to-accelerate-to-7-2-this-year-19703002>.

¹³³ U.S. Department of Defense, “Military and Security Developments Involving the People’s Republic of China”, November 2022, <https://media.defense.gov/2022/Nov/29/2003122279/-1/-1/1/2022-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA.PDF>.

¹³⁴ “DF-26”, Missile Threat, CSIS Missile Defense Project, 6 August 2021, <https://missilethreat.csis.org/missile/dong-feng-26-df-26/>.

¹³⁵ “DF-41 (Dong Feng-41 / CSS-X-20)”, Missile Threat, CSIS Missile Defense Project, 31 July 2021, <https://missilethreat.csis.org/missile/df-41/>.

¹³⁶ Niharika Mandhana, “How Beijing Boxed America Out of the South China Sea.” *The Wall Street Journal*, March 11, 2023, <https://www.wsj.com/articles/china-boxed-america-out-of-south-china-sea-military-d2833768>.

¹³⁷ Kevin Varley, “Taiwan Tensions Raise Risks in One of Busiest Shipping Lanes”, *Bloomberg*, 2 August 2022, <https://www.bloomberg.com/news/articles/2022-08-02/taiwan-tensions-raise-risks-in-one-of-busiest-shipping-lanes?sref=p8neHW1G&leadSource=uverify%20wall>.

¹³⁸ Tim Culpan, “Sorry, USA, \$40 Billion Won’t Buy Chip Independence,” *Bloomberg*, 7 December 2022, <https://www.bloomberg.com/opinion/articles/2022-12-07/-40-billion-us-semiconductor-plant-won-t-buy-independence?sref=p8neHW1G&leadSource=uverify%20wall>.

¹³⁹ Ryan Browne, “British semiconductor bosses threaten to move overseas as U.S. and EU splurge on chips,” *CNBC*, 13 February 2023, <https://www.cnn.com/2023/02/13/uk-semiconductor-strategy-chip-firms-threaten-to-move-overseas.html>.

¹⁴⁰ Marc Sidwell, “Bargaining chips: the Government must stop dithering over its semiconductor strategy”, *CAPX*, 4 May 2023, <https://capx.co/bargaining-chips-the-government-must-stop-dithering-over-its-semiconductor-strategy/>.

¹⁴¹ “Taiwan’s dominance of the chip industry makes it more important”, *The Economist*, 6 March 2023, <https://www.economist.com/special-report/2023/03/06/taiwans-dominance-of-the-chip-industry-makes-it-more-important>.

¹⁴² “On-the-Record Press Call on the Launch of the Indo-Pacific Economic Framework”, The White House Briefing Room, 23 May 2022, <https://www.whitehouse.gov/briefing-room/press-briefings/2022/05/23/on-the-record-press-call-on-the-launch-of-the-indo-pacific-economic-framework/>.

¹⁴³ The White House, “Indo-Pacific Strategy of The United States.” February 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf>.

chains and worsen already troublesome inflation due to a global shortage of goods, but would provide China with maritime control of the First Island Chain, which is comprised of Taiwan, Japan, northern islands within the Philippines archipelago and Indonesia. China could then be expected to swiftly project naval power into the Second Island Chain, consisting of US territory Guam and smaller Pacific Islands. As China's force projection inches closer to strategic US Pacific territory, including Hawaii in the Third Island Chain, other US and UK Indo-Pacific partners, including Japan and the Philippines, could then be loath to challenge China's maritime superiority if the transatlantic powers were unable to successfully defend Taiwan.

4.3 Reassessing Transatlantic Deterrence Policies

Deterrence of Russia through economic sanctions has failed and economic policy alone is not expected to deter China. As noted by former General John R. Allen and Michael Miklaucic, "Real deterrence depends on our will and our capability to inflict unacceptable costs on an adversary."¹⁴⁴ Sanctions on CCP officials who do not maintain foreign bank accounts or own property outside of China will not suffice. Should the US and its allies depend solely on economic policy to deter China, and pursue policies without a clear understanding of what policies are provoking the PRC, former US presidential adviser Michael Pillsbury believes Washington, London and their partners will be sleepwalking toward war with the Chinese.¹⁴⁵

Following French president Macron's visit with Xi, during which Macron warned that Europe should "[avoid] getting caught up in crises that are not ours", the transatlantic partners may question whether their European allies can be relied upon for deterring China in the Indo-Pacific.¹⁴⁶

Seth Cropsey, former deputy undersecretary of the US Navy, warns that America is currently unprepared for a crisis in the Taiwan Strait and that Beijing views its competition with the US as economic and political, not military.¹⁴⁷ Beijing has become increasingly emboldened by America's apparent unpreparedness to deny the PRC its ability to forcibly reunify, with an estimated 45 Chinese warplanes entering Taiwan's air defense identification zone (ADIZ) following US Speaker McCarthy's meeting with President Tsai, and China's foreign minister warning of conflict with the United States.^{148, 149}

US weapons sales to Taiwan have been delayed due to production issues associated with arming Kyiv for its defence against Russia. Following reports that Taiwan faced a \$19 billion arms backlog as of February 2023, the US approved an additional \$619 million sale of missiles to Taiwan. However, delivery of 400 Harpoon anti-ship missiles, "intended to repel a potential Chinese invasion", will not finalise until 2029.¹⁵⁰ According to the USCC, supply chain delays

¹⁴⁴ Allen and Miklaucic, "American Deterrence Is Failing".

¹⁴⁵ Michael Pillsbury (@mikepillsbury), *Twitter*, 12 April 2023, 1.08am, <https://twitter.com/mikepillsbury/status/1645941941983404032?s=20>.

¹⁴⁶ Nicolas Camut "China hawks tell Macron: You don't speak for Europe", *Politico Europe*, 11 April 2023, <https://www.politico.eu/article/china-skeptic-mps-emmanuel-macron-speak-europe/>.

¹⁴⁷ Seth Cropsey, "Will the U.S. Really defend Taiwan?", *The Wall Street Journal*, 26 January 2023, <https://www.wsj.com/articles/will-the-us-really-defend-taiwan-ambiguity-china-military-tech-defense-budget-congress-semiconductors-11674765405>.

¹⁴⁸ Wayne Cheng et al., "China military rehearses 'encircling' Taiwan after US Speaker visit", *CNN*, 8 April 2023, <https://edition.cnn.com/2023/04/07/china/china-taiwan-military-exercises-hnk-intl-ml/index.html>.

¹⁴⁹ Kathrin Hille, "China warns of potential conflict with US over containment strategy", *Financial Times*, 7 March 2023, <https://www.ft.com/content/dc3ee895-4ae9-4c1f-9dfd-49261220ef1f>.

