



# CENTRE FOR AIR POWER STUDIES (CAPS)

Forum for National Security Studies (FNSS)

## INDO-PACIFIC NEWSLETTER



A Monthly Newsletter on Security and Strategic Issues on Indo-Pacific Region from  
Centre for Air Power Studies

### From the Editor's Desk

*This month The Israel-Hamas conflict clouded prospects for the India-Middle East-Europe Economic Corridor announced at the G20 summit last month. China escalated its actions in the South China Sea by obstructing replenishment efforts for the Filipino ship BRP Sierra Madre, which has been stranded at Second Thomas Shoal since 1999. It also executed what the United States called a clumsy intercept of a B-52 in the area. On October 12, meanwhile, a P-8A from the Seventh Fleet crossed the Taiwan Strait.*

*At the Council of Foreign Ministers Meeting in Colombo on October 11, Sri Lanka took the chair and India was elected as the Vice-Chair of IORA. The IORA took note of Sri Lanka's suggestion to hold a summit of leaders in 2024. India continued its pursuance of launching the first ever joint EU-Indian anti-piracy patrol in the Gulf of Guinea and getting ready for Exercise MILAN 2024.*

*The ongoing conflict in Ukraine was given top attention during the US-EU summit on October 20, with obligations to Israel coming in second. In order to increase domain awareness, promote cooperation on connectivity, and combat foreign media manipulation and intervention, the transatlantic partners established biannual US-EU consultations on the Indo-Pacific. Furthermore, In an effort to prepare for a potential Biden-Xi meeting in San Francisco on November 14, the US and China resumed their high-level interaction to stabilize relations. Foreign Minister Wang Yi and the director of the CCP Foreign Affairs Office visited the US on October 26 and 27.*

*This month we present specially selected opinions and cherry picks covering all this and more. Do check out our Social Media Corner for some engaging and insightful content, including debates, interviews and podcasts from eminent experts.*

*Jai Hind*

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*Holding the Line Against China's Maritime Bullying: The Philippines Sets a New Standard*

Read more about it at :-

<https://thedi diplomat.com/2023/10/holding-the-line-against-chinas-maritime-bullying-the-philippines-sets-a-new-standard/>

### QUOTE

*"Philippines and China should strengthen their partnership to make both countries stable and strong and keep the region a driving force behind the global economy"*

*- -Philippines President,*

*Ferdinand Marcos Jr*

## Opinions/Review/Expert View

U.S. Focuses on Deterrence as China  
Raises Stakes in Indo-Pacific

Source: Joseph Clark | DOD News

<https://www.defense.gov/News/News-Stories/Article/Article/3566970/us-focuses-on-deterrence-as-china-raises-stakes-in-indo-pacific/> 24 October 2023



Ely S. Ratner, assistant secretary of defense for Indo-Pacific security affairs, said as China continues to raise the stakes in the region, the Defense Department has responded with a steady hand to ensure competition does not become conflict.

"We're not losing sight of the fact that the department has identified China as the top pacing challenge," Ratner said. "We're investing focused capabilities on solving operational problems associated with that."

He added that, in response to China's military buildup, the DOD has remained focused on developing new operational concepts, deepening relationships with regional allies, and modernizing its force posture in the region.

Ratner, who was joined by Michael S.

Chase, deputy assistant secretary of defense for China, Taiwan and Mongolia, offered his remarks during a discussion of the Pentagon's recently published 2023 China Military Power Report. The event was hosted by the Atlantic Council in Washington.

The annual report on China, known formally as the People's Republic of China or PRC, was released by the Pentagon last week. It details China's national, economic and military strategy, current capabilities and future modernization goals pursuant to that country's aim of reshaping the international order.

According to the report, over the past year China adopted more provocative behaviors in the Indo-Pacific while accelerating its military buildup in a bid to project power abroad.

"At the same time, the PRC largely denied, cancelled and ignored recurring bilateral defense engagements, as well as DOD requests

**The U.S. remains laser-focused on deterring conflict in the Indo-Pacific as China doubles down on its efforts to boost its military power and engage in increasingly provocative behavior, a senior Pentagon official said yesterday.**

for military-to-military communication at multiple levels," the report reads.

According to the report, China is seeking to modernize its military, the People's Liberation Army, or PLA, across all domains of warfare in pursuit of its aims of reshaping the global power balance.

China's military has focused on the rapid development of its nuclear, space and cyberspace capabilities. DOD officials estimate that the Chinese had more than 500 operational nuclear warheads as of May 2023, and it was on track to exceed some previous

projections.

"Compared to the PLA's nuclear modernization efforts a decade ago, current efforts dwarf previous attempts in both scale and complexity," the report reads, adding that DOD officials assess that China will likely reach 1,000 operational nuclear warheads by 2030.

China has also focused on expanding its naval capabilities to project power by sea. It has the largest navy in the world, in terms of number of ships and submarines, with a total battle force of 370 ships and submarines. That includes 140 major surface combatants, according to the report.

