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China Moves Ahead on Digital Yuan Before 2022 Winter Olympics

By Elizabeth Chen

Introduction

With the People's Republic of China (PRC) a frontrunner in the global race towards digital currency, the central bank People's Bank of China (PBOC) has taken several steps this year to explore the international use of a digital yuan. Although there is no official timetable for the launch of China's sovereign digital currency, economic planners are reportedly aiming to implement the digital yuan ahead of the 2022 Winter Olympics in Beijing—one year from now. Ahead of the Lunar New Year (February 12) this year, pilot programs trialing the nation's digital currency (e-CNY), formally known as the Digital Currency / Electronic Payment system (DC/EP, 数字货币/电子支付体系, *shuzi huobi/dianzi zhicun* tixi), were rolled out in top cities such as Shenzhen, Suzhou, and Beijing. Shanghai and Guangdong have also announced plans to pilot the e-CNY (SCMP, February 8)A joint venture between the PBOC's Digital Currency Research Institute (3 percent ownership) (DCRI, 中国人民银行数字货币研究所, *zhongguo renmin yinhang shuzi huobi yanjiusuo*), the PBOC China National Clearing Center (34 percent ownership), the Society for Worldwide Interbank Financial Telecommunication (SWIFT) (55 percent ownership), and several other Chinese entities was established on January 16 (money.163.com, February 6).

Image: A customer checks out using digital yuan during a pilot program last October in Luohu District, Shenzhen (Image source: Shenzhen Government).

The timing of the creation of the new joint venture, called the Finance Gateway Information Services Company Limited (金融网关信息服务有限公司, *jinrong wangguan xinxi fuwu youxian gongsi*), raised eyebrows abroad, as the dollar-dominated SWIFT financial payment messaging system has in the past been used as a powerful tool by Washington to impose financial and economic sanctions against countries such as Russia, Iran or Pakistan. Concerns grew last year that the U.S. might move to exclude China or Hong Kong from SWIFT amid calls for economic decoupling and following a raft of sanctions targeting Chinese officials (Quartz, August 18, 2020; SCMP, August 25, 2020). China's alternative to SWIFT, the Cross-border Interbank Payment and Clearing System (CIPS), will also own a 5 percent stake in Finance Gateway. (SCMP, February 4).

In another strong signal of China's commitment to internationalizing the digital yuan, the PBOC announced on February 24 that it would be joining the Multiple Central Bank Digital Currency Bridge (m-CBDC Bridge) to study the feasibility of the use of digital currencies in cross-border transfers, international trade settlement, and foreign exchange transactions, among others (Xinhua, February 24). First established by the Hong Kong Monetary Authority and the central bank of Thailand in 2019, the m-CBDC Bridge also includes the central bank of the United Arab Emirates and the Switzerland-based Bank for International Settlements (BIS), which is owned by 63 central banks across the world (SCMP, February 24).

China's Interest in a Digital Yuan

Online nonbank payments—now dominated by technology powerhouses such as Tencent and Alibaba—developed in China during the early 2010s. The PBOC formed a group to research the development of a national digital currency in 2014. This later grew into the Digital Currency Research Institute (DCRI). In 2016, the PBOC revealed its plans to develop a digital currency in January and launched a prototype research and trading platform for digital currency in July (Jinse Finance, July 4, 2017). During the same year, the State Council included blockchain technology as a developmental priority in the 13th Five Year Plan (FYP) (2016-2020). The PBOC's DC/EP project was organized and approved by the State Council in 2017 (China Banking News, October 2, 2018). Pilot programs between competing digital wallet operators (including both state-owned banks and e-commerce companies) testing the distribution of the e-CNY to consumers began in 2019 (China Briefing, February 8).

As of January 2, 2020, the PBOC had filed 84 published patent applications on concepts including: digital currency management, circulation and interbank settlement; digital currency wallets; processing payments and deposits and distributed ledgers (Chamber of Digital Commerce, February 2020). Implementing the digital yuan was prioritized in the 14th FYP (2021-2025) outline, released after the October Fifth Plenum of the Chinese Communist Party (CCP) (People's Daily, November 5, 2020). In November, the governor of the PBOC Yi Gang (易纲) announced that the value of pilot program digital yuan transactions had reached 2 billion RMB ($300 million), up 82 percent from numbers reported in August (163.com, November 8, 2020).

It is important to note here that the digital yuan is not structured in the same way as wholly decentralized and user-owned cryptocurrencies such as bitcoin. Nor is it equivalent to so-called "stablecoins" such as Facebook's Libra (now Diem) that will be backed by a basket of fiat currencies (Coindesk, August 20, 2019; Diem, updated December 1, 2020). Instead, the DC/EP is a central bank digital currency (CBDC) that is aimed primarily at digitalizing the cash supply (and lowering the cost of issuing currency); strengthening the state's ability to crack down on illegal financing while increasing the efficiency of payments and settlements and, in the long-run, creating the conditions for the implementation of irregular monetary policy (Xinhua, April 20, 2020). Details about the technological underpinnings of the DC/EP remain opaque, but the PBOC has announced that the DC/EP will be distributed based upon a two-tier system: 1) between the central bank and commercial banks, and 2) between commercial banks and individuals or businesses.

Because the central bank will not directly issue DC/EP to consumers, it will not compete with commercial banks' traditional business models. In the same way, Mu Changchun (穆长春), head of the DCRI, publicly clarified in October that the DC/EP will not compete with commercial digital payment platforms such as WeChat Pay and Alipay, which had a combined market share of 94 percent of the Chinese mobile payments industry in the second quarter of 2020 and recently came under anti-monopoly scrutiny. "They don't belong to the same dimension." Mu explained. "WeChat and Alipay are wallets, while the digital yuan is the money in the wallet" (SCMP, October 26, 2020).

This explanation is somewhat facile. Although technology giants like Alibaba and Tencent were once able to grow rapidly amid a relatively free regulatory regime and immature financial system, recent anti-monopoly crackdowns and a high-level financial de-risking campaign have clipped their wings (China Brief, December 23, 2020). While such companies previously out-competed Chinese commercial banks on the cutting edge of financial technology, the rollout of DC/EP will force them to interact on a newly leveled playing field. In a similar vein, while China has not passed legislation specifically banning cryptocurrencies, central government regulators ruled against initial coin offerings (ICOs) as being a form of illegal public financing in 2017 and the government does not recognize cryptocurrencies as legal tender (PBOC, September 4, 2017). As a result, there are essentially no privately issued digital currencies or ICO platforms in China (U.S. Library of Congress, updated July 12, 2018).

Foreign analysts have expressed concerns that the DC/EP could become another tool for China's export of digital authoritarianism, warning that it could "create the world's largest centralized repository of financial transactions data…[and] create unprecedented opportunities for surveillance."**[1]** Researchers have questioned the strengths and limits of the DC/EP's so-called "controllable anonymity" (可控匿名, *kekong niming*) (see image below). There are also strong concerns about whether or not the digital yuan has sufficient security provisions for protecting consumers' data and preventing fraud (Quartz, October 26, 2020). Although China has aggressively pursued the "informatization" of its economy and society, its track record on data protection and consumer privacy has been less than ideal. Some have also questioned the organization of DC/EP's two-tiered system. Multiple digital wallet operators could lead to data fragmentation or information silos (China Briefing, February 8). And, because DC/EP is entirely virtual, even state policymakers have worried that it could increase currency volatility (Xinhua, April 20, 2020).