¹⁵⁰ Anthony Capaccio, "Taiwan to Buy 400 US Anti-Ship Missiles Intended to Repel a China Invasion", *Bloomberg*, April 17, 2023, <https://www.bloomberg.com/news/articles/2023-04-17/taiwan-to-buy-400-us-anti-ship-missiles-intended-to-repel-a-china-invasion?sref=p8neHW1G&leadSource=uverify%20wall>; "Taiwan to buy 400 US anti-ship missiles to face China threat -Bloomberg News", *Reuters*, 18 April 2023, <https://www.reuters.com/world/asia-pacific/taiwan-buy-400-us-anti-ship-missiles-face-china-threat-bloomberg-news-2023-04-17/>.

and sales of weapons and munitions to Ukraine have worsened delivery of arms to Taiwan.¹⁵¹ Washington's mixed signals on defending Taiwan and delays in providing for the island's defence have led to public opinion on the US souring in Taiwan, with only 39 percent of Taiwanese polled supporting closer ties with America.¹⁵²

4.4 Denying PRC Hegemony through AUKUS

According to an alleged US Defense Intelligence Agency assessment, the war in Ukraine will continue into 2024 with no political settlement expected and Ukraine will require a "huge influx" of air defence capabilities to defend itself.^{153, 154} With the US and UK the top two suppliers of arms for Ukraine's defence, AUKUS (America's and Britain's security partnership with Australia), along with the key partners of the pact members, will need to increase industrial capacity to meet the needs for maintaining a deterrent balance in the Indo-Pacific. As a former US national security adviser wrote, countering the China threat will require Washington and its allies to increase defence spending as a percentage of GDP back to Cold War levels from the 1980s.¹⁵⁵ This will necessitate higher economic growth and austerity. The Biden Administration has proposed a 3.2 percent Pentagon budget increase for fiscal year 2024, while the Chancellor of the Exchequer has announced plans to increase UK defence spending to 2.5 percent of GDP.^{156, 157} Japan, meanwhile, has increased its defence budget by 26.3 percent, but is still only allocating 1.19 percent of annual GDP to military spending.¹⁵⁸

Ensuring the PRC does not attain hegemony in the Indo-Pacific is unquestionably in the national interests of the United States, the United Kingdom and the allies and partners of the "special relationship". Denying the CCP and reassuring regional allies is needed. According to former Pentagon official Elbridge Colby, a cornerstone balancer is necessary to form an anti-hegemonic coalition to prevent China's economic and military domination of the Indo-Pacific and to convince other regional states that the aspiring hegemon – i.e. China – would not prevail in a military conflict.¹⁵⁹ More importantly, the cornerstone balancer should act to minimise the ability of Beijing to coerce and to deter or deny China's military aggression by making the costs of such an act too prohibitive to consider.¹⁶⁰

As the United States and United Kingdom both remain committed to the continued defence of Ukraine, AUKUS, along with key US and UK partners in the Indo-Pacific, including Japan and

¹⁵¹ Jennifer Kavanagh and Jordan Cohen, "The Real Reasons for Taiwan's Arms Backlog - And How to Help Fill It", *War on The Rocks*, 13 January 2023, <https://warontherocks.com/2023/01/the-real-reasons-for-taiwans-arms-backlog-and-how-to-help-fill-it/>.

¹⁵² Kathrin Hille, "Tsai Ing-Wen's US trip: the deepening political divide in Taiwan", *Financial Times*, 5 April 2023, <https://www.ft.com/content/b625d080-5d48-4374-b1d7-9d668530eb3a>.

¹⁵³ John Hudson, "No Russia-Ukraine peace talks expected this year, U.S. leak shows", *The Washington Post*, 12 April 2023, <https://www.washingtonpost.com/national-security/2023/04/12/leaked-documents-ukraine-war/>.

¹⁵⁴ Helene Cooper, Michael Schwartz and Thomas Gibbons-Neft, "Leaked Documents Suggest Ukrainian Air Defense Is in Peril if Not Reinforced", *The New York Times*, 9 April 2023, <https://www.nytimes.com/2023/04/09/us/politics/leaked-documents-ukrainian-air-defense.html>.

¹⁵⁵ John Bolton, "A New American Grand Strategy to Counter Russia and China", *The Wall Street Journal*, 12 April 2023, <https://www.wsj.com/articles/a-new-american-grand-strategy-to-counter-russia-and-china-asian-nato-aukus-collective-defense-taiwan-da555cf>.

¹⁵⁶ Leo Shane III, Joe Gould and Bryant Harris, "Biden proposes Pentagon spending increase with industrial base focus", *Defense News*, 9 March 2023, <https://www.defensenews.com/pentagon/2023/03/09/biden-proposes-pentagon-spending-increase-with-industrial-base-focus/>.

¹⁵⁷ Andrew Chuter, "UK leaders announce second defense budget boost this week: \$7 billion", *Defense News*, 15 March 2023, <https://www.defensenews.com/global/europe/2023/03/15/uk-leaders-announce-second-defense-budget-boost-this-week-7-billion/>.

¹⁵⁸ Takahashi Kosuke, "Japan Approves 26.3% Increase in Defense Spending for Fiscal Year 2023", *The Diplomat*, 24 December 2022, <https://thediplomat.com/2022/12/japan-approves-26-3-increase-in-defense-spending-for-fiscal-year-2023/>.

¹⁵⁹ Elbridge Colby and Walter Slocombe, "The State of (Deterrence by) Denial", *War on the Rocks*, 22 March 2021, <https://warontherocks.com/2021/03/the-state-of-deterrence-by-denial/>.

¹⁶⁰ *Ibid.*

the Philippines, is the best hope for an Indo-Pacific cornerstone balancer until transatlantic military modernisation accelerates. The trilateral partnership has the capability to act as much more than a submarine manufacturing agreement, including coordinating with regional allies such as the Philippines on basing agreements and modernising regional cooperation to improve interoperability. AUKUS has been described as a pact designed to prevent war, not wage war, and a deterrent to “dissuade China from deploying its military muscle against Taiwan or in the South China Sea.”¹⁶¹

4.5 What AUKUS Needs and Should Do

Pentagon official Mary Karlin has noted that AUKUS will enhance deterrence, promote stability and improve the pact member submarine industrial bases and undersea capabilities.¹⁶² However, meeting the industrial capacity to produce the eight nuclear-powered submarines agreed upon under AUKUS will require further upgrades to US, UK and Australian shipyards, which may ultimately provide a “lifeline” for the UK’s submarine manufacturing sector which has previously faced delays and costs over budget.¹⁶³ Increasing US and UK industrial capacity will not only allow the transatlantic partners to better manage arms transfers to both Ukraine and Taiwan simultaneously, but to produce and sell weapons and munitions to regional allies and partners as well, such as continued sales of Tomahawk cruise missiles to Japan and potentially fighter aircraft to the Philippines Air Force.^{164, 165}

Through joint naval exercises and freedom of navigation exercises, the combined naval power of the US, UK and Australia can act to deter China from disrupting a free and open Indo-Pacific. AUKUS member port visits by US and UK conventionally armed, nuclear-powered submarines are expected to increase and include rotations to Australia through Submarine Rotational Force West, diversifying force posture throughout the Indo-Pacific.¹⁶⁶

¹⁶¹ Gideon Rachman, “Aukus, the Anglosphere and the return of great power rivalry”, *Financial Times*, 13 March 2023, <https://www.ft.com/content/e4abd866-54cb-4923-9a66-ebb5b5ed67bf>.