More broadly, U.S. officials also assess that China's military has sought to modernize and improve its ground, air, strategic and joint-support forces and has undertaken key structural reforms to strengthen its ability to conduct joint operations.

"The PLA is aggressively developing capabilities to provide options for the PRC to dissuade, deter, or, if ordered, defeat third-party intervention in the Indo-Pacific region and to conduct military operations deeper into the Indo-Pacific region and globally,"

The report also raises concerns over the risky and aggressive intercepts by China's military of U.S. aircraft operating in international airspace in accordance with international law.

"Between the fall of 2021 and fall of

2023, the United States has documented over 180 instances of PLA coercive and risky air intercepts against U.S. aircraft in the region — more in the past two years than in the previous decade," the report reads.

"Over the same period, the PLA has conducted around 100 instances of coercive and risky operational behavior against U.S. allies and partners in an effort to deter both the

United States and others from conducting lawful operations in the region," the report continues.

That concerning behavior on the part of China's military was part of a "coordinated campaign," Ratner said.

"This was a variety of different behaviors," he said. "It was air intercepts that were coming in too fast, that got too close, that brandished weapons, that engaged in risky and dangerous maneuvers around U.S. aircraft — that, we think, is important to be highlighting because they really are dangerous.

"They put lives at risk, and they risk also potential crises that could lead to inadvertent conflict," Ratner said.

Chase added that the concerning rise in intercepts further underscores the importance of resuming regular, military-to-military communications between the U.S. and China at the operational level as soon as possible.

He said that while the report focuses on China's buildup, it was also important to underscore the United States' "very strong body of work in terms of posture, capabilities, operational concepts [and] working closely

**"We're not losing sight of the fact that the department has identified China as the top pacing challenge. We're investing focused capabilities on solving operational problems associated with that."**

with allies and partners in terms of what we're doing in response."

"We believe deterrence is real and deterrence is strong, and we're working every day to keep it that way," Ratner said.

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## China and Philippines Accuse Each Other Over Collisions in Disputed South China Sea

Source: Chris Lau, Jennifer Hauser and Chloe Liu | CNN

<https://edition.cnn.com/2023/10/22/asia/south-china-sea-philippines-collision-intl-hnk/index.html> 23 October 2023



*A Chinese coast guard ship patrols in the South China Sea on August 22, 2023.*

Hong Kong (CNN) — China and the Philippines on Sunday accused each other of causing collisions in a disputed area of the South China Sea, the latest in a string of maritime confrontations between the two countries that have heightened regional tensions.

In a statement, Philippine authorities said a Chinese Coast Guard ship carried out “dangerous blocking maneuvers” that caused it to collide with a Philippine vessel carrying supplies to troops stationed in Ayungin Shoal, also known as Second Thomas Shoal, in the Spratly Islands chain.

**Manila grounded the navy transport ship on Second Thomas Shoal in 1999 and has manned it with Filipino marines to enforce its claims to the area.**

China’s move was “provocative, irresponsible and illegal” and “imperiled the safety of the crew” of the Philippine boats, the National Task Force for the West Philippine Sea said.

In a second incident Sunday, the Philippine task force said a Chinese maritime militia vessel collided with a Philippine Coast Guard ship, which was on the same mission to resupply the BRP Sierra Madre. Manila grounded the navy transport ship on Second Thomas Shoal in 1999 and has manned it with Filipino marines to enforce its claims to the area.

On Monday, Manila summoned China’s ambassador to the Philippines and filed a diplomatic protest against Beijing.

“China as a major power bears a heavier responsibility of contributing to peace and stability in the region,” said a spokesperson for the Philippine Department of Foreign Affairs.

Beijing claims “indisputable sovereignty” over almost all of the 1.3 million square miles of the South China Sea, as well as most of the islands and sandbars within it, including many features that are hundreds of miles away from China’s mainland.

In 2016, an international tribunal in The Hague ruled in favor of the Philippines in a landmark maritime dispute, which concluded that China has no legal basis to claim historic rights to the bulk of the South China Sea.

Beijing has ignored the ruling.

In a statement Sunday, the Chinese Coast Guard accused the Philippines of violating international marine law and threatening the navigation safety

of Chinese ships

. It accused the first Philippine ship of trespassing into the waters of what it calls the Nansha islands and Renai Reef, prompting the Chinese Coast Guard ship to intercept “in accordance with the law,” and resulting in a “minor collision.”

In the second incident, the Chinese Coast Guard said the Philippine Coast Guard vessel “purposely provoked trouble and reversed course,” causing a collision with a Chinese fishing boat.

No injuries were reported in either collision Sunday, which marks the latest in a series of recent flashpoints between Beijing and Manila in the disputed waterway.

In September, the Philippine Coast Guard released video of a Filipino diver cutting a Chinese-installed floating barrier in a disputed area of the waterway that had prevented Filipino boats from entering.

It came just days after after the Philippine Coast Guard accused China’s maritime militia of turning vast patches of coral near the Palawan island chain into a bleached and broken wasteland.

