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Analysis of today
Assessment of tomorrow

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Why is China in a hurry to end the mini Cold War with the US?

The mini Cold War between the US and China has entered a thawing phase after several closed meetings of high representatives in Vienna and Beijing.

Incidents with Chinese spy balloons over US territory interrupted the short-term upward trajectory of interstate communication between Washington and Beijing last February.

This tension culminated in the sudden cancellation of US Secretary of State Antony Blinken's long-planned visit to Beijing, after which the US and China entered Cold War mode, something they both said they did not want to happen.

"There need not be a new Cold War between the US and China", US President Joe Biden said after a meeting with the Chinese leader in Indonesia last November. President Xi Jinping agreed, and added that China-US relations should not be a zero-sum game.

Chinese spying on US territory last February, was a hostile gesture that destroyed the diplomatic work supposed to lead to the stabilisation of relations between the two largest economic global powers.

Very few details have leaked from the recent two-day meeting of high-ranking US and Chinese delegations at a luxury hotel in Vienna, which is logical for a meeting with a role to break the ice after months of tension.

According to an anonymous US official, both delegations, led by national security advisor Jake Sullivan and top Chinese diplomat Wang Yi, characterised the balloon incidents as "unfortunate" and are now looking to "reestablish standard, normal channels of communications".

Ukraine after the war

Russian aggression against Ukraine is one item that both countries officially confirmed was a topic of discussion in Vienna.

There are several reasons why China is interested in conducting a dialogue on this topic with the US. Beijing is aware that the stabilisation of relations with Washington must also include the issue of Ukraine, on which they still have different positions.

Although it has never condemned the Russian aggression, China is hesitant to deliver weapons to Moscow precisely because of frequent American warnings. China has been increasingly careful not to allow Moscow openly to disregard Western sanctions so that Chinese companies do not fall under secondary sanctions.

China's peace plan, which was announced on the anniversary of the start of the Russian invasion, did not impress other global actors, nor did it become a topic where Beijing could expect any diplomatic gains.

This plan was rightly understood as partnership support for Vladimir Putin and, as such, rendered unusable for consideration among the parties to the conflict and their allies.

If Beijing wants to participate in the post-conflict restructuring of relations between Russia and Ukraine, to determine Russia's position after the end of the aggression and to derive political benefit from it, it will be able to do so only in cooperation with the US and the West, not in conflict with them.

China's economic recovery has

been losing power

China's motive for "unfreezing" the mini Cold War with the US as quickly as possible has been the state of its economy, which after several consecutive months of recovery after the lifting of the 3-year lockdown, began to decline again.

All significant parameters of the Chinese economy recorded a worrying decline last April - industrial production, retail sales, investments, and particularly employment.

This does not look like a short-term fluctuation, which could be expected for a stabilisation period and return to the levels before the Covid-19 pandemic, but as an introduction to a longer negative trend.

Cooling down of the economy disrupted global expectations and the expectations of the Chinese government that this year's growth will be stable, although somewhat lower than in previous years, projected at around 5%.

The decline in all significant parameters represents a warning to Beijing that the growth in the past few months has been the result of increased consumption after a long period of closure.

China might face a downward spiral if it does not undertake more serious reforms, which it persistently avoids.

This is undoubtedly the most critical news for Beijing, which, since the CCP Congress last autumn, has had the economic recovery and return of its global influence as a top priority.

Beijing's efforts to stabilise relations with the US, as its biggest rival but also a partner in the global market, followed because of that priority. The goals would not be achievable without the stabilisation of relations.

Warming ahead of the G7 summit

From a political point of view, China is in a hurry to restore relations to the levels of last November and the meeting between President Biden and President Xi at the G20 summit in Indonesia because, in 6 months' time, there is an opportunity for them to meet again.

Although it has not been confirmed yet, the first opportunity for their new meeting is in San Francisco in November for the summit of Asia-Pacific leaders. China expects it will go smoothly and has been preparing for the meeting.

US President Joe Biden will travel to the G7 summit in Hiroshima this weekend with a more moderate attitude towards China than just a week ago.

This will be a favourable development for Beijing because the biggest Western partners will have a shared attitude regarding China at the top of their agenda in Japan. With the warming of China-US relations, this "warm wave" should spill over to the remaining 6 most developed Western countries.

US Secretary of State Blinken hinted at the warming at the hearing in the Senate dedicated to policy towards China last Tuesday.

"China is the most consequential geopolitical challenge that we face today. A country with an intent and increasing capability to challenge our vision for the free open and secure international order... We do not see conflict with China, or a new Cold war, we are

not trying to contain China…The world is watching how we and Beijing manage this relationship and it is in our best strategic interest to do it responsibly", said Secretary Blinken.