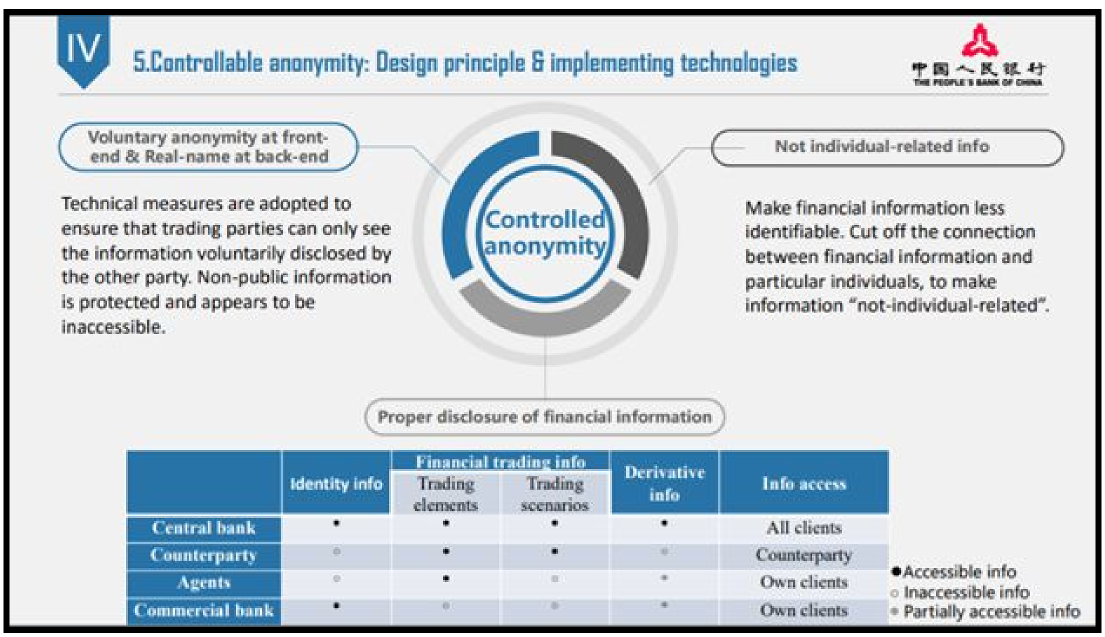

Image: A slide from the presentation "Technical Aspects of CBDC In a Two-Tiered System," presented by Yao Qian of the PBOC Institute of Digital Money to the ITU on July 18, 2018. Unlike cryptocurrencies which rely on a distributed ledger to validate transactions while anonymizing the user, the identity information of clients using the digital yuan will be accessible by central and commercial banks. (Image source: ITU).

Conclusion

Events last year increased the urgency for a Chinese digital currency. Guo Weimin (*郭卫民*), chief scientist at the state-owned Bank of China, said in January that the key advantage of the digital yuan would be its ability to trace cash flow in real time, permitting the better collection of debt and collateral during periods of economic stress such as a pandemic. Guo also suggested that the digital yuan could help solve age-old problems of transparency in corporate financing as well as having potential industrial and supply chain applications that would contribute to future growth (Sohu, January 24). And as already mentioned, successfully implementing the digital yuan would aid RMB internationalization, which has long been a priority for the Chinese leadership. CIPS, China's current alternative to the global SWIFT system, has so far failed to gain serious international traction and currently processes a fraction of the daily transactions that go through SWIFT. Still, China's trade and investment partners have increasingly settled transactions along the Belt and Road Initiative using CIPS, with the RMB being used to settle 20 percent of China's foreign trade in 2020 (Atlantic Council, November 30, 2020). Successful cross-border adoptions of the DC/EP would aid this trend, creating another powerful lever to expand China's international trade ties and influence.

Yet there are many outstanding questions about the safety and security of the digital yuan, as well as concerns about its implications for foreigners doing business with Chinese individuals or companies. Amid all this, China's sprint to roll out the digital yuan over the next year will bear close watching.

Elizabeth Chen is the editor of China Brief*. For any comments, queries, or submissions, feel free to reach out to her at: cbeditor@jamestown.org.*

Notes

[1] For a detailed discussion of these concerns see: Samantha Hoffman, John Garnaut, Kayla Izenman, Matthew Johnson, Alexandra Pascoe, Fergus Ryan and Elise Thomas, "The Flipside of China's central bank digital currency," October 12, 2020, ASPI, https://www.aspi.org.au/report/flipside-chinas-central-bank-digital-currency; Yaya J. Fanusie and Emily Jin, "China's Digital Currency: Adding Financial Data to Digital Authoritarianism," January 26, 2021, CNAS, https://www.cnas.org/publications/reports/chinas-digital-currency.

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China's Updated National Defense Law: Going for Broke

By Ben Lowsen

Introduction

On January 1, the People's Republic of China (PRC) put into effect new revisions to its National Defense Law (henceforth, "Law") (中华人民共和国国防法 *zhonghua renmin gonghe guo guofang fa*) (Xinhua, December 26, 2020; South China Morning Post, January 3).**[1]** This is the first update since 2009. Although the revisions might seem ordinary at first glance, they have important implications for the future of the People's Liberation Army (PLA), which—it is worth noting—answers to the Chinese Communist Party (CCP), not the state. There has been tension throughout the PRC's history surrounding the subordination of the armed forces relative to the Party, the state and indeed the paramount leader.**[2]** The new defense law reinforces the preeminence in this relationship of Xi Jinping (习近平), who is already chairman of the Central Military Commission (CMC) and commander-in-chief of the CMC Joint Operations Command Center, as well as CCP General Secretary and president of the Chinese state.

This revision can be summarized with three main points: 1) It symbolically brings the law into line with Xi's program; 2) it further consolidates defense mobilization and Party discipline powers under Xi and 3) it sends a message of Xi's resolve and power, both within China and to the world. This consolidation of power reflects a fear of losing control. Overall, the Law is another step in Xi's program of maximalism (The Diplomat, January 30, 2019), putting on a bold front that suggests a struggle against counter currents both abroad and at home.

Image: Chinese President, CMC Chairman and CCP Secretary General Xi Jinping greets members of the People's Liberation Army. (Image source: Xinhua)

Explicitly inserting the language of "Xi Thought," including Xi Jinping's Thought on Socialism with Chinese Characteristics in the New Era (习近平新时代中国特色社会主义思想 *xi jinping xin shidai zhongguo tese shehui zhuyi sixiang*) and Xi Jinping's Thought on Military Strengthening and Comprehensive National Security Thought, among others, brings the Law into ideological alignment with the nation's paramount leader.**[3]** This is most apparent in article 1, which states:

> "In order to build and consolidate national defense, ensure the smooth progress of Reform and Opening and Socialist Modernization, *and realize the Great Rejuvenation of the Chinese Nation,* this law is established in accordance with the Constitution." (additions italicized)

The "Chinese nation" (中华民族, *Zhonghua Minzu*) refers to the PRC as a national, multi-ethnic state. There is, however, a second definition of *minzu*, namely "ethnicity" or "race." In addition to citizenship, *Zhonghua* can also refer a more essentialist notion of Chinese ethnicity.**[4]** In recent years, Beijing has expanded its claims over people identified as "Chinese" to an extraordinary degree: detaining minors with American citizenship in Hong Kong (South China Morning Post, September 16, 2019); preventing ethnic Chinese business people with Australian citizenship from leaving the country in Shanghai (Sydney Morning Herald, January 24, 2019) and implementing new visa policies which explicitly differentiate foreigners with ethnic Chinese heritage (Straits Times, February 1, 2018). A degree of chauvinism runs throughout these cases such that we might even term the program *the great rejuvenation of the Chinese race*.

This "Great Rejuvenation" is Xi's overarching program to revitalize China as a modern economic and military superpower, under which his myriad other policies fall. With the elevation of Xi Thought to China's national constitution, where it sits co-equal to the reform and modernization programs of former paramount leader Deng Xiaoping (邓小平), Xi has cemented his place in the pantheon of Communist Chinese leaders as a new Mao Zedong (毛泽东) (China Brief, September 21, 2017).

Consolidating Real Power

Under the auspices of "national defense and military reform," the Law grants greater authority to the CMC for "national defense mobilization." This marks a key practical change, removing an earlier provision that "the State Council and the Central Military Commission jointly lead the preparation and implementation of mobilization." Instead, article 50 now reads:

> "Leading agencies for national defense mobilization, central government agencies and relevant departments of the Central Military Commission shall organize the preparation and implementation of national defense mobilization in accordance with the division of responsibilities."

This may look like a small change, but dropping the State Council from its leading role in defense mobilization and putting defense agencies first (including the CMC National Defense Mobilization Department and provincial military districts) makes the intent clear. Although Premier Li Keqiang (李克强) retains his position as chairman of the State National Defense Mobilization Commission, the change unequivocally elevates the power of the CMC at the expense of the State Council.

Zeng Zhiping, a military law expert at Soochow University, explains: "The CMC is now formally in charge of making national defense policy and principles, while the State Council becomes a mere implementing agency to provide support to the military" (South China Morning Post, January 3). Since the 2016 military reorganization and breakup of the General Departments, no member of the CMC has anything like Xi's stature. Thus, the Law's revisions further consolidate and legalize his direct control over the military.