China’s foreign ministry dismissed those allegations as “false and groundless.”

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**23rd Council of Ministers Meeting of IORA, where he highlighted the need for sincere respect for sovereignty and territorial integrity to revive the Indian Ocean as a strong community.**

## India Steps Up as Vice-Chair of IORA, Advocates for a Rules-Based Indian Ocean Community

Source: Rafia Tasleem | BNN Network

<https://bnn.network/world/india/india-steps-up-as-vice-chair-of-iora-advocates-for-a-rules-based-indian-ocean-community/>

08 October 2023



*India Steps Up as Vice-Chair of IORA, Advocates for a Rules-Based Indian Ocean Community*

In a recent development that signals India’s growing geopolitical influence, the country’s External Affairs Minister, S Jaishankar, has stressed the importance of a multilateral rules-based international order in the Indian Ocean Rim Association (IORA). The minister emphasized this during the 23rd Council of Ministers Meeting of IORA, where he highlighted the need for sincere respect for sovereignty and territorial integrity to revive the Indian Ocean as a strong community.

### India Assumes the Vice-Chair Role of IORA

India has assumed the Vice-Chair role of the Indian Ocean Rim Association (IORA) for the period of 2023-25. This move underlines India’s commitment to building a stable, prosperous, and resilient Indian Ocean community. The Indian

Ocean, as per Jaishankar, should be maintained as a free, open, and inclusive space, adhering to the principles laid down in the UN Convention on the Law of the Seas (UNCLOS).

### Addressing Regional Challenges

During the meeting, Jaishankar also shed light on the various challenges that the region is currently facing. These include developmental issues, connectivity problems, debt crises, extremism, terrorism, natural disasters, and the pressing issue of climate change. To combat these challenges, India's specific focus will be on enhancing maritime safety and security and promoting the blue economy.

### International Participation at the Meeting

The meeting saw attendance from ministers from various countries, including Bangladesh, Iran, Mauritius, Malaysia, and South Africa. Their presence highlights the global interest in the Indian Ocean region and the collective efforts required to foster stability and prosperity in the area.

### The Future Implications

India's active role in IORA and its step towards leadership as the Vice-Chair can potentially steer the organization towards achieving more substantial outcomes. The emphasis on a rules-based international order and respect for sovereignty echo the principles that India has long advocated for, signalling a promising future for the Indian Ocean community.

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## The US-EU Summit in Washington: Did it Meet Expectations? – Expert Quick Takes

Source: By Michelle Egan, Mark Kennedy, Iren Marinov | Wilson Center

<https://www.wilsoncenter.org/article/us-eu-summit-washington-did-it-meet-expectations-expert-quick-takes> 23  
October 2023



*European Council President Charles Michel, US President Joe Biden and European Commission President Ursula von der Leyen at the White House, October 20, 2023*

After a two year gap, US President Joe Biden, European Commission President Ursula von der Leyen, and European Council President Charles Michel met in Washington last week for the US-EU Summit. The last summit in Brussels in 2021 renewed the resolve for strengthening the transatlantic partnership, resulting in the establishment of the Trade and Technology Council (TTC), among other things . Since then, the US and the EU have been working closely together across a range of policy areas, including financial and military support for Ukraine. Much less tangible success, however, has been achieved on trade and green technology

**The last summit in Brussels in 2021 renewed the resolve for strengthening the transatlantic partnership, resulting in the establishment of the Trade and Technology Council (TTC), among other things .**

issues. Expectations were high for the US and EU to resolve these issues at this summit, with next year's US and European Parliament election looming. Did the summit deliver on its objectives?

In this article, our experts analyze the summit's outcomes and deliverables and what they mean for the future of US-EU relations.

War and instability were the most prominent issues on the US-EU Summit agenda. President Biden returned to meet with EU counterparts after his whirlwind trip to the Middle East. A joint statement affirmed their condemnation of the attacks by Hamas and concern over the humanitarian crisis in Gaza; it also underscored the importance of continued financial, military, and humanitarian support for Ukraine. But the message also included pressing for reparations from Russia, along with strong signals to China to support resolution of the conflict, to address global challenges, and underscored the principles of territorial sovereignty.

The agenda was markedly different from the last summit in June 2021. The inability to reach any form of agreement on critical minerals, steel and aluminum tariffs, and green subsidies meant the summit had few specific deliverables. Despite US pressure on Europe to levy similar steel and aluminum tariffs on China, divisions remained due to European concerns about international trade rules. Europe is seeking greater access to subsidies under the US Inflation Reduction Act (IRA) especially given pressure faced from Chinese competitors. However, these transatlantic efforts also reveal that perceived regulatory differences over labor and environmental conditions across

supply chains have stymied agreement on critical minerals.