¹⁶² Jim Garamone, “DOD Official Says Sub Agreement Will Help Guarantee Free, Open Indo-Pacific”, U.S. Department of Defense, 14 March 2023, <https://www.defense.gov/News/News-Stories/Article/Article/3329333/dod-official-says-sub-agreement-will-help-guarantee-free-open-indo-pacific/>.

¹⁶³ Sylvia Pfeifer, John Paul Rathbone and Demetri Sevastopulo, “Aukus: the industrial challenges of delivering a new defence pact”, *Financial Times*, 11 March 2023, <https://www.ft.com/content/ad4fd3ec-e07b-4dea-8e9e-38f5d58ad57b>.

¹⁶⁴ Takahashi Kosuke, “PM Kishida Announces Japan Will Acquire 400 Tomahawk Missiles From US”, *The Diplomat*, 28 February 2023, <https://thediplomat.com/2023/02/pm-kishida-announces-japan-will-acquire-400-tomahawk-missiles-from-us/>.

¹⁶⁵ “FACT SHEET: U.S.-Philippines 2+2 Ministerial Dialogue”, U.S. Department of Defense, 11 April 2023, <https://www.defense.gov/News/Releases/Release/Article/3359459/fact-sheet-us-philippines-22-ministerial-dialogue/>.

¹⁶⁶ Jim Garamone, “DOD Official Says Sub Agreement Will Help Guarantee Free, Open Indo-Pacific”, U.S. Department of Defense, 14 March 2023, <https://www.defense.gov/News/News-Stories/Article/Article/3329333/dod-official-says-sub-agreement-will-help-guarantee-free-open-indo-pacific/>.

5. US-UK Economic Denial Policies

Denying the CCP its ability to dominate any global region through economic coercion requires both political will and sound economic policies, the latter of which will offer transatlantic trading partners a clear alternative to China's mercantilist-communist economic model.

An economic denial strategy must not only include policies aimed at mitigating existing economic dependence on the PRC, but a clear plan to end the transatlantic partnership's free flow of capital and advanced/emerging technology to China which helps feed CCP techno-authoritarianism. It also requires the US and UK to successfully compete with China's BRI, by promoting private sector infrastructure investment and preventing the CCP from using its development finance policy as a tool to coerce US and UK partners in the Indo-Pacific, CEE and elsewhere.

5.1 Export Controls

The Biden Administration has spearheaded multiple multilateral export control platforms to limit the transfer of advanced and emerging technologies from the US and its partners to the PRC. The Export Control and Human Rights Initiative, endorsed by the United States, United Kingdom and 23 other countries, "[takes] human rights into account when reviewing potential exports of dual-use goods, software, or technologies" through a voluntary and non-binding code of conduct.¹⁶⁷

While this export control initiative respects the spirit of the US Jackson-Vanik amendment (co-sponsored by the Henry Jackson Society's namesake, US Senator Henry M. "Scoop" Jackson and US Representative Charles A. Vanik), which sought to link normalisation of American trade to the adherence of human rights, the Biden Administration's platform maintains no enforcement mechanism amongst the 25 endorsing governments.

In addition, Washington, recognising the potential for the PRC to gain a strategic advantage in advanced and emerging technologies, has restricted American semiconductor manufacturers from exporting chips for artificial intelligence and supercomputing to China.¹⁶⁸ The US aligned this policy with the Netherlands and Japan to better ensure compliance with chip export controls through all stages of the manufacturing value chain: design, fabrication and assembly/test.¹⁶⁹ It is believed that multilateral cooperation in all stages of the chip value chain will increase the time it takes for China to develop the advanced technological machinery needed for developing the chips used for PRC military technology.¹⁷⁰

Yet another export control regime has been conceived through the AUKUS defence pact. AUKUS, comprised of 17 working groups, with nine focused on nuclear-powered submarines and eight related to advanced military capabilities such as quantum technologies, artificial intelligence and advanced cyber and hypersonic capabilities, has faced hurdles in implementing

¹⁶⁷ "Export Controls and Human Rights Initiative Code of Conduct Released at the Summit for Democracy", U.S. Department of State, 30 March 2023, <https://www.state.gov/export-controls-and-human-rights-initiative-code-of-conduct-released-at-the-summit-for-democracy/>.

¹⁶⁸ Gregory C. Allen, "Choking off China's Access to the Future of AI", CSIS, 11 October 2022, <https://www.csis.org/analysis/choking-chinas-access-future-ai>.

¹⁶⁹ Alexander Alper and Davis Shepardson, "U.S. official acknowledges Japan, Netherlands deal to curb chipmaking exports to China", *Reuters*, 1 February 2023, <https://www.reuters.com/technology/us-official-acknowledges-japan-netherlands-deal-curb-chipmaking-exports-china-2023-02-01/>.

¹⁷⁰ Gregory C. Allen and Emily Benson, "Clues to the U.S.-Dutch-Japanese Semiconductor Export Controls Deal Are Hiding in Plain Sight", CSIS, 1 March 2023, <https://www.csis.org/analysis/clues-us-dutch-japanese-semiconductor-export-controls-deal-are-hiding-plain-sight>.

a successful export control regime due to US legal restrictions.^{171,172} According to a media report, obstacles related to AUKUS export controls centre on technology transfer and International Traffic in Arms Regulations (ITAR) licensing requirements, as well as restrictions on the US sharing such classified information with non-US nationals.¹⁷³ The House of Representatives has passed legislation which would help expedite technology transfers from the US to Australia and UK and reform existing export control to “alleviate private sector concern about potential violations of the... ITAR.”¹⁷⁴

5.2 Outbound Investment Restrictions

While inbound investment restrictions have been carefully coordinated amongst the US, UK and EU, through America's Committee on Foreign Investment in the United States (CFIUS), Britain's National Security and Investment Act, and the EU's Foreign Direct Investment regulation, denying the PRC access to capital markets through outbound investment restriction is not coordinated. The Biden Administration will likely announce some initial restrictions on US investments into the Chinese technology sector, but Americans and Britons often unknowingly invest their pension savings in funds with stakes in Chinese corporations, putting their retirement accounts at great risk should conflict erupt in the Taiwan Strait or should the CCP tighten outbound capital controls which could delay fund managers seeking to divest from China.^{175, 176, 177}

The US Senate Select Committee on Intelligence has warned the US Treasury and Commerce Departments that the flow of outbound capital from America to China risks aiding the PRC's military, the “ongoing genocide” in the Xinjiang Uyghur Autonomous Region (XUAR), and human right abuses in Tibet and Hong Kong.^{178, 179} According to research conducted by the Coalition for a Prosperous America, there are 50 Chinese entities with “publicly reported links or usage of forced labor in China found using open-source research” which are publicly traded and some of which are included in exchange traded funds (ETFs) and mutual funds.¹⁸⁰

Despite Congress warning that China's BRI poses a national security threat to the United States, US financial services firms continue to provide the CCP with nearly unfettered access to US capital markets, including one firm that has formed a joint-venture with China Construction

¹⁷¹ “FACT SHEET: Implementation of the Australia - United Kingdom - United States Partnership (AUKUS)”, The White House Briefing Room, 5 April 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/05/fact-sheet-implementation-of-the-australia-united-kingdom-united-states-partnership-aukus/>.