National defense mobilization refers broadly to converting civilian assets for military use. This has previously included the mobilization of armed forces, economic, science and technology, transportation, air defense and/or political entities (Sina, July 25, 2002). A 2018 article in China Defense News (中国国防报, *zhongguo guofang bao*) lays out five distinct priorities: 1) serving the comprehensive national security strategy, 2) protecting the "theater command" strategy, 3) executing emergency rescue and disaster relief, 4) providing for rights protection and stability maintenance (维权维稳 *weiquan weiwen*) and 5) developing the strategy of military-civil fusion (军民融合 *junmin ronghe*, MCF) (Renminwang, October 18, 2018).

A recent report by the Center for a New American Security suggests that Beijing wishes to harness the dynamism outside of state-owned enterprises to accelerate military development through MCF, but still faces significant obstacles.**[5]** In line with this analysis, article 38 of the Law calls for greater market orientation in defense acquisitions through "emphasizing the role of market mechanisms to promote fair competition in defense scientific research/production and military procurement." An "Explanation" of the Law on the website of the National People's Congress dated October 13 additionally highlights the "law of value" and "joint development and sharing of military and local resources."**[6]** Considering Xi's overall posture toward the market economy, any deepening of the private sector's role in developing the military is likely to be offset by ongoing efforts to centralize the party's control over the economy (China Brief: September 28, 2020; December 6, 2020).

Chairman Responsibility System

Strengthening Party discipline is another key facet of the revisions. Specifically, the Law strengthens the CMC's Chairman Responsibility System (CRS) (军委主席负责制, *junwei zhuxi fuze zhi*) (see article 16 of the Law). First promulgated in the 1982 PRC Constitution, the term was revitalized in 2014 and further enhanced during the 2017 19th Party Congress (China Leadership Monitor, January 23, 2018). The CCP Central Commission for Discipline Inspection (CCDI) lists three purposes for CRS: 1) ensure the Party's effective control of the People's Armed Forces, 2) continue the Party's tradition of organizing and controlling the military and 3) govern the military by law.**[7]** According to the *PLA Daily*: "the [CMC] Chairman must maintain unified leadership and command of the national armed forces; all major issues of defense and military organization must be decided by the Chairman; and all CMC work must fall under the management and responsibility of the Chairman" (PLA Daily, January 28, 2015).

The Party's 2017 motto of the "Three Protects" (三个维护 *san ge weihu*) re-emphasized: "Protect the authority of the Party Center, protect the Core, and protect and carry out the Chairman Responsibility System."**[8]** The new Law reflects this cross-cutting of Party and government by adding the admonition to be "faithful to the Party" (see article 59): "Active duty military personnel must be faithful to the country, *faithful to the Party,* carry out their responsibilities, fight bravely, not fear sacrificing their lives, and protect the security, honor, and interests of the country" (addition italicized). The 2009 law simply stated that "the armed forces of the PRC are subordinate to the people" (see article 19 of the 2009 law). As Mao said, "political power flows from the barrel of a gun."**[9]** Strengthening the CRS increases Xi's direct control over the CMC and the PLA via the mechanism of the Party.

Image: Chinese citizens stand outside the National People's Congress in Beijing (Image source: Wikimedia Commons).

Message to the World

The timing of this law is notable. The PRC National People's Congress has been called a "rubber stamp" legislature (*The Economist*, March 5, 2012). and its work plans reflect a CCP-approved legislative agenda. For the past five years, in both its annual (short-term) and five-year (longer-term) legislative plans, there has been no specific mention of revising the Law.**[10]** Publicly available deliberative documents show that a first draft of the Law was not available until last October. Interestingly, the "Explanation" noted above claims that work on the revisions began in January 2019. The author can only speculate that the recent revisions did not appear in any short- or mid-term plan because there was no specific date by which the PRC wished to publish it. The unscheduled revisions thus hint at Xi's individual power to dictate legislation.

The law also contains a message to the world, stated most directly in article 2:

> "This law applies to military activities carried out by the state to prevent and resist aggression, stop armed subversion *and separatism* and defend the country's sovereignty, unity, territorial integrity, security *and development interests*, as well as military-related political, economic, diplomatic, technological and educational activities." (additions italicized)

Expanding the scope of the Law to include combating "separatism" looks to be a direct message to Taiwan, among other regions. Pointing to "secessionists" creates a rationalization for a future forceful reunification with Taiwan at a time when relations between the mainland and the island nation—and the odds of peaceful reunification—are in freefall (China Brief, October 19, 2020).

Moreover, much has been made of the addition of "development interests" as a reason for defense mobilization (SCMP, January 3). Chinese commentators have increasingly agreed that the Biden administration will continue the thrust if not the tone of many of the Trump administration's policies towards China, including a focus on human rights in Hong Kong, Tibet and Xinjiang; deepening ties with Taiwan; and the defense of a "free and open" Indo-Pacific—all of which presage continuing poor bilateral relations between the two countries. China regards the first two as matters of "internal affairs" not subject to "foreign interference" (PRC Foreign Ministry, January 28). A commentary in the state tabloid Global Times defines China's increasing military presence near Taiwan and in contested waters in the South China Sea and East China Sea as part of "development interests and safeguarding China's territorial interests," and quoted a revised article 6 of the Law to emphasize that, "China pursues a national defense policy that is defensive in nature" (Global Times, December 28, 2020). Such depictions paint the United States as an aggressor or force of resistance (挫折 *cuozhe*) against which the PRC must struggle. Despite these rhetorical defenses, the recent revisions to the Law signal a China more willing to assert its interests militarily toward Taiwan and the United States.

Conclusion

The updated National Defense Law appears to signal a greater willingness to use force in protecting China's "core interests" (核心利益, *hexin liyi*). The Law's emphasis on MCF and the CMC's newly granted authority to mobilize national resources at the expense of the State Council shows that the Chinese leadership under Xi sees its core interest of economic development under growing threat from U.S.-led calls for decoupling and sanctions against Chinese entities such as Huawei and ZTE, which must be protected at all costs.

Multiple sources have brought up the idea that "China's success at controlling the Covid-19 pandemic has been seen by Beijing as an endorsement of the Communist Party's authoritarian rule, particularly as many democratic countries are still struggling with rising numbers of infections" (SCMP, January 3). Such optimism may be encouraging China's leadership to speed up more aggressive actions and reforms across a variety of sectors from a position of relative strength. Despite this, Beijing's program is being met with rising international opprobrium, with global public opinion on China reaching historic lows last year (Pew Research, October 6, 2020). Indeed, this law is also part of Xi's effort to push the People's Republic through a period of increasing resistance largely triggered by his aggressive policies. This maximalist program suggests he is going for broke.

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Notes

[1] See: "National Defense Law of the People's Republic of China: 中华人民共和国国防法 *zhonghua renmin gongheguo guofangfa*," webpage dated January 1. Posted on the website NPC Observer at https://npcobserver.com/legislation/national-defense-law/.

[2] See: Alice Miller, "The Central Military Commission," chapter in Kevin Pollpeter and Kenneth W. Allen, eds., The PLA as Organization Reference Volume v2.0 (Defense Group Inc. Publications: 2015).

[3] See: "Explanation of the National Defense Law of the People's Republic of China (Revised Draft)" [关于《中华人民共和国国防法（修订草案）》的说明 *guanyu "zhonghua renmin gonghe guo guofangfa (xiuding cao'an)" de shuoming*], document dated October 13, 2020. Posted on the website of the National People's Congress [全国人民代表大会] at: http://www.npc.gov.cn/npc/c30834/202012/5885631c17984d58a1eb58d45ff850b6.shtml. All translations are the responsibility of the author.

[4]See: Xia Zhengnong, Chen Zhili, et al., eds, *Cihai: 6th Edition, reduced format* (Shanghai Cishu Chubanshe, 2015), pp. 1311, 2477-8.

[5]See also Elsa B. Kania and Lorand Laskai, "Myths and Realities of China's Military-Civil Fusion Strategy," Center for a New American Security, January 28, 2021.

[6]See: "Explanation…," October 13, 2020, http://www.npc.gov.cn/npc/c30834/202012/5885631c17984d58a1eb58d45ff850b6.shtml.