As the US and EU chart their respective trade and climate strategies, less visible is the continued dialogue between the private and public sectors, and joint efforts by stakeholders across diverse industries on artificial intelligence. The rapid pace of development of artificial intelligence (AI) technologies has generated intense debate and varying policy responses in the EU and the United States. While the EU moves forward on legislation on AI, having deliberated over a strategy since 2018, the Biden administration is expected to use existing tools as Congress debates how to move

**The inability to reach any form of agreement on critical minerals, steel and aluminum tariffs, and green subsidies meant the summit had few specific deliverables.**

forward with legislation on AI policy issues through federal antitrust regulation. Sustained efforts to act collaboratively and responsively are needed given the increasingly central place AI will play in digital infrastructure. Outreach to big tech companies is also critical amid concerns about the impact of a non-democratic state (such as China) setting the rules on AI governance.

One issue that has come roaring back is EU enlargement and its role in territorial sovereignty, political stabilization, and economic reform. The war in Ukraine along with candidate status for EU membership will also require post-war reconstruction efforts that will involve not only foreign aid but also democratic reforms and rule of law commitments. Enlargement had seemingly stalled—yet the political momentum is now back. The US-EU Summit with its reference to Moldova and Ukraine signaled the political imperative for continuing this path. In recent years, the Western Balkans have been

marginalized as Europe and the United States have focused attention elsewhere. Yet the actions of the EU in recent weeks towards the Western Balkans regarding selective access for companies to the single market and support for the green and digital transformation in exchange for domestic reforms has not garnered enough attention. Such market incentives—coupled with the release of the commissioned Franco-German working group report on EU institutional reform—highlights the shift in strategic thinking in Europe. Given that some of these countries saw their membership prospects initiated 20 years ago, the decision to grant candidate country status to Moldova and Ukraine in 2022 has put the issue back on the transatlantic agenda. Though enlargement is a European decision, the transatlantic relationship has a common incentive to deal with the resolution of remaining regional disputes, particularly the normalization of Serbian-Kosovo relations, democratic backsliding, and the influence of Russia in the region.

One morning my brother stopped by my dorm room in college. We chatted by the door. As he left, a floormate asked what my brother was so upset about. I replied, nothing, that is just the way our family of seven spirited siblings communicate. So it is with the US and the EU. Just as my family remains close amid our spirited dialogues, so too it is important that the transatlantic alliance remains strong. The recent summit between President Joe Biden, European Council President Charles Michel, and European Commission President Ursula von der Leyen succeeded in presenting a united front despite unresolved matters related to

**The recent summit between President Joe Biden, European Council President Charles Michel, and European Commission President Ursula von der Leyen succeeded in presenting a united front despite unresolved matters related to steel and energy credits.**

steel and energy credits.

Among the many shared challenges is the People's Republic of China (PRC) that has gained monopolistic positions in industries of the future, including critical minerals, batteries, solar panels and telecommunications equipment. This has been achieved by applying significant subsidies and excess industrial capacity towards dominating global markets. Then it applies profits gained from supremacy in these industries to subsidies directed towards achieving dominance in new industries.

Next up, electric vehicles (EVs). One analyst says China's automobile industry has enough excess capacity to supply the entire Japanese car market—twice. The PRC continuing to invest in additional steel capacity even as there is a global glut in capacity.

The credits in the Inflation Reduction Act can be thought of as an attempt to blunt the impact of the PRC's subsidies and excess capacity in critical minerals, EVs, batteries, and solar. Yet by implementing credits in a manner that harms allies, it undermines the benefits of unity of action.

The EU is taking a different approach to advancing climate goals—a Carbon Border Adjustment Mechanism (CBAM). These differing approaches to achieving the same goal are destined to cause friction. Aligning effort on at least steel and aluminum would help mitigate this friction.

Taken together these negotiations are not one-sided. A deal would require both sides to bend.

Yet there are vocal opponents to bending on both continents. With the EU parliament elections in June and the US elections in November 2024, these issues will be easier to resolve after both elections.

Meanwhile, there are many matters that cannot be deferred. Unity of action in the Middle East and Ukraine is essential. Those making baseless excuses for not supporting Ukraine are making this more challenging. Both the US and EU are committing to ensuring there is Russian “compensation for the damage caused to Ukraine”, yet have not found a way to use Russia’s frozen assets. This can only be accomplished with unity of action.

The superpower of the Atlantic alliance is unity of action. Despite differing approaches and interests, both sides should recognize that doing the hard work to achieve unity is essential for effective action on the most important shared challenges we face.

The 2023 EU-US Summit came at a crucial time for the transatlantic relationship as conflicts are persisting and new ones are unraveling. That is why confirmation of and unison in the positions of the United States and the EU in their commitment to democratic values, multilateralism, and international law was highly anticipated. One of the important outcomes of the summit was the confirmation of the continuous transatlantic commitment to supporting Ukraine in its war with Russia, which was achieved alongside a united front towards the ongoing conflict in Israel. This commitment to supporting \Ukraine

is important in the face of growing concerns among the Ukrainian public of “western fatigue”, a strong propaganda campaign stemming from the Kremlin.