¹⁷² Demetri Sevastopulo, “UK and Australia urge Washington to ease secrecy rules in security pact”, *Financial Times*, 5 March 2023, <https://www.ft.com/content/45b9c2c9-f429-438c-8808-9cd92fdef27d>.

¹⁷³ *Ibid.*

¹⁷⁴ Bryant Harris, “Congress lays groundwork for AUKUS export control reform”, *Defense News*, 22 March 2023, <https://www.defensenews.com/congress/2023/03/22/congress-lays-groundwork-for-aukus-export-control-reform/>.

¹⁷⁵ Gavin Bade, “White House nears unprecedented action on U.S. investment in China”, *Politico*, 18 April 2023, <https://www.politico.com/news/2023/04/18/biden-china-trade-00092421>.

¹⁷⁶ Heather Gillers and Michelle Chan, “U.S. Pensions Take a Fresh Look at China”, *The Wall Street Journal*, 29 October 2022, <https://www.wsj.com/articles/u-s-pensions-take-a-fresh-look-at-china-11667023802#>.

¹⁷⁷ Summer Zhen, “UK pension pool Border to Coast appoints two China-focused managers for new fund”, *Reuters*, 6 March 2023, <https://www.reuters.com/business/uk-pension-pool-border-coast-appoints-two-china-focused-managers-new-fund-2023-03-06/>.

¹⁷⁸ US Senate Select Committee on Intelligence, “Letter to US Department of Treasury”, United States Senate, 9 February 2023, https://www.rubio.senate.gov/public/_cache/files/b745c60f-e84f-4495-a605-6e38e4689008/F4445325005D0704015BE79278285409.c758db9b0a3bd89c2398d523436dcb42.yellen-ssci-09feb23.pdf.

¹⁷⁹ US Senate Select Committee on Intelligence, “Letter to US Department of Commerce”, 9 February 2023, https://www.rubio.senate.gov/public/_cache/files/d7d8e5a4-ff91-4e69-9aae-a7713bee1f13/E441D31E16C51837D49F1EE8A8264B29.2fe76cc289fe7d0deb78140d333412c1.raimondo-ssci-09feb23.pdf.

¹⁸⁰ “Chinese Forced Labor Companies Funded by U.S. Capital Markets”, Coalition for a Prosperous America, 19 April 2023, <https://prosperousamerica.org/chinese-forced-labor-companies-funded-by-u-s-capital-markets/>; <https://prosperousamerica.org/wp-content/uploads/2023/04/CPA-Chinese-Forced-Labor-Companies.pdf>.

Bank Pension Management, the majority shareholder of which has been tasked with raising financing for the CCP's global infrastructure initiative.^{181,182,183} The City of London has previously supported investments to China's BRI for "greening" the CCP's global infrastructure initiative, writing that "Partnership between China and the UK [and its concentration of 250 foreign banks] provides a once in a generation opportunity to set industry standards and mobilise private sector capital to accelerate a global low carbon transmission."¹⁸⁴

While the US has prohibited the export of sensitive technologies to China through the Commerce Department's Entity List, there are negligible restrictions on Wall Street or the City of London investing in those same Chinese companies which are adverse to US and UK interests. American and British citizens may be unwittingly supporting the financing of PLA modernisation should their mutual fund or pension managers invest their savings into PRC entities (often subsidiaries, affiliates or otherwise adjacent Chinese state-owned enterprises or party-state controlled enterprises) linked to the CCP's Military-Civil Fusion national strategy, which facilitates the sharing of dual-use technology between civilian, PRC commercial enterprises and China's military.¹⁸⁵

Despite the financial community's continued pursuit of economic interdependence with the PRC, the CCP has targeted Western businesses as relations with the US and UK have worsened. China offices of US firms Bain Capital and Mintz Group were raided by PRC authorities, while a new espionage law in China gives the CCP broad authority to investigate and prosecute standard commercial activities, such as business intelligence, as prosecutable espionage.^{186,187}

In addition, the founder of London-based Mobius Capital Partners voiced concerns about the risk of investing in China and worsening capital controls when he stated that Chinese financial authorities had prevented him from withdrawing funds from an HSBC account in Shanghai. Mark Mobius warned investors to be "very, very careful" adding that the CCP holds "golden shares" in companies, which allows the Chinese Government far more control over the economy.¹⁸⁸

As US and UK policymakers consider restrictions on investment flows from/to the PRC, and consider the need for a potential reverse CFIUS to scrutinise outbound investment from the US and UK to China, the words of USCC commissioner Jacob Helberg should be considered: "Blocking US investments is about Investor Protection as much as it's about National Security."¹⁸⁹

¹⁸¹ "China's Belt and Road Initiative", Subcommittee on International Trade, Customs, and Global Competitiveness, 12 June 2019, <https://www.govinfo.gov/content/pkg/CHRG-116shrg43886/html/CHRG-116shrg43886.htm>.

¹⁸² Natalie Koh, "Principal's joint venture with CCBP to tap China's 3 pension segments", *Pensions and Investments*, 10 January 2023, <https://www.pionline.com/money-management/principal-financial-groups-joint-venture-ccb-p-tap-chinas-3-pension-segments>.

¹⁸³ Kane Wu and Julie Zhu, "Exclusive: China's 'big four' banks raise billions for Belt and Road deals - sources", *Reuters*, 22 August 2017, <https://www.reuters.com/article/us-ccb-fundraising/exclusive-chinas-big-four-banks-raise-billions-for-belt-and-road-deals-sources-idUSKCN1B20ER>.

¹⁸⁴ "Greening the Belt and Road: A UK-China collaboration", City of London, 13 December 2019, <https://www.cityoflondon.gov.uk/supporting-businesses/economic-research/research-publications/greening-the-belt-and-road-a-uk-china-collaboration>.