[7]See: CCP CCDI, PRC Ministry of Supervision, "What Does It Mean that the Revised Party Charter Clarifies that CMC Will Carry Out the Chairman Responsibility System?" [党章修正案明确中央军事委员会实行主席负责制的意义何在? *dangzhang xiuzheng an mingque zhongyang junshi weiyuanhui shixing zhuxi fuze zhi de yiyi hezai?*], March 7, 2018, http://www.ccdi.gov.cn/special/zmsjd/zm19da_zm19da/201803/t20180302_165186.html.

[8]See: "The Three Protects" [三个维护 *san ge weihu*], September 6, 2017, http://theory.people.com.cn/n1/2017/0906/c413700-29519622.html.

[9] See: "The Origins and Development of Mao Zedong's 'Political Power Flows from the Barrel of a Gun'" [毛泽东"枪杆子里面出政权"的来历与演变 *maozedong "qiangganzi limian chu zhengquan" de laili yu yanbian*], June 13, 2017, http://dangshi.people.com.cn/n1/2017/0613/c85037-29335727.html.

[10] See: "Explanation…," October 13, 2020, http://www.npc.gov.cn/npc/c30834/202012/5885631c17984d58a1eb58d45ff850b6.shtml.

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The Xinjiang Crisis and Sino-Turkish Relations During the Pandemic: Part One

By Ondřej Klimeš

Introduction

Since 2016, Chinese Communist Party (CCP) policies in Xinjiang have not only shaken the lives of Uyghurs, Kazakhs and other groups inside and outside the region, but also heralded a new era in the CCP's domestic governance and power projection abroad (China Brief, December 31, 2019; China Brief, November 5, 2018). The state's persecution of Muslim minorities has damaged the national image and foreign interests of the People's Republic of China (PRC), incurring increasing negative responses from parts of the international community, but also notable silence, or even support for China's policies in Xinjiang, from majority-Muslim nations such as Saudi Arabia, the United Arab Emirates and Pakistan. Such dynamics have also played out in Turkey—a geostrategic and economic hub that is eyed by China as a valuable potential asset of its wide-ranging foreign policy Belt and Road Initiative (BRI), as well as home to a Uyghur diaspora of tens of thousands attracted by Turkey's ethno-cultural kinship and relative political freedom. Turkey's denunciations of Chinese policies in Xinjiang have been a chronic hindrance to Sino-Turkish relations. In September 2020, Turkey's ruling Justice and Development Party reproached China for violating the rights of "Uyghur Turks" (Hürriyet, September 29, 2020).

Turkey's occasional criticisms on behalf of Xinjiang Turkic Muslims, however, have not translated into meaningful foreign policy or sufficient support for its domestic Uyghur community. For instance, although Turkey restated its concerns about China's treatment of Uyghurs in October 2020, it did not join a coordinated effort to criticize China that was signed by thirty-nine other countries (Turkish Foreign Ministry, October 6, 2020; German Permanent Mission to the UN, October 6, 2020). At home, Turkey's authorities have tolerated complex pressures by Chinese security organs against the Uyghur diaspora and allegedly detained individuals at China's request (Axios, May 20, 2020; China Brief, November 1, 2019). Turkey's capacity to advocate for Uyghurs in Xinjiang has been constrained by the substantial economic, financial and technological leverages that Beijing has built up over Ankara throughout the past decade (Foreign Policy, September 16, 2020).

Image: Turkish President Recep Erdoğan and Chinese President Xi Jinping shake hands during a meeting in Beijing on July 2, 2019 (Image source: Anadolu Agency).

Xinjiang Work Meets Pandemic Diplomacy

The Covid-19 pandemic has enabled the CCP to recast its interests worldwide through new narratives and strategies. Preventing criticism of its policies in Xinjiang and winning assistance in eliminating Uyghur activism are some of China's main security concerns in its bilateral relationship with Turkey. These aims, worded as "mutual understanding and support in each other's core interests and major key issues" (在涉及彼此核心利益和重大关切问题上相互理解，相互支持, *zai sheji bici hexin liyi he zhongda guanqie wentishang xianghu lijie, xianghu zhichi*)—were integrated into the narrative of the common struggle against the pandemic during a virtual conversation between CCP General Secretary Xi Jinping and his counterpart Recep Tayyip Erdoğan last April (Xinhua, April 8, 2020).

Beijing previously underlined its security-related interests to Turkey by declaring its willingness to extend (and presumably also receive) the "three resolute supports" (三个坚定支持, *sange jianding zhichi*) of "safeguarding state security and legitimate rights and interests, following a development path suitable for the country's national conditions, and deepening China-Turkey strategic cooperation" (维护国家安全和正当合法权益，走符合本国国情的发展道路，深化中土战略合作, *weihu guojia anquan he zhengdang hefa quanyi, zou fuhe benguo guoqingde fazhan daolu, shenhua zhong tu zhanlue hezuo*). The "common struggle against all forms of terrorism" (一切形式的恐怖主义, *yiqie xingshide kongbu zhuyi*) was linked to the CCP's quest for global power and influence, which encompasses political formulations such as "strengthening political trust" (加强政治互信, *jiaqiang zhengzhi huxin*), "jointly building the BRI" (共建 "一带一路," *gongjian "yidai yilu"*) and preventing "unilateralism, protectionism and power politics" (单边主义，保护主义，强权政治, *danbianzhuyi, baohuzhuyi, qiangquan zhengzhi*; PRC Foreign Ministry, September 14, 2018).

The China Council for the Promotion of Peaceful National Reunification (CCPPNR, 中国和平统一促进会 *zhongguo heping tongyi cujin hui*), an international organization designated by U.S. authorities as a foreign mission of the PRC, has played a prominent role in pandemic diplomacy (China Brief, May 9, 2019; U.S. Department of State, October 28, 2020). Mainly tasked with the consolidation of the political loyalty of overseas Chinese communities and the promotion of CCP policy on territorial issues, the CCPPNR is well-suited to silencing criticisms from a large and politically active Uyghur diaspora. Its Turkey chapter, called the China Peaceful Unification Association (CPUA, 土耳其中国和平统一促进会 *tu'erqi zhongguo heping tongyi cujin hui*, *Çin'in Barışçıl Birleşmesi Derneği*), has supported the CCP's policies in Xinjiang and denounced the promulgation of the Uyghur Human Rights Policy Act by the U.S. legislature in December 2019 (CCPPNR, December 16, 2019). CPUA is also instrumental in the promotion of the CCP's stance on Hong Kong and Taiwan (CCPPNR, August 19, 2019; CCPPNR, March 9, 2020).

The CCPPNR's pandemic diplomacy is chiefly focused on Istanbul, Turkey's economic and logistical pivot and home to most of Turkey's Uyghurs. Early in the pandemic, CPUA donated medical face masks to Istanbul's Maltepe and Beşiktaş districts and to its municipal government (Sözcü, March 24, 2020; CCPPNR, March 25, 2020; CCPPNR, May 18, 2020; CCPPNR, July 30, 2020). China has been cultivating ties with Istanbul's mayor, Ekrem İmamoğlu, since he first took office in April 2019 (Ekrem İmamoğlu, April 22, 2019). Over the past few years, these influence efforts have seen tangible results. In October 2019, the Istanbul city government installed Chinese translations on main public transport stations. The following September, Istanbul's Airport was declared the world's first "China-friendly airport" (中国友好机场, *zhongguo youhao jichang*) (Jurnalist, October 8, 2019; People's Daily, September 22, 2020). İmamoğlu and the Istanbul provincial governor Ali Yerlikaya also sent congratulatory notes to the PRC consulate on China's national day in 2020 (PRC Consulate in Istanbul, October 1, 2020).

Chinese activities in Istanbul have been sensitive to local culture and religion. Notably, a CCPPNR donation to Imamoğlu's office in July 2020 was made and advertised on the eve of the Feast of Sacrifice (*Kurban Bayramı*), a major Islamic festival. In March 2018, the PRC's embassy hosted Xinjiang students and compatriots for the Nowruz, originally a Zoroastrian festival featuring multiple references to Islam (PRC Foreign Ministry, March 22, 2018). In May 2020, the PRC's consul general in Istanbul, Cui Wei (崔巍), congratulated local Xinjiang Muslims on the end of Ramadan, calling it a "traditional Muslim festival" (穆斯林传统佳节, *musilin chuantong jiajie*; PRC Consulate in Istanbul, May 22, 2020). In these cases, the CCP has recognized and celebrated religious practices in its propaganda and united front work abroad, even as such practices are considered "extremist" inside Xinjiang and Uyghurs in China who overtly practice their religion are detained or imprisoned.