The two sides reaffirmed the centrality of NATO for Euro-Atlantic security with a joint recognition of the need for a stronger European defense. In addition, the EU and the US reaffirmed their commitment to regional stability and conflict resolution in key regions for the EU, including the Western Balkans and the South Caucasus.

A topic that should be observed further is the European position on China. Various policy and member-state divides on China have dominated the political landscape in the EU over the past

**Various policy and member-state divides on China have dominated the political landscape in the EU over the past months, indicating the complexity and overall lack of clarity on the EU’s approach towards Beijing.**

months, indicating the complexity and overall lack of clarity on the EU’s approach towards Beijing. Moreover, the summit talks occurred shortly after Hungary’s Prime Minister Viktor Orban met with Russia’s Vladimir Putin and

China’s Xi Jinping at the third Belt and Road Forum in Beijing last week as the sole EU head of state in attendance. Nevertheless, in their joint statement following the summit, the EU and the US pushed China to take a clear stance on Russia’s war of aggression and pressure Moscow to withdraw its forces from Ukraine.

A curious detail that raised eyebrows last week was the EU’s decision for the Commission and Council Presidents to hold separate meetings with President Biden during the summit. It led to speculation about possible disunity in the EU leadership—and its approach to key foreign policy issues.

The 2021 US-EU Summit marked a renewal of transatlantic relations after a period of stagnation. The last US-EU Summit was in 2014 and this was the first time a US President had visited the EU institutions since 2017. On the agenda in 2021: post-COVID recovery and removing trade irritants.

Now, the second US-EU Summit comes at a time of less economic uncertainty but of unprecedented conflict, with unexpected violence in Israel adding a new wrinkle to sustained support for Ukraine. President Biden needed to show European partners the US would continue to provide strong support for Ukraine. The strong language in the joint statement released on Friday underscores the continued US-EU commitment to supporting Ukraine. Together, the EU and the US are the two largest contributors of aid, their financial and economic backing have been critical to the Ukrainian war efforts. Taken together, assistance from the EU institutions and its member states plus the United States represent over 80% of the total aid provided to Ukraine.

Despite strong rhetoric in the joint statement, difficult times lie ahead and support for Ukraine is not guaranteed. With no end to the conflict in sight, Putin is counting on international support for Ukraine to fade and for transatlantic unity to falter. It is imperative that the US-EU Summit format continues, regardless of potential changes in US leadership, to demonstrate continued support for Ukraine in its time of crisis.

The transatlantic alliance is experiencing its greatest test in decades. The US-EU Summit

demonstrates the Russian invasion of Ukraine has profoundly revitalized and re-energized US-EU relations and much work lies ahead in supporting Ukraine.

The last US-EU Summit in 2021 was celebrated as the renewal of a strong transatlantic partnership. It set up an ambitious agenda for trade, climate and technology cooperation. After two years of regular TTC meetings, the expectations were high for this year's summit to achieve a breakthrough on the critical minerals agreement and the Global Arrangement on Sustainable Steel and Aluminum (GASSA)—yet the results have left much to be desired. Because both sides failed to deliver agreements on these trade related issues, the center stage was given to foreign policy issues (noticeably in the actual text, compared to the last joint statement), exacerbated by concerns of a broader regional conflict in the Middle East.

In response to recent tensions in the EU's immediate neighborhood, the statement acknowledges the “strategic importance” of the EU enlargement policy for regional stability, especially in the Western Balkans. However, both sides fell short of committing to concrete, proactive steps to coordinate policies for the Western Balkans region—necessary for short term de-escalation efforts, especially between Kosovo and Serbia, as well as for building long term capabilities for regional stability. Both sides also renewed their support for Ukraine and its European path for “as long as it takes”—a crucial commitment for the EU.

**President Biden needed to show European partners the US would continue to provide strong support for Ukraine. The strong language in the joint statement released on Friday underscores the continued US-EU commitment to supporting Ukraine.**

Although the joint statement, therefore, strives to portray that the transatlantic partners are “more united than ever”, domestic debates, in both the US and the EU, on their respective roles in the world, show the fragility of unity. Even before the serious deterioration of the situation in Gaza, US domestic deliberations on whether to continue supporting Ukraine have been making EU policymakers nervous. On the other hand, the EU has sent mixed messages in response to Hamas’s attack in Israel, resurfacing the old struggles of the EU’s capability to act as a strong, unified global actor.

After Friday’s meeting, the attention quickly shifted to the end of the year, as the US and EU “look forward to continuing to make progress” on trade related issues. However, with both sides facing elections next year, this summit, unfortunately, missed the opportunity to bring some stability and predictability to the future of transatlantic cooperation.

Last week’s US-EU Summit was never going to fail. The urgency of presenting a united front on Ukraine, the Middle East and China assured that. But on two important trade issues President Biden’s meeting with European Commission President Ursula Von der Leyen and European Council President Charles Michel delivered only disappointment.