¹⁸⁵ Meia Nouwens, "Testimony before the U.S.-China Economic and Security Review Commission, China's Military Diplomacy and Overseas Security Activities, Panel III: China's Foreign Military Sales and Technological Acquisition", International Institute for Strategic Studies, 26 January 2023, https://www.uscc.gov/sites/default/files/2023-01/Meia_Nouwens_Testimony.pdf.

¹⁸⁶ Dan Strumpf, "Bain's Staff in Shanghai Questioned as China Targets Foreign Businesses", *The Wall Street Journal*, 27 April 2023, <https://www.wsj.com/articles/chinese-authorities-question-bain-staff-in-shanghai-e0bbf2fb>.

¹⁸⁷ Chun Han Wong and Dan Strumpf, "China Spy Law Adds to Chilling Effect of Detentions", *The Wall Street Journal*, 27 April 2023, https://www.wsj.com/articles/chinas-expanded-spy-law-adds-to-chilling-effect-of-detentions-ce8cea1a?mod=article_inline.

¹⁸⁸ "Investor Mark Mobius says he cannot get his money out of China", *CNN*, 6 March 2023, <https://edition.cnn.com/2023/03/06/business/mark-mobius-china-capital-controls/index.html>.

¹⁸⁹ Jacob Helberg (@jacobhelberg), *Twitter*, 5 March 2023, 2.40pm, <https://twitter.com/jacobhelberg/status/1632390670059962368>.

5.3 Infrastructure Development Finance

All wars end in a negotiated political settlement. When Kyiv and Moscow finally agree to a ceasefire, terms for sustainable peace, including Ukraine's reconstruction and the estimated \$1 trillion price tag, will begin.¹⁹⁰ Should China succeed in brokering a peace deal through its GSI, terms for the negotiated settlement would likely tilt in Russia's favour, according to observers, and Moscow may not be held to account for the damage inflicted upon Ukraine's infrastructure.¹⁹¹ Funding Ukraine's reconstruction would then fall upon bilateral government and multilateral institutional aid, as well as private sector financing, presenting an opportunity for infrastructure development finance through China's BRI in Ukraine and elsewhere in CEE.

China's BRI has already entered Ukraine's market; Kyiv joined the CCP initiative in 2017 and, in 2020, the Zelenskyy presidential administration agreed to strengthen economic ties with the PRC, including infrastructure development and financing.¹⁹² Ukraine's Minister of Foreign Affairs, Dmytro Kuleba, has previously described BRI as an opportunity for Ukraine to break a "US-EU-Russia triangle".¹⁹³ This is ultimately a decision for the Ukrainian people and their government. However, with PRC Ambassador Lu Shaye questioning the legal, sovereign status of Ukraine and all other former Soviet Republics, Kyiv should carefully consider whether the Chinese diplomat's comments are reflective of Beijing's foreign policy apparatus and if China could ever be trusted as an honest broker in mediating Ukraine's conflict with Russia.¹⁹⁴

To restrict the influence of BRI's presence in Ukraine and elsewhere in the region, the US and UK should strongly encourage Kyiv to maintain its current policy position that Russia must pay reparations for the extensive damage to Ukraine's infrastructure. Washington and London should help the Ukrainian Government map out a fair timeline for reparation payments from Moscow, which could potentially allow for a staggered end to targeted Western sanctions against Russia and eliminate caps on the sale price of Russian commodities, the profits of which could then help pay for the destruction throughout Ukraine.

Helping hold Russia accountable for damages to Ukraine, while dialling back US and UK sanctions on Moscow and/or, potentially, ending existing caps on Russian commodity sales, would help solve two problems with one action. First, it would relieve pressure on US and UK taxpayers and limit the burden on Washington and London to finance the massive reconstruction in Ukraine after both countries have sent billions in dollars to Ukraine for military assistance and financial aid. Second, demonstrating to Russia and the rest of the world that there is a path for ending sanctions could help stall Beijing's momentum on de-dollarisation with countries concerned about the continued reliance on the dollar and the potential for financial sanctions tied to dollar dependency.

Finally, once the transatlantic partners determine Moscow is maintaining its ceasefire and has begun funding reconstruction efforts in Ukraine, both Washington and London should consider

¹⁹⁰ Sarah Anne Aarup and Susannah Savage, "It's time to start rebuilding now, says Ukraine", *Politico*, 22 February 2023, <https://www.politico.eu/article/time-start-rebuild-ukraine-war-yulia-svydyrenko/>.

¹⁹¹ Donald Kirk, "China may want to broker peace in Ukraine, but won't be a neutral player", *The Hill*, 8 March 2023, <https://thehill.com/opinion/international/3884404-china-may-want-to-broker-peace-in-ukraine-but-wont-be-a-neutral-player/>.

¹⁹² "Factbox: China's business and economic interests in Ukraine", *Reuters*, 23 February 2022, <https://www.reuters.com/business/autos-transportation/chinas-business-economic-interests-ukraine-2022-02-23/>.

¹⁹³ Jakub Jakobowski and Krzysztof Nieczypor, "Under the radar of big politics: cooperation between China and Ukraine", Centre for Eastern Studies, 2 June 2021, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-06-02/under-radar-big-politics-cooperation-between-china-and-ukraine>.

¹⁹⁴ "Paris, Kyiv, Baltic states dismayed after China envoy questions Ukraine sovereignty", *Reuters*, 23 April 2023, <https://www.reuters.com/world/europe/france-baltic-states-dismayed-after-china-envoy-questions-ukraine-sovereignty-2023-04-23/>.

releasing Russia's central bank reserves held in dollars and British pound sterling (GBP). This may lessen pressure on other countries considering China's efforts for de-dollarisation, as some governments holding sovereign reserves in dollars or GBP might re-consider CCP overtures to embrace the yuan as a global currency. Russia's Central Bank has already announced countersanctions policies aimed at limiting the financial reach of the US dollar and is holding its reserves in gold, yuan and other currencies, leading to the potential for other countries to pursue similar policies.¹⁹⁵ While there have been calls from some in the West to seize Russia's frozen assets, including from the former US Ambassador to Russia, there is currently no legal pathway to do so, according to the US Treasury Secretary, with any permanent seizure likely illegal under the US International Emergency Economic Powers Act.^{196, 197, 198} There are moral considerations to ponder with any potential seizure of the frozen Russian assets, as the Bank of Russia reserves belong to the Russian public and are considered legitimate, sovereign funds.

Should the US and UK help Ukraine reach a path to peace with Russia and reconstruction efforts begin, the transatlantic partners will face a two-pronged infrastructure development finance strategy to keep China at bay in both Ukraine and the Indo-Pacific. In the latter region, significant supply chain development is needed to ensure the CCP is unable to control sea/air trade routes and global value chains, as envisioned through its dual circulation economic strategy.¹⁹⁹ This will require billions in dollars from private sector investment in both CEE and the Indo-Pacific, with both regions facing possible reluctance from potential investors because of risk management issues.