China has linked its security agenda to so-called "vaccine diplomacy," leveraging public health for political ends. Shipments of the Sinovac coronavirus vaccine began arriving in Ankara on December 30, 2020 following previous vaccine trials in Turkey (Global Times, November 18, 2020; Xinhua, December 26, 2020; CCTV, December 30, 2020). The transaction was hailed by the PRC as an example of "independent diplomacy", but notably accompanied by Turkish foreign minister Mevlüt Çavuşoğlu's pledge to his Chinese counterpart Wang Yi (王毅) that Turkey opposes "all forms of terrorism" and will not allow anyone to "damage China's sovereignty or territorial integrity" (破坏中国的主权和领土完整, *pohuai zhongguode zhuquan he lingtu wanzheng*; Global Times, December 15, 2020; PRC Embassy in Ankara, December 15, 2020). Days before the shipment, China's National People's Congress ratified an extradition treaty signed with Turkey at a BRI summit in May 2017. Although not yet ratified by Turkey's legislature—and although the treaty stipulates the prevention of political, ethnic or religious persecution—human rights advocates have feared that it could be used to target the Uyghur diaspora, as it enables extradition for behavior considered illegal in only one of the two countries (PRC National People's Congress, December 26, 2020; Turkish Grand National Assembly, April 26, 2019; VOA News, January 7).

Image: On February 5, 2020, Uyghurs living in Turkey staged a demonstration to commemorate the anniversary of the brutal suppression of Uyghur demonstrations in Xinjiang in 1997 (Image source: VOA).

Securitization of China's Turkey Diplomacy

The CCP's prioritization of security—and, implicitly, the Xinjiang issue—in its relations with Turkey was also manifest in the autumn 2020 reshuffle of China's ambassador to Ankara. After being elevated to assistant foreign minister, the outgoing ambassador Deng Li (邓励) met with Turkey's ambassador to China, Abdulkadir Önen and declared China's willingness to elevate the two countries' "strategic cooperation" to a "new level" (PRC Foreign Ministry, August 31, 2020; PRC Foreign Ministry, September 23, 2020). The PRC's new envoy to Turkey Liu Shaobin (刘少宾) previously headed the foreign ministry's External Security Affairs Department (涉外安全事务司, *shewai anquan shiwu si*), which manages the state security agenda in foreign affairs work as well as security-related aspects of PRC diplomatic missions (PRC Embassy in Turkey, October 30, 2020; PRC Foreign Ministry, November 8, 2020).

Liu is experienced in working at the nexus of security and diplomacy. In September 2020, he presided over a counter-extremism BRICS working group meeting. There, the CCP's Xinjiang crackdown was presented as "concrete practices of preventive counterterrorism and de-extremification" (新疆预防性反恐和去极端化

具体实践, *xinjiang yufangxing fankong he qujiduanhua juti shijian*) by Xu Jianying (许建英), the director of the Chinese Academy of Social Sciences' Chinese Borderland Research Institute (中国边疆研究所, *zhongguo bianjiang yanjiusuo*), a leading academic institution instrumental in the legitimation of the CCP's Xinjiang policies (PRC Foreign Ministry, September 3, 2020).

In August and November 2020, Ambassador Önen met another cadre of the ministry's external security department, China's top security diplomat Cheng Guoping (程国平; PRC's Foreign Ministry, August 27, 2020; PRC's Foreign Ministry, November 18, 2020). Cheng has abundant experience liaising with foreign governments on issues of "cyberterrorism" (网络恐怖主义,*wangluo kongbu zhuyi*) and the "East Turkestan Islamic Movement" (东伊运, *dong yi yun*; ETIM; *Security Reference*, January 13, 2018; *Sohu Mobile*, March 13, 2017; *China Today*, May 5, 2017). He also serves as the deputy chair of the China Association for International Friendly Contact (CAIFC, 中国国际友好联络会, *zhongguo guoji youhao lianluohui*), a front for the Political Work Department Liaison Bureau (政治工作部联络局, *zhengzhi gongzuo bu lianluo ju*) of the People's Liberation Army that is responsible for intelligence and political warfare (CAIFC, March 3; ASPI, June 2020; Project 2049, October 14, 2013).

This military-linked external security department also coordinates the CCP's Xinjiang work in other countries. In November 2020, Cheng stipulated in a virtual meeting with a deputy advisor of Afghanistan's state security commission that bilateral "well-being and local cooperation" (民生地方合作, *minsheng difang hezuo*) was linked to suppressing ETIM (PRC Foreign Ministry, November 12, 2020). In December, fighting ETIM was declared the "core concern of China's counter-terrorism" (中国反恐核心关切, *zhongguo fankong hexin guanqie*) at a meeting between Cheng and his counterpart from the United Arab Emirates and at a counter-terrorism seminar organized by the foreign ministry-affiliated China Institute of International Studies (中国国际问题研究院, *zhongguo guoji wenti yanjiuyuan*; PRC Foreign Ministry, December 18, 2020; PRC Foreign Ministry, December 22, 2020). The surge in references to "ETIM," a group whose existence is disputed but which has been widely cited by the CCP as evidence for domestic terrorism justifying its crackdown against Uyghurs in Xinjiang, notably came after the U.S. State Department removed ETIM from its list of terrorist organizations in November 2020 (Federal Register, November 5, 2020). The CCP has also frequently referenced the threat of ETIM as a means for discrediting disparate exiled Uyghur organizations abroad.

Conclusion

China's pressures on Turkey illustrate how the CCP uses the building of a "community of human public health" (人类卫生健康共同体, *renlei weisheng jiankang gongtongti*), "international cooperation" (国际合作, *guoji hezuo*) and "humanitarian campaigns" (人道主义行动, *rendaozhuyi xingdong*) to advance political interests (PRC Foreign Ministry, December 12, 2020). For now, Turkey's pandemic prevention cooperation with China has drawn renewed vows from the Turkish leadership to assist the CCP in eliminating the Uyghur diaspora's uncomfortable activities. It remains to be seen whether the future ratification of the extradition treaty will prompt Turkish authorities to harass, detain, or deport Uyghurs. In January and February, accounts appeared of Uyghurs being detained in Turkey (AP, February 5). Anti-pandemic transactions have provided the CCP with a new pressure point that it can exploit to expand its persecution of the Uyghur diaspora in Turkey, in addition to leveraging Turkey's increasingly authoritarian domestic politics, troubled economic situation and growing strategic dependence on China.

The CCP clearly perceives the delicate Xinjiang issue as a crucial aspect of its relations with Turkey. This is demonstrated by the recently elevated role of the foreign ministry's external security department, which is linked to the PLA's political warfare structures. The security dimension was recently highlighted when a Uyghur man, who had previously told the media that he had been coerced by PRC security organs to spy on the Uyghur diaspora, was shot in Istanbul late last year (*Ahval News*, November 3, 2020). It can be expected that Chinese agencies will continue their pressure on the Uyghur community in Turkey with or without the direct involvement of local authorities.

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Development Lending is Down, But the BRI Lives to Fight Another Day

By Johan van de Ven

Introduction

In the wake of the COVID-19 pandemic's effects on the global economy, pessimistic analyses of the Belt and Road Initiative culminated with the December 7 publication by Boston University of a dataset covering overseas lending by two of China's main policy banks, which showed a rapid decline in loans (Boston University, December 7). The reduction in one of the core implementation components of the Belt and Road Initiative (BRI) led some analysts to ask whether the BRI, buffeted by concerns over political opposition and financial risk, was being gradually retired by the Xi administration (Asia Times, December 26).

Such skepticism clashed with the announcement on December 30 that China had concluded negotiations with the EU on an investment treaty (PRC Foreign Ministry, December 30, 2020; European Union, December 30, 2020). The signing of the China-EU Comprehensive Agreement Investment (CAI) showed China's enhanced global influence: signed just ahead of the new year and despite strong opposition from the United States, the CAI conformed to Beijing's preference for delinking economic cooperation from political conditionality. This combination of events serves as a reminder that development lending does not represent the totality of BRI: despite the downturn in lending, other aspects of the initiative are making gains, including the expansion of China's network of trade and investment agreements. Despite these successes, there is also cause for concern. Most significantly, the revitalization of the Health Silk Road since the emergence of COVID-19 has failed to dissipate geopolitical tensions, raising question marks over the sustainability of China's BRI-associated achievements.