On China, Russia, Africa, and technological cooperation, the results of the summit were encouraging. But US-EU congeniality traditionally flounders on the field of trade and this was the case once again. The two sides failed to bridge differences in their negotiations for a

Global Arrangement on Sustainable Steel and Aluminum (GASSA) and for an agreement on critical raw materials that would have enabled closer cooperation on the production of EVs.

GASSA would address China’s non-market steel production and trade practices and encourage clean, sustainable manufacturing. The idea is to establish a “club” of steel producing nations which abide by market principles and produce steel and aluminum sustainably. Members of the club would be exempt from high duties while China’s juggernaut mills would face 25% tariffs on steel and 10% on aluminum.

Before acting against China, the EU wants to investigate the extent to which Chinese producers benefit from subsidies and from predatory pricing in the EU market. This approach would be consistent with WTO rules, but the US feels no obligation to follow this path.

The two sides also differ significantly on how to address emissions. The US is tackling climate change through vast subsidies to green technologies including EV production. The EU also subsidizes green tech but, in an effort to prod other nations to clean up their act in the production of steel (and five other industries) it will also begin applying import duties on high emissions production. The Carbon Border Adjustment Mechanism (CBAM) tracks the price of carbon in the market and applies a duty commensurate with the levels of emissions produced. Exporting countries using a similar system of carbon pricing would face lower EU border charges. The United States is one of the few countries with no nationwide system

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of carbon pricing so US steelmakers would be hit with EU tariffs. Washington believes it should have special dispensation exempting US producers from the duties. The EU argument that such favored treatment violates WTO rules falls on deaf ears in Washington.

The Europeans have not yielded to intense US pressure on CBAM and it's unlikely that they will. So, the US is exploring its options through a study at the US International Trade Commission which will issue the report in January 2025.

The concluding communique sets the end of year as a target for making progress but fixes no firm deadline for agreement. With EU and US elections on tap for 2024, the political climate for compromise on trade will not be ideal.

The EU also sought to broker an agreement on critical raw materials which would have enabled European companies to benefit from the tax breaks extended in the US Inflation Reduction Act. Currently such benefits extend to carmakers, battery producers, and other companies from countries with which the United States has a trade agreement. Although the EU is one of America's largest trading partners there is no trade agreement between the two. Earlier this year, the United States signed a critical minerals trade agreement with Japan and Brussels had hoped for a similar accord. It was not to be. Instead, the parties pledged to "make progress" on this front in the coming weeks.

Why did these agreements, seemingly within reach just a week ago, fall apart? One suggestion is that rancor between trade negotiators on the

two sides soured the environment for making concessions. The EU was furious that duties applied on European steel and aluminum by the Trump administration and suspended by President Biden were not permanently rescinded. European negotiators were further irritated by suggestions that the minerals agreement should not go through because of substandard labor standards in some companies from which EU carmakers source their materials.

The good news is that there seems to be genuine interest in reaching agreement. US officials lowered the temperature as well by making clear that there is no prospect that the Trump tariffs will be re-imposed any time soon. But the fact remains that reaching a deal by year end will be a tall

order. Moreover, the political pressures in an election year make a deal in 2024 unlikely. On the big picture issues, the US-EU Summit delivered an important show of solidarity but on the trade front it was an opportunity missed.

Emerging technologies are a key part of geopolitical conversations this year, and the joint statement issued after the US-EU Summit largely affirmed the role of the Trade and Technology Council (TTC) in driving collaboration and addressing common challenges. The statement highlighted an intense focus on protecting technology as a lever of democratic values, with three major areas of concern: limiting access to advanced technologies and key materials, including through export controls; charting a course for artificial intelligence (AI) for public good; and combating disinformation in a key global election season.

**The EU was furious that duties applied on European steel and aluminum by the Trump administration and suspended by President Biden were not permanently rescinded.**

The statement showed little change in the disparate approaches of the EU and United States, nor convergence on interests. As we confront the ongoing hostilities in Ukraine— among other authoritarian or adversarial uses of technology—the statement clearly preserves strong policy levers for both the EU and US to limit access to technology and materials where we feel it is central to defending democratic values. Export controls were explicitly noted as a policy tool to be used, but we can anticipate the EU’s sensitivity around the impacts of US activity on the EU’s competitive footprint to continue to be a point around which we must carefully navigate.

As with everything, AI was a central node of discussion. On AI, while both sides agree on the values that should underpin management of AI, the tensions between the EU’s inclination toward regulation and the more industry-friendly environment promoted by the US are evident. The EU’s AI Act continues to wind its way through the member negotiation process following its adoption by the EU Parliament, but the process is far from done. Policymakers will likely continue to have governance conversations that touch on the facets of AI, namely generative AI capabilities, that have grown in importance since the drafting of the act. These conversations, and the AI Act itself, will likely influence US policy discussions, but the United States seems primarily ready to rely on stakeholder groups to set standards and major legislation is not expected, keeping the United States out of sync with EU governance aims. Perhaps reflective of a balancing of government-led regulation versus industry-informed decision-making, the joint statement

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notes the importance of working with a wide group of stakeholders, including industry, civil society, and academia in advancing responsible innovation and trustworthy development.