The United Kingdom recently joined the Blue Dot Network's (BDN) Steering Committee, with the United States, Australia and Japan, to certify infrastructure projects meet "fiscal, social, environmental, and governance" standards.²⁰⁰ Through the certification process, the UK's International Investment and the US International Development Finance Corporation (DFC) can offer solutions and benefits for infrastructure development not offered through BRI, such as reliable political risk insurance, certification of sound infrastructure proposals, technical assistance, and debt financing free from the potential of CCP coercion.

¹⁹⁵ "Russia building reserves in assets the West can't sanction - central bank chief", *Reuters*, 18 April 2023, <https://www.reuters.com/world/europe/russia-building-reserves-assets-west-cant-sanction-central-bank-chief-2023-04-18/>.

¹⁹⁶ Michael McFaul, "Transfer the Seized Assets of the Russian Central Bank to Ukraine Now!", *McFaul's World*, Substack, 14 April 2023, <https://michaelmcfaul.substack.com/p/transfer-the-seized-assets-of-the>.

¹⁹⁷ David Lawder, "Yellen: Not legal for U.S. to seize Russian official assets", *Reuters*, 18 May 2022, <https://www.reuters.com/world/yellen-not-legal-us-government-seize-russian-central-bank-assets-2022-05-18/>.

¹⁹⁸ Andrew Boyle, "Why Proposals for U.S. to Liquidate and Use Russian Central Bank Assets are Legally Unavailable", *Just Security*, 18 April 2022, <https://www.justsecurity.org/81165/why-proposals-for-u-s-to-liquidate-and-use-russian-central-bank-assets-are-legally-unavailable/>.

¹⁹⁹ "China's 'dual-circulation' strategy means relying less on foreigners", *The Economist*, 5 November 2020, <https://www.economist.com/china/2020/11/05/chinas-dual-circulation-strategy-means-relying-less-on-foreigners>.

²⁰⁰ "Joint Statement from the United States, Japan, and Australia on the United Kingdom Joining the Blue Dot Network", U.S. Department of State, 17 April 2023, <https://www.state.gov/joint-statement-from-the-united-states-japan-and-australia-on-the-united-kingdom-joining-the-blue-dot-network/>.

6. Bolstering US-UK Trade Policies

6.1 Mitigating Risks of a PRC-Led Economic Bloc

Mitigating America's and Britain's economic interdependence with China requires not only diversification of supply chains, but a realignment of trade policy, including re-shoring some critical manufacturing to the US and UK and – aligning with trading partners who share similar national interests – increasing market access, reducing trade and investment barriers, decreasing tariffs and reaching agreements on subsidies.²⁰¹ As the newest member of the CPTPP, the UK is uniquely positioned to help drive transatlantic policy by linking trade with an economic denial strategy to prevent PRC economic hegemony in the Indo-Pacific. Investment Minister Dominic Johnson has noted the CPTPP is the “cornerstone” of the UK's Indo-Pacific strategy.²⁰²

However, a fine balance is needed for such a realignment. Transatlantic trade policy aimed at minimising the dependency that the transatlantic partners have on China, along with economic denial policies to prevent PRC economic hegemony (export controls, investment restrictions and alternatives to China's development finance model), should not lead to a complete US and UK economic splintering with China. Instead, as Competere CEO Shanker Singham has observed, the CPTPP with US membership would be a “compelling answer” to Xi's economic worldview and a demonstration that “classic liberal foundations are best suited to promoting economic growth.”²⁰³ Complete decoupling from China would be a near impossibility, but the suggestion of doing so could lead to China more easily presenting its own vision of an alternative economic bloc formation, one based on coercion, de-dollarisation and reliance upon PRC-controllable supply chains.

China could warn its trading partners that veering from transatlantic worldviews can lead to sanctions and economic isolation. India, both the world's most populous country and a nation increasingly criticised for “democratic backsliding”, may then determine that it is in New Delhi's best interest to reconsider increasing trade with the West.²⁰⁴ Trading partners would face a conundrum, forced to choose between two world visions with a potential for regional destabilisation should competition over control of supply chains and critical commodities intensify. Instead, the US and UK should offer a competing vision to China's economic model, which helps minimise the CCP's influence.

Malaysia is an example of Indo-Pacific commercial partners facing an “us versus them” proposition vis-à-vis trade. As a member of the Regional Comprehensive Economic Partnership (RCEP), China is Malaysia's largest trading partner. When faced with mounting pressures from China during Prime Minister Anwar's visit to Beijing, Malaysia, a Commonwealth member, determined that the safety of continued non-tariff trade with China through RCEP outweighed the uncertainty of the vague US economic vision of the Biden Administration's Indo-Pacific Economic Framework (IPEF). With Beijing likely promising Kuala Lumpur a combination of increased trade cooperation and infrastructure development finance, Malaysia's Prime Minister parroted Xi's talking points on minimising dollar dependency for global trade.

²⁰¹ Darren Spinck, “Quad has a role to help secure Indo-Pacific regional stability”, *The Sunday Guardian Live*, 12 November 2022, <https://sundayguardianlive.com/world/quad-role-help-secure-indo-pacific-regional-stability>.

²⁰² Shoichiro Taguchi, “CPTPP ‘cornerstone’ of U.K.'s Indo-Pacific strategy: minister”, *Nikkei Asia*, 4 April 2023, <https://asia.nikkei.com/Editor-s-Picks/Interview/CPTPP-cornerstone-of-U.K.-s-Indo-Pacific-strategy-minister>.

²⁰³ Shanker Singham, Alden Abbott and Peter Allgeier, “The UK joining CPTPP is a seismic moment for the global trading system”, *CAPX*, 31 March 2023, <https://capx.co/the-uk-joining-cptpp-is-a-seismic-moment-for-the-global-trading-system/>.

²⁰⁴ The Editorial Board, “India's democratic backsliding”, *Financial Times*, 20 April 2023, <https://www.ft.com/content/6c98e1aa-85da-4738-b889-fc4d76d1d0bc>.

With other Commonwealth governments in the Indo-Pacific likely facing similar pressure from China, the UK, as a CPTPP member, should emphasise the two country's shared historic ties and the potential for increased trade with the UK. Washington and London should consider dangling economic carrots (increased market access, infrastructure development finance assistance, reduction of trade barriers, etc.) with sticks (raising tariffs on exports to the US and UK, if necessary) to ensure Beijing is unable to isolate Indo-Pacific nations from the global trading system through closer ties in a yuan-traded, CCP-controlled economic bloc.