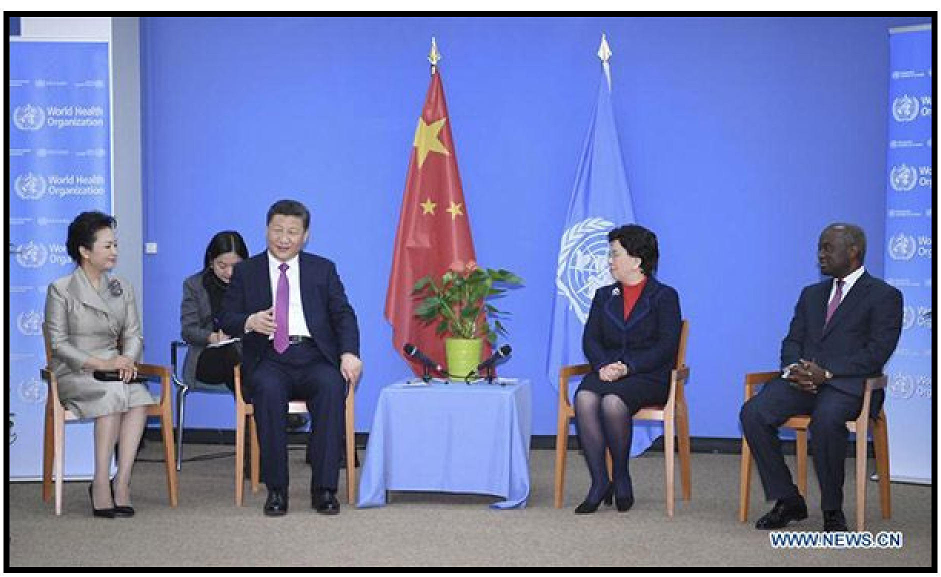

Image: Xi Jinping (second left) meets with the leadership of the World Health Organization, including then-Director General Margaret Chan (second right) in Geneva on January 18, 2017 to sign an agreement establishing the 'Health Silk Road.' The concept has been revitalized amid the pandemic (Image source: China Daily).

The BRI's Wide-Ranging Utility

The conflation of overseas lending by the Export Import Bank of China (Exim) and China Development Bank (CDB) (which together constitute two of China's most active policy banks) as the most significant aspect of the BRI is understandable. The absence of a succinct definition for the BRI by the Chinese leadership has led analysts to search for tangible measures through which to evaluate the initiative's performance. So far, Exim and CDB have committed hundreds of billions of dollars to projects related to BRI, making their stream of lending the most visible such measure. However, using lending data as a barometer to monitor the performance of BRI is a practice fraught with pitfalls. The Boston University dataset reveals one such trap at first glance: how to interpret 2009 as the second-highest year for lending by Exim and CDB? Likewise, examining the dataset's coverage of the period only since BRI's 2013 launch could lead to a range of assessments, including two in particular:

1) As argued by publications such as the *Financial Times*, the decline could indicate that decision makers in Beijing are seeking to reduce political and financial risk amid political opposition to BRI and widespread challenges facing the implementation of individual projects (Financial Times, December 7).

2) Alternatively, these same decision makers could instead have intended for the initial phase of BRI to be marked by a period of large-scale lending, before shifting to advance their goals via less capital-intensive methods.

These hypotheses set the trammels on a continuum of possibilities. Their utility is limited, however, by their lack of consideration for the reality that the BRI encompasses more than a lending campaign by the two policy banks—even though the scale of development lending by Exim and CDB has been considerable. During a September 2013 speech in Kazakhstan, Chinese President Xi Jinping described the formation of the Silk Road Economic Belt (which, along with the Maritime Silk Road, was then one of the two main frameworks of the BRI) as a means of increasing regional cooperation by *strengthening policy communication, improving transport connectivity, promoting trade facilitation, enhancing monetary circulation and strengthening people-to-people exchanges* (PRC Foreign Ministry, September 7, 2013).

Strengthening Policy Communication

Adopting an understanding of "policy communication" as securing support for (and mitigating dissent towards) China's positions on certain political issues, Beijing has made inroads since 2013. Political outreach since then has led to the signing of cooperation memoranda with as many as 115 countries (China Brief, March 16, 2020), the consolidation of regional coordination groupings such as the "17+1" forum between China and Central and Eastern Europe (China Brief, May 10, 2019) and the successful organization of high-level gatherings such as the second Belt and Road Forum in 2019 (Belt and Road Forum, April 27, 2019). This intensive outreach—coupled with economic incentives stemming from BRI-associated lending—has had tangible benefits for Beijing's growing soft power and international influence. Despite a growing body of evidence for violations of human rights in Xinjiang, China has so far faced little direct criticism from international institutions such as the United Nations, which has yet to pass a resolution condemning its activities.**[1]**

Limited responses from the leaders of some Muslim-majority countries likewise highlight China's discourse power. For example, although Turkey, which is host to a large Uyghur diaspora community, has previously criticized China's policies in Xinjiang, Turkish President Recep Erdoğan has walked a conciliatory line between public opinion back home and the need to solicit investments from China. During a visit to Beijing in 2019, Erdogan hedged that China and Turkey could "find a solution to the [Uyghur] issue, taking into account the sensitivities of both sides" (SCMP, July 22, 2019). Asked for his position on the mistreatment of Uyghurs in 2019, Pakistan's Prime Minister Imran Khan said, "Frankly, I don't know much about that." (WIO News, September 14, 2019). The ability of the Chinese government to limit foreign criticisms of its domestic policies provides an example of the "policy coordination" that Xi identified as a goal for BRI during his Kazakhstan speech. However, the bellicosity of Chinese diplomatic conduct and the continuation of abuses in places such as Xinjiang and Hong Kong could expose limitations on Chinese authorities' future ability to mitigate criticism.

Improving Transport Connectivity

Under the aegis of the BRI, transport connectivity has grown since 2013 – driven by the establishment of customs unions that allow for the faster transit of goods as much as by construction of new infrastructure. In July 2020, for example, the Eurasian Economic Union (EAEU) saw a record 1,232 cargo trains transit its member states on the way from China to Europe, marking a year-on-year increase of 68 percent (SCMP, August 17, 2020). Chinese entities have financed a host of transport-related investment projects totaling $283.86 billion since 2013, although many with transformative potential –including the construction of a high-speed rail connection from China to Singapore or the implementation of standard-gauge rail network in parts of East Africa – have yet to be completed (AEI China Global Investment Tracker, January 2020). In that sense, while China has profited from developments such as the establishment of the EAEU customs union, it is too soon to tell whether the massive sums spent on constructing transport infrastructure will empower a step-change in transport connectivity or embolden critics warning of a campaign of "debt trap diplomacy."

Promoting Trade Facilitation

High profile trade deals signed at the end of 2020 show how China has successfully promoted trade facilitation, another of the goals identified in Xi's 2013 speech. The Regional Comprehensive Economic Partnership (RCEP), which aims to eliminate 90 percent of tariffs on trade between its signatories, was signed in November 2020. Following seven years of negotiations, it created a grouping that covers 15 countries in the Asia-Pacific region, which together constitute 30 percent of the global population and 30 percent of global GDP (SCMP, November 12, 2020). Similarly, the December 2020 CAI, while less ambitious in scope, shows how Beijing has succeeded in preserving room for economic cooperation with the European

Union, despite strong U.S. opposition as well as warnings from national security and civil society about the dangers of Chinese influence. Beyond RCEP and the EU-China CAI, the Xi administration is currently engaged in trade negotiations covering a further 15 countries (including the members of the Gulf Cooperation Council). As such, Beijing looks set to further position itself as a locus of economic liberalization during a time when many other nations are trending towards protectionism.

Image: China has continued to sign a raft of trade and investment agreements during the pandemic. (Left) The virtual signing ceremony of the Regional Comprehensive Economic Partnership (RCEP) Agreement took place on November 15, 2020 (Image source: Xinhua). (Right) A virtual China-EU leadership meeting on December 30, 2020, during which the completion of the Comprehensive Agreement on Investment (CAI) was announced (Image source: Xinhua).