Disinformation stands as the most direct use of technology to attack democratic values and was referenced in multiple prongs of the statement. The EU’s cybersecurity agency recently warned that increased availability and adoption of AI tools is fueling a stronger wave of disinformation, leading to more polarization of debate and possible foreign influence or interference in elections. Collaboration between the EU and US on this point may be difficult, with the United States’ robust emphasis on freedom of expression and speech making the domestic conversation tricky. Action to address disinformation will make the larger discussions with AI stakeholders ever more important, as industry seeks to create technical solutions to marking generated content or limiting bot networks spreading false or misleading information.

The summit was an important step in reaffirming the transatlantic partnership on trade and technology, but we can expect continued discussions on how we square our differentiated approaches to regulation and innovation as we build strong democratic values into global use of technology as well as how we limit its use in undermining global peace and security.

The 2023 EU-US Summit showcased the increased engagement between the US and the EU on trade—the transatlantic partners now have “shared interest in reforming” the World Trade Organization’s (WTO) dispute settlement

system—the Appellate Body—by the next Ministerial Council (MC) in February 2024.

Reviving the WTO's dispute settlement system shows the strong commitment of both parties to cooperate together on trade, where China is now perceived as the main challenger to the rules-based international order. The US and the EU share concerns regarding China's use of unfair trade practices, such as state subsidies. The US has been particularly concerned by China distorting the steel and aluminum markets; the EU also recently opened an investigation into Chinese EV exports. The US and the EU are wary of China's growing clout in critical sectors for the green transition—transatlantic cooperation is seen as an optimal way to address this.

Reviving the WTO's Appellate Body will be crucial for the EU and the US to get the Global Arrangement on Sustainable Steel and Aluminum (GASSA) right—the proposed steel and aluminum club by the EU and the US to tackle unfair trade practices. This also shows transatlantic commitment to the rules-based international trade regime, for which the re-establishment of the WTO's Appellate Body is crucial—as well as for the long-term viability of the whole organization.

Although this opening is a positive signal of the US and the EU wanting to tackle deeper trade disagreements, finding a solution before MC13 will be a difficult task. However, both sides see the value in the WTO and its ability to continue playing a central role in resolving trade disputes.

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## A New Way Forward for US–China Relations

Source: Sourabh Gupta | Esat Asia Forum

<https://www.eastasiaforum.org/2023/10/02/a-new-way-forward-for-us-china-relations/> 02 October 2023



Lines of communication have been re-opened, assurances exchanged, working groups formed and incremental forward progress recorded.

**During the May 2023 G7 summit in Hiroshima, US President Joe Biden observed that ties with Beijing would 'thaw very shortly'. Four months later, the United States and China have taken important first steps to put the balloon incident behind them and stabilise their rocky relationship.**

Progress was made even in areas such as export controls where the two sides had previously clashed. The lack of engagement on their reciprocal tariff hikes and on senior-level defence exchanges remain the key areas where dialogue continues to lag. But even on this latter front, a provisional workaround featuring the Pentagon's top Asia officials and senior Chinese Foreign

Ministry officials has been arranged on more than one occasion.

The proposed meeting between Biden and Chinese President Xi Jinping at the November 2023 APEC summit in San Francisco provides a 'window of opportunity' to lock down useful deliverables. Washington should remove the Chinese Ministry of Public Security's Institute

of Forensic Science from its Entity List (a US trade restriction list) in exchange for a crackdown on online vendors of fentanyl precursors by Beijing. The two sides should also amend, update and formally renew their umbrella science and technology agreement — the first agreement to be signed post-normalisation in 1979.

It remains to be seen if the envisaged ‘guardrails’ can survive US election year polemics. But a greater challenge to devising a viable strategic framework for US–China relations is the gap between the two countries’ rival approaches and their perception of the role of neighbouring countries.

The Biden administration’s China strategy has centred on building ‘situations of strength’ with a ‘latticework of alliances and partnerships’ to dictate the terms of competition to China. On the economic front, the US five-pillar strategy aims to pursue an expansive industrial policy at home, work with like-minded partners to build a leading-edge techno-industrial base, move beyond traditional trade deals to new international partnerships, mobilise large sums for global anti-poverty and climate change efforts and protect foundational technologies with a ‘small yard, high fence’ approach. Four of five pillars have no role for or aim to decouple from China.

Having assembled bespoke coalitions such as the Quad, AUKUS, the Indo-Pacific Economic Framework for Prosperity and the US–Japan–South Korea trilateral framework and thereby shaped the strategic environment around China, the administration now seeks to cement a ‘floor’ under its working relations with Beijing.

In China’s view, the US strategy aims to exclude it economically, isolate it diplomatically, encircle it militarily and suppress its development technologically. Washington’s network of alliances, partnerships and minilateral groupings are also seen as an accelerant of major power conflict — not a building block for deterrence and stability.