Some experts reject the premise that the PRC can form a separate, renminbi-based economic bloc. GTI's Chang has stated that while forming such a bloc is theoretically possible, it is not practical for China to do so because, among other reasons, China's currency is not convertible on the capital account.²⁰⁵ Chang strongly supports using economic sticks to defend the dollar, such as restrictions on market access and tariffs.²⁰⁶

In order to stymie China's objective to weaken America as a global economic power and develop a rival bloc with partners who will exit the economic system led by the transatlantic partners, the US, UK and its partners should also consider what former acting Central Intelligence Agency deputy director Jack Devine recently suggested: "sideline the emergent autocratic alliances between Russia, China, Iran and North Korea" and contain Beijing's objectives through re-normalising economic ties with a non-belligerent, post-Putin Russia.²⁰⁷ While such a consideration is premature as long as Russia's war against Ukraine rages on, not countering China's efforts to develop an economic bloc operating outside the influence of the transatlantic community could lead to economic turmoil should the power of the US dollar wane. Chang generally agrees with Devine's premise, believing a splintering of the Beijing-Moscow alliance should be a priority once the war in Ukraine ends, with a former US national security adviser adding that this policy must become an objective of American grand strategy.²⁰⁸

6.2 Trade Liberalisation

As manufacturing companies seek to minimise the risk of continuing business operations in China, other countries are adjusting policies to attract potential business. Mexico and Indo-Pacific governments including India, Vietnam, Cambodia and the Philippines are "competing on subsidies, tax breaks and other perks to convince businesses that their country is the next best thing to the well-oiled manufacturing machine that China has honed over decades."²⁰⁹ India, eager to increase trade with the West, is negotiating free trade deals with the UK and EU, and enacting policies to liberalise trade, including the reduction of tariffs. While India's 18.3 percent most-favoured nation tariff rate in 2021 is higher than other Indo-Pacific economies, including China, Vietnam, Philippines and Malaysia, India's Minister of Commerce Piyush Goyal indicated to *The Wall Street Journal* that the rate is targeted toward "non-transparent economies who are dumping really low-quality, substandard goods at really low prices."²¹⁰

In addition to realigning trade policy and minimising the risk of continued economic dependence on China, finalising agreement of a US-UK free trade agreement (FTA) should

²⁰⁵ Gordon Chang, "Interview by Darren Spinck", April 27 2023.

²⁰⁶ Ibid.

²⁰⁷ Jack Devine, "Help Ukraine Defeat Russia, Then Make Friends", *The Wall Street Journal*, 11 April 2023, <https://www.wsj.com/articles/defeat-russia-then-make-friends-putin-ukraine-beijing-national-security-peace-war-territorial-dispute-d092bb28>.

²⁰⁸ John Bolton, "A New American Grand Strategy to Counter Russia and China", *The Wall Street Journal*, 12 April 2023, <https://www.wsj.com/articles/a-new-american-grand-strategy-to-counter-russia-and-china-asian-nato-aukus-collective-defense-taiwan-da555cf>.

²⁰⁹ Jason Douglas and Stella Yifan Xie, "Countries Compete to Lure Manufacturers from China", *The Wall Street Journal*, 23 March 2023, <https://www.wsj.com/articles/countries-compete-to-lure-manufacturers-from-china-adf46d9a>.

²¹⁰ Greg Ip, "India, Wary of China, Expands Trade Ties with the West", *The Wall Street Journal*, 6 March 2023, <https://www.wsj.com/articles/india-wary-of-china-expands-trade-ties-with-the-west-7fda506e>.

remain a priority of Washington and London policymakers. Post-Brexit, the United Kingdom had hoped to increase its share of trade with its closest ally, the United States, but the Biden Administration has favoured multilateral economic agreements such as IPEF rather than the bilateral or trilateral agreements finalised by the Trump White House such as the US-Mexico-Canada (USMCA) Agreement, United States-Japan Trade Agreement, United States-Japan Digital Trade Agreement and the Washington-Beijing Phase One trade deal.²¹¹

President Biden's White House has not prioritised an FTA with the UK due to concerns over post-Brexit management of the Good Friday Accords.²¹² While the UK has reportedly expressed great interest in resuming free trade negotiations which had progressed during the Trump presidency, the Government has instead finalised commercial agreements with traditionally "red" manufacturing and agricultural US states such as Indiana, North Carolina and South Carolina, and memorandums of understanding with Oklahoma and likely Texas.²¹³

With criticism mounting over the Biden presidency having signed no comprehensive bilateral or trilateral trade agreements, United States Trade Representative Katherine Tai has argued that previous trade liberalisation and tariff reduction allowed the US to become overly dependent on China for critical exports.^{214, 215, 216} However, America not pursuing trade liberalisation risks allowing smaller trade partners getting drawn into a PRC-led economic bloc. Washington embracing freer trade policies with key US allies such as the United Kingdom would also help temper criticism from Brussels on US industrial policy. Freer trade also would mitigate PRC efforts to miscategorise US-UK policies in the Indo-Pacific as focused on isolating China and focused on military policy, rather than economic.

²¹¹ "Fact Sheet: The President's 2020 Trade Agenda and Annual Report", Office of the United States Trade Representative, February 2020, <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2020/february/fact-sheet-presidents-2020-trade-agenda-and-annual-report>.

²¹² Catherine Lucey, "Biden Marks Anniversary of Good Friday Agreement in U.K. After Push to Preserve It", *The Wall Street Journal*, 12 April 2023, <https://www.wsj.com/articles/biden-marks-anniversary-of-good-friday-agreement-in-u-k-after-push-to-preserve-it-d5f9ec9c>.

²¹³ Alex Wickham and Ellen Milligan, "UK Wants to Revive US Trade Talks When Biden Visits Ireland", *The Washington Post*, 6 April 2023, https://www.washingtonpost.com/business/on-small-business/2023/04/06/uk-wants-to-revive-us-trade-talks-when-biden-visits-ireland/d043be1e-d4a0-11ed-ac8b-cd7da05168e9_story.html.

²¹⁴ Kori Schake, "Biden's Foreign Policy Is a Mess - The White House Has Failed to Match Means and Ends", *Foreign Affairs*, 10 February 2023, <https://www.foreignaffairs.com/united-states/biden-foreign-policy-mess>.

²¹⁵ Ana Swanson, "Biden's Reluctant Approach to Free Trade Draws Backlash", *The New York Times*, 3 April 2023, <https://www.nytimes.com/2023/04/03/us/politics/biden-free-trade.html>.

²¹⁶ David Lawder, "U.S. trade chief Tai defends pursuit of non-traditional trade deals", *Reuters*, 5 April 2023, <https://www.reuters.com/world/us/us-trade-chief-tai-defend-pursuit-non-traditional-trade-deals-2023-04-05/>.

7. Conclusion/Recommendations

Denying China its ability to supplant the pro-market, democratic vision of the transatlantic partners and dominate any region with its own trade or military bloc will require a two-pronged denial strategy (defence and economic). US and UK technology policy must also align, as the CCP can use advances in artificial intelligence, biotechnology, robotics and other advanced and emerging technologies to advance its techno-authoritarian worldview.