Changing With the Times

While Chinese authorities have made progress towards many of the priorities identified by Xi in his 2013 speech, they have also sought to adapt the implementation of BRI to shifting international circumstances. The Health Silk Road, a concept that was first aired in 2015, has been re-emphasized since the emergence of the COVID-19 pandemic. Medical teams sponsored by the Chinese government have been deployed to countries ranging from Laos (Global Times, April 12, 2020) to Sudan (Xinhua, February 9, 2021). Chinese government bodies and charitable organizations (including the Jack Ma Foundation) took part in a campaign to provide the international community with medical supplies such as masks, ventilators, and personal protective equipment (Xinhua, January 14, 2021). Beyond material contributions, Xi Jinping and other Chinese leaders have called for the development of a "community of shared health for mankind" (人类卫生健康共同体, *renlei weisheng jiankang gongtongti)* (Qiushi, June 5, 2020) and offered statements of support for the World Health Organization (WHO) after it fell under criticism from the Trump Administration (PRC Foreign Ministry, May 19, 2020). Nonetheless, the revitalization of the Health Silk Road has offered only piecemeal dividends. Chinese state media has had to deny that it is using public health initiatives for geopolitical ends (Xinhua, December 31, 2020), and the completion of a WHO mission to China has failed to quell skepticism regarding the origins of the pandemic. This raises doubts about the ability of Chinese authorities to sustain "policy communication" in the future (Washington Post, February 10).

Conclusion

The unfolding of the BRI has amplified China's political influence, improved transportation connectivity, and advanced a series of agreements targeted at trade and investment liberalization. It also seen progress in "monetary circulation" (referring to renminbi internationalization), with cross-border renminbi settlement up 24.1 percent year-on-year in 2019 (People's Daily, August 22, 2020). Uncertainty abounds, however, as to what the coming period holds. The day-to-day need to contain COVID-19 has hindered the construction of infrastructure projects and the organization of political gatherings such as the Belt and Road Forum (which was held virtually last year) . The revitalization of the Health Silk Road has demonstrated the ability of Chinese authorities to adapt BRI to changing circumstances, but it is not clear whether related efforts, such as dispatching medical teams abroad and standing by the World Health Organization, will yield positive results for China's international influence.

Ultimately, lending is an important part of the BRI story, but it does not represent the totality of Beijing's ambitions for the initiative. On a number of key associated goals identified by Chinese authorities, there have been clear signs of progress for Beijing's objectives since 2013, including the neutering of opposition to elements of its political behavior, the ongoing development of transportation infrastructure, and the enlargement of China's network of trade and investment agreements. However, BRI faces a world buffeted by a public health disaster, economic crisis, and severe political tensions. With no abatement in sight, it is therefore crucial to look beyond the lending and take a holistic view of Belt and Road, a foreign policy initiative with bold ambitions to remake the international order but one that is now facing its sharpest headwinds.

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Notes

[1] This past October, 39 states signed a letter to the UN Human Rights Council noting concerns over alleged human rights abuses in Xinjiang, Tibet and Hong Kong. Rival statements defending China were quickly organized by Cuba and Pakistan and signed by 45 countries. Ultimately, the UNHRC has not moved to investigate Xinjiang in any substantive fashion. See: Al Jazeera, October 7, 2020; SupChina, October 7, 2020.

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The Vatican, Chinese Catholicism and the Diplomatic Isolation of Taiwan

By Ryan Oliver

Introduction

Relations between the People's Republic of China (PRC), Taiwan, and the Vatican have begun to shift and bear significant implications for the region as well as for the role of the United States in the Indo-Pacific. Since the Republic of China (ROC) government relocated to Taiwan in 1949, national reunification has remained a priority of the Chinese Communist Party (CCP). The People's Liberation Army (PLA) has long determined its training and acquisition requirements based on potential reunification scenarios, and recent strides in military reform and technological development coupled with rising assertiveness have raised concerns about the potential for action across the Taiwan Strait.

While the challenge presented by an increasingly capable and confident PLA has drawn attention, the PRC has also advanced an opportunistic approach to steadily eat away at the list of countries that formally recognize Taiwan. Of the fifteen countries that remain on this list, the Vatican is perhaps the most significant. Because of this, it presents a valuable target for PRC efforts to isolate Taiwan. Speculation about a change in the Vatican position has come at different points before, such as with the death of Pope John Paul II (China Brief, April 12, 2005). Recent new ties between the Vatican and Beijing suggest that a more substantial shift may soon come. Reports of Vatican interest in establishing a permanent office in Beijing suggest a renewed sense of urgency (Taiwan News, September 16, 2020). A review of recent developments in the relationships between these three countries can help to establish a greater understanding of a complex situation, as well as what the potential changes could mean for U.S. policy.

Image: Taiwanese bishops meet with Pope Francis at the Vatican on May 15, 2018. Despite a warming of relations with the mainland, Pope Francis has also promised that he "won't abandon Taiwan" Image source: Taiwan News).

History

The complex relations between the Vatican, Taiwan, and the PRC began with a shared history that diverged on competing paths. Although first contact took place as early as the 13th century, the start of modern relations began during World War II when the Nationalist government sent its first ambassador to the Vatican City in 1942. Four years later, the Vatican dispatched to Nanjing its first Papal Internuncio, who served both as a religious representative within the church and also as a diplomatic ambassador. Completing the exchange of ambassadors in 1946 established formal relations between the Vatican and the Nationalist government. But in 1949 Communist forces expelled the Nationalist government from the Chinese mainland to Taiwan and founded the People's Republic of China. The Communist government then expelled the papal representative, cutting off diplomatic relations with the Vatican (China Brief, May 15, 2015).

Chinese relations with the Vatican subsequently divided along two paths. On the mainland, the CCP has advanced its own Catholic community led by state-sanctioned bishops and struggled to contain underground churches, which for many years were tacitly supported by the international Catholic church through the Vatican's appointment of bishops (BBC, January 22, 2007). The Vatican maintains formal diplomatic relations with Taiwan, where between 0.5 to 2 percent of the population identifies as Catholic (Union of Catholic Asian News, accessed Feb 23).

The Attrition of Diplomatic Recognition

The PRC has made no secret about its intention to unite Taiwan with the mainland, and while concerns are typically focused on the prospect of military coercion, its efforts to isolate Taiwan diplomatically also demand attention. Following Taiwan's expulsion from the UN in 1971 (and China's concurrent recognition), the list of countries that formally recognize Taiwan as a sovereign country has dwindled rapidly—from 32 in 2000 to 15 at the end of 2020 (Australian Department of Foreign Affairs and Trade). A strong mainland campaign of diplomatic and economic outreach has often heralded each shift in recognition. For example, when the Solomon Islands shifted diplomatic recognition to the PRC in 2019, its prime minister stated that, "the Solomon Islands is better served making a decision that reflects our long term development interests rather than being uncertain over what might happen should one day Taiwan democratically decide to reunite with Mainland China" (Solomon Times, September 20, 2019). The country's Minister of Foreign Affairs and External Trade Jeremiah Manele also expressed interest in the Belt and Road Initiative and the potential for Chinese investment (Xinhua, September 21, 2019). With a growing array of carrots and sticks available in its statecraft arsenal, the PRC builds leverage in a variety of ways to erode Taiwan's diplomatic alliances.