China faces a delicate balancing act. The primary external ballast of its modernisation strategy — an enabling international environment backed by dense trans-Pacific trade and technology exchanges — has shifted to its disfavour ever since the Trump administration labelled China a revisionist power and unleashed a trade and technology war.

China’s preferred economic counterpart today, the European Union, views Moscow — China’s most important geopolitical power — with repulsion. It views Beijing, by extension, with disquiet. Balancing these two relationships to its advantage while simultaneously working out guiding principles to steer China–US ties towards peaceful coexistence is the essence of Beijing’s dilemma.

The United States and China hold discordant views regarding their interests, terms of engagement and conceptions of order. With the on-going rearrangement of the Indo-Pacific’s strategic furniture, a ‘structure of peace’ that features a predictable network of rules and relationships among major powers is unlikely to emerge. A stable equilibrium will not come from a clash of rival interests, and the administration’s canvassing of ‘on demand’ cooperation on one-sided terms will not leaven the underlying

**The United States and China hold discordant views regarding their interests, terms of engagement and conceptions of order.**

tendencies.

Going forward, it is crucial for Washington and Beijing to candidly share their divergent perspectives within a steady framework. The ambition should be to craft overarching principled understandings – howsoever incredulous each sides’ assurances might appear at first blush to the other – and embed them over the passage of time in their conduct of relations. Both countries should do this with good faith that maintains consistency between words and deeds. Common actions could flow from these shared convictions.

‘Five noes’ were tendered by President Biden during his virtual meeting with President Xi in November 2021 and reiterated in Bali a year later. The United States ‘does not seek a new Cold War, does not seek to change China’s system, does not support Taiwanese independence, does not seek conflict with China and does not direct the revitalisation of its alliances at China’.

President Xi reciprocated with ‘three noes’ in Bali — China ‘does not seek to change the existing international order or interfere in the United States’ internal affairs and has no intention of challenging or displacing the United States’. These principles provide a judicious and steady framework for future-oriented ties.

Like the Nixon–Brezhnev ‘Basic Principles’ agreement of 1972 that facilitated productive cooperation in exchange for restraint and moderation, the two presidents should memorialise their ‘noes’ in a joint statement.

Washington and Beijing should lock down near-term deliverables at the San Francisco APEC Summit. They should also seek to lessen the gap between their rival approaches by committing to a revamped relationship founded on these principled understandings in this new era of

strategic competition.

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### **Cherry-Picks of the Month**

1. South Korea’s Indo-Pacific Strategy, Atmanirbhar Bharat, and the IPEF: Convergence and Commonality - <https://isdpeu/publication/south-koreas-indo-pacific-strategy-atmanirbhar-bharat-and-the-ipef-convergence-and-commonality/>
2. China says US has no right to get involved in its problems with Philippines - <https://www.reuters.com/world/china-says-us-has-no-right-get-involved-problems-between-it-philippines-2023-10-26/>
3. China and Philippines vow to handle maritime tensions with ‘friendly consultations’ - <https://www.ft.com/content/e54a08d3-f3c5-4cf7-bcff-d153a0ad8b1c>
4. Japan expanding its reach on the world stage - <https://asiatimes.com/2023/10/japan-expanding-its-reach-on-the-world-stage/>
5. India, Japan and South Korea should work together to protect shipping - <https://www.orfonline.org/research/india-japan-and-south-korea-should-work-together-to-protect-shipping/>
6. The EU-US Summit: Where trade is messier than geopolitics - <https://www.orfonline.org/expert-speak/the-eu-us-summit/>
7. China’s naval provocations are getting too blatant to ignore - <https://www.washingtonpost.com/opinions/2023/10/29/south-china-sea-confrontation/>

### **CAPS Experts- Infocus**

1. Exercise Bushido Guardian 23: Evolving Japan-Australia Defence Cooperation - <https://capsindia.org/exercise-bushido-guardian-23-evolving-japan-australia-defence-cooperation/>

### **Debates/ Podcasts**

1. Analyst: Japan plays important role as force of stability in Indo-Pacific region | ANC - <https://www.youtube.com/watch?v=2XcmaRxxIRY>
2. Indian Diplomacy: US Strategy in the Indo-Pacific - <https://www.youtube.com/watch?v=T0Jp0jCdeWY>
3. India-Japan relations, Diplomacy-Next - <https://www.youtube.com/watch?v=S2VZbasPIC4>



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**Centre for Air Power Studies**

P-284 Arjan Path, Subroto Park, New Delhi - 110010

Tel.: +91 - 11 - 25699131/32 Fax: +91 - 11 - 25682533

Email: [capsnetdroff@gmail.com](mailto:capsnetdroff@gmail.com)

Website: [www.capsindia.org](http://www.capsindia.org)

Editorial Team: Air Commodore SP Singh VSM (Retd), Dr Joshy Paul, Ms Simran Walia and Mr Gaurav Sen

Composed and Formatted by: Mr Rohit Singh, CAPS

Contact: +91 9716511091

Email: [rohit\\_singh.1990@hotmail.com](mailto:rohit_singh.1990@hotmail.com)

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