Washington and London must remain vigilant and prevent the personal data of its citizens from being accessed and collected by the CCP. This will require restricting China's ability to use software, apps or other technology portals which do not comply with US and UK data localisation laws. It will also necessitate blocking any attempts by the CCP to foment domestic US/UK unrest, spread disinformation and promote distrust of Western institutions using social media. This will require a careful policymaking balance, to ensure America and Britain uphold cherished free speech principles while protecting national security.

An immediate policy the US and UK Governments should implement is prohibiting the use on government hardware, phones or other technologies of any social media platform or software with links to data centres in China or stored by Chinese-owned entities. Government officials with the highest-level security clearances should be restricted from using such apps or software on personal phones as well. Ensuring the CCP has no back-door access to government computer systems and is not able to receive transmitted communications from American or British Government employees is critical for protecting US and UK national security.

In addition, the US and UK will remain stronger together and better able to answer the challenges of the PRC's growing geopolitical ambitions through the following set of recommendations:

1. An overarching objective of US and UK foreign policies should be denying the CCP its ability to form an economic or military bloc which would allow the PRC to establish hegemony in the Indo-Pacific or any other global region. This will require modernisation of military capabilities; pursuing policies to limit the increased use of the yuan as a global currency; reshoring critical manufacturing and liberalising trade policies with partners sharing similar national interests; securing supply chains and sea/air trade routes in the Indo-Pacific and Europe; and maintaining a lead on policymaking for emerging and advanced technologies.
2. The US and UK should pursue grand strategies that reflect the national interests and values of both countries, while also reflecting the world's shift away from US-led unipolarity and the current constraints of US and UK economic/military power. The "special relationship" should strive to continue encouraging US and UK partners to embrace a political and economic model based on classical liberalism – freedom of speech, religious liberty, economic freedom and an independent and uncensored media – with policies pursued by elected representatives which reflect the will of the electorate.
3. As the US and UK collaborate to answer China's growing geopolitical ambition, it will require the re-allocation of resources – both military and financial. With the transatlantic partners providing considerable military aid to Ukraine, the defence manufacturing sectors in both countries should accelerate industrial production to ensure Taiwan is adequately armed, which will help deter PRC aggression and keep Indo-Pacific supply chains undisturbed. The US and UK should increase defence spending to Cold War levels, as a percentage of GDP, to reflect the growing threat of China's military modernisation effort.

4. Washington and London should present their partners with policies which counter CCP efforts to use the Global Security Initiative to further China's geopolitical ambitions and exploit growing fissures between the US and UK and some of their European allies. In Ukraine, China's efforts through the GSI should not allow Russia to escape accountability for its devastating attack on Ukraine's people, and the extensive damage inflicted upon Ukraine's infrastructure, which would limit the burden on Washington and London to finance the massive reconstruction. Making Russia pay reparations would limit pressure on US and UK taxpayers. A fair timeline for reparations is needed, which would allow a targeted end to some Western sanctions and the caps on sales of Russian commodities to help pay for Ukraine's reconstruction.
5. To help lessen pressure on China's efforts for de-dollarisation and to stall the formation of any formalised PRC-led economic bloc trading in yuan, the US and UK should support a staggered release of Russia's central bank reserves held in dollars and GBP, when it is determined Moscow is maintaining a ceasefire with Kyiv and has begun financing reconstruction for infrastructure through agreed upon sales.
6. The United States and United Kingdom should aim to stabilise their currencies by re-evaluating the overuse of sanctions, which leads to de-dollarisation and sanctions evasion, thus minimising the effectiveness of economic statecraft policies. They should also develop a countersanctions policy to ensure American and British individuals and entities would not be vulnerable to PRC sanctions should the trend toward increased use of the yuan as a global currency continue.
7. London should urge its Commonwealth partners to avoid de-dollarisation, which would lead to increased use of the yuan as a global currency, and use trade relationships throughout the Indo-Pacific to better maintain the use of the US dollar as the currency of choice for international trade.
8. When Ukraine's reconstruction begins, the United States and United Kingdom should present a clear alternative to China's BRI in Central and Eastern Europe. The Blue Dot Network, with the UK as the newest member of the platform's steering committee, should work closely with the Three Seas Initiative Investment Fund to ensure the PRC does not gain any unfair advantage for securing contracts for Ukraine's reconstruction and that private Western capital is encouraged to invest in BDN-certified infrastructure initiatives. In addition, BDN should focus on certifying and helping secure private funding for developing resilient supply chains throughout the Indo-Pacific.
9. The United States should prioritise finalising a US-UK Free Trade Agreement, which would allow both countries to further mitigate existing dependence on trade with the PRC and develop stronger commercial ties between the two transatlantic allies in critical sectors including chemical production, medical product manufacturing, the agricultural sector and financial services.
10. London, through its membership as a non-founding member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, should work with Washington to determine which CPTPP members the US can strengthen commercial ties with for trade of non-critical manufactured goods and services. This will require the US to support policies aimed at trade liberalisation, including improving market access, reducing trade barriers and eliminating tariffs. Critical manufacturing, such as pharmaceutical production and semiconductor manufacturing, and other key sectors

should be re-shored to the transatlantic partners to ensure adversarial competitors are unable to disrupt supply chains and coerce manufacturers, which would have an adverse impact on US and UK national security.

11. The United States Navy and the UK's Royal Navy should coordinate training exercises with fellow AUKUS member the Royal Australian Navy for improved interoperability and to engage as a cornerstone balancer in the Indo-Pacific. AUKUS members conducting freedom of navigation missions in the Taiwan Strait and cooperating with regional partners including Japan and the Philippines on pre-positioning supplies will better help deter the PRC from disrupting the cross-Strait status quo.
12. The UK Government should encourage the US to better consolidate export control policies amongst partners, including through AUKUS working groups focused on quantum technologies, artificial intelligence/autonomy and advanced cyber and hypersonic/counter-hypersonic capabilities.
13. London should restrict China's access to the UK capital market and Exchequer officials should coordinate with US policymakers to ensure that the ability of Chinese entities to access capital markets does not lead to American/British investments linked to China's Military-Civil Fusion national strategy, help embolden human rights abuses or fuel any PRC-led economic bloc embracing the CCP's techno-authoritarian worldview. This should include ensuring public pension funds divest from any Chinese companies which may further human rights abuses; encouraging private funds and university endowments to limit investment in Chinese companies with "golden shares" controlled by the CCP; tasking securities regulators to scrutinise initial public offerings with a nexus to China; and providing technical support to the City of London to encourage private sector development finance for transatlantic-led infrastructure projects rather than the CCP's BRI.

Title: "STRONGER TOGETHER: HOW US-UK COLLABORATION CAN ANSWER CHINA'S GROWING GEOPOLITICAL AMBITION"
By Darren G. Spinck

© The Henry Jackson Society, 2023

The Henry Jackson Society
Millbank Tower, 21-24 Millbank
London SW1P 4QP, UK

www.henryjacksonsociety.org