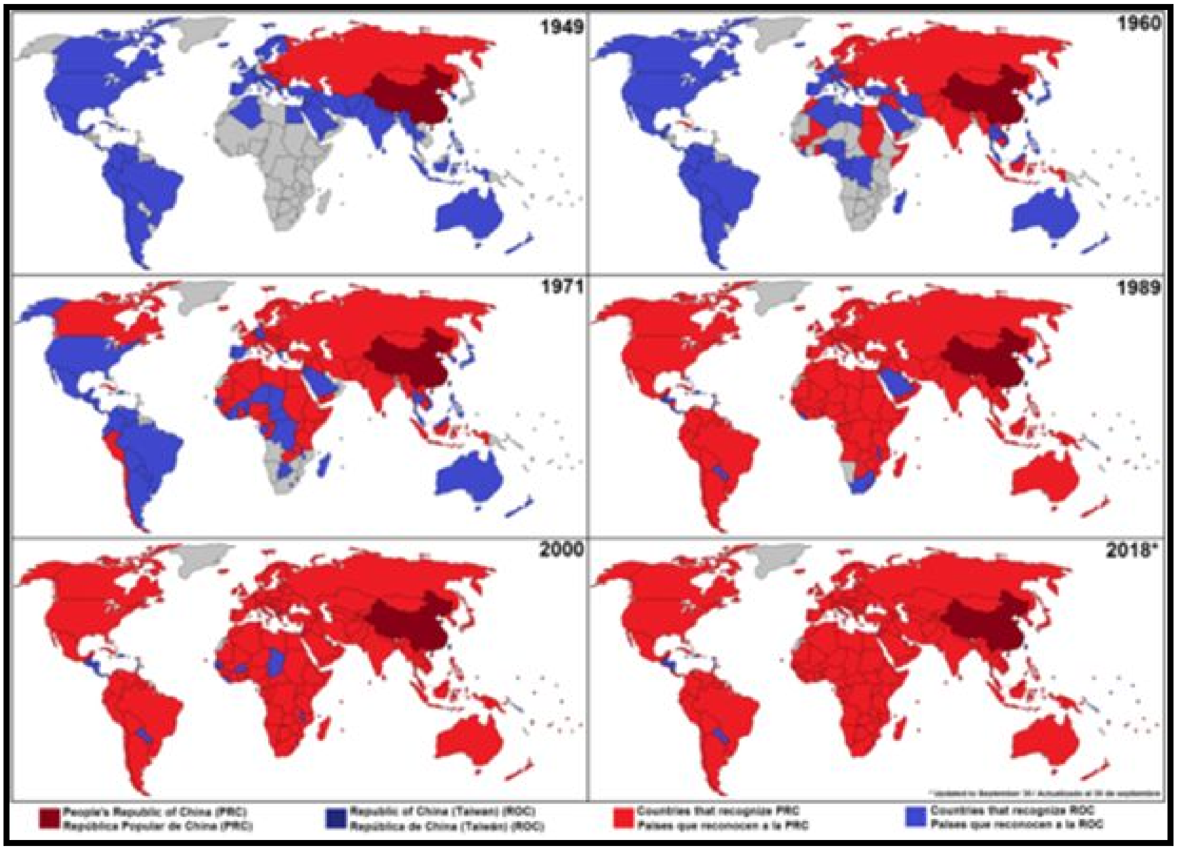

Image: A series of maps illustrating the historic struggle for diplomatic recognition between the PRC (red) and Taiwan (blue) (Image source: Wikimedia Commons).

A significant shift in the mainland's relations with the Vatican also bodes poorly for Taiwan. In 2018, China and the Vatican signed a historic agreement on the joint appointment of Chinese bishops (Radio Free Asia, September 24, 2018). Although Pope Francis described the deal at the time as "not political but pastoral," and highlighted the Vatican's new veto power over the appointment of bishops inside the PRC, critics warned that the deal betrayed the underground Catholic church community in China (China Brief, October 10, 2018). The state-directed Chinese Catholic Patriotic Association reportedly chooses nominees for episcopal ordination (Catholic News Agency, October 22, 2020). Details of the secretive agreement have not been released, but nevertheless both parties agreed to renew it in October 2020, continuing the terms "ad experimentum" for another two years (La Stampa, October 22, 2020; PRC Embassy in Liberia, October 22, 2020). Although the Vatican has reiterated that the current deal does not resolve all of the issues between Beijing and the Vatican (Vatican News, October 22, 2020), the 2018 deal and its subsequent renewal have set a precedent giving long-lacking momentum to the normalization of relations.

Implications

Any further development in relations between the PRC and the Vatican would have significant implications for the PRC, Taiwan, and the Vatican, as well as the United States. A shift in Vatican diplomatic recognition from Taiwan to the PRC would represent a further solidification of the international consensus around Beijing's position towards Taiwan. Of the remaining countries that recognize Taiwan, the Vatican holds a position of particular significance. Crucially, the Vatican is Taiwan's only remaining diplomatic partner in Europe. Although the Vatican is not a member of the European Union, it participates in the Eurozone and enjoys open borders with Schengen Area countries. Italy maintains its defense. Politically and culturally, the Vatican is integrated within the European community of nations. In this way, as Taiwan's sole European partner, it enables important access and influence.

Beyond Europe, the Vatican holds disproportionate influence around the world as the head of the Catholic Church. It is worth mentioning that 9 of the 15 countries that still recognize Taiwan (including the Vatican) feature significant Catholic populations. The combined populations of those 14 countries totals about 77 million people, and the Catholic Church reports 1.2 billion followers globally (Pew Research, February 13, 2013). The Chinese mainland has an estimated 9 million Catholics, which both offers a substantial community for the Vatican to support (Pew Research, 2011; Pew Research, October 11, 2018; Pew Research, July 29, 2008). Researchers have also observed that Christianity (particularly Protestantism) has seen explosive growth in China since the 1980s. Even as the global Catholic population is expected to continue a net decline in the coming years, current projections anticipate that the growth of Christianity in China will continue (Inkstone News, March 30, 2018; Christianity Daily, September 24, 2020). Demographic changes thus pressure the Vatican to tilt towards the PRC. But should the Vatican shift diplomatic recognition from Taiwan to the PRC, it could easily spark a cascade, influencing Catholic countries to change their positions as well.

Absent formal recognition from foreign partners, Taiwan would have little diplomatic ammunition with which to resist the PRC narrative that reunification is a matter of "internal affairs." Such a characterization might allow for the employment of the People's Armed Police (PAP), the principle internal security force on the mainland, in concert with the PLA. The latter has trained, equipped, and organized to isolate the island and support operations to seize territory, while the former is likely better suited for the occupation-like tasks that would follow. Given the lack of diplomatic recognition in the international community, swift action coupled with information misdirection could limit the options available to Taiwan's friends to generate external resistance.

Among the most significant of those friends, the United States faces the horns of a dilemma. Although economic and military support for Taiwan remains a bipartisan priority for the U.S. leadership, recent public opinion polling has shown that the U.S. public opposes an American defense of Taiwan (Chicago Council on Global Affairs, February 1). The ambiguity of the U.S.' One China policy has come under increasing strain, as a more capable and assertive China presses its reunification agenda.**[1]** Beijing noticeably stepped up military pressure and disinformation campaigns against Taiwan last year, with some analysts describing the combination of tactics as tantamount to gray-zone warfare (Taiwan News, December 26, 2020). Particularly in light of Beijing's recent crackdowns in Hong Kong and the apparent end of the "One Country, Two Systems" framework, the possibility of a peaceful and democratic reunification seems increasingly farfetched. The U.S. continues to support Taiwan through political gestures, such as a series of high-profile diplomatic visits in 2020, and through arms sales, most recently the $1.8 billion sale approach by the Pentagon in October 2020 (Taipei Times, November 21, 2020; Reuters, October 21, 2020).

Conclusion

The path forward between the PRC, Taiwan, and the Vatican is potentially perilous but not by any means predetermined. Obstacles to further cooperation between the PRC and the Vatican remain: just at the end of last year, a report surfaced that Chinese officials had detained two Hong Kong-based nuns visiting the mainland, demonstrating a fundamental disagreement over whether the two-year deal between the Vatican and Beijing applies to Hong Kong as well (Reuters, December 30, 2020). Following the leadership transition earlier this year, U.S. policy has remained consistent in its growing support for Taiwan—much to the consternation of Chinese officials and state media (U.S. State Department, January 23; Xinhua, January 28) Untethered from a broader strategy of support, such piecemeal support may instead serve to accelerate dangerous trends or provoke aggression from Beijing. U.S. leaders need to consider a revitalized approach to Taiwan that both assesses American interests in the Indo-Pacific in a shifting strategic environment and soberly accounts for the political will required to support contingency operations in the event of crisis. Under this volatile context, the PRC, Taiwan, the Vatican, and the United States all navigate dangerous waters moving into the future, stirring ripples with significant implications for international security.

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Notes

[1] Not to be confused with the PRC's "One China principle," which pushes a narrative that there is only one China, and Taiwan is a part of China. In contrast, the "One China policy" typically refers to the formulation of solutions (including the Three Communiqués, Six Assurances, and the Taiwan Relations Act) framed by the U.S. and to maintain economic and military support for Taiwan while acknowledging China's diplomatic position on China. See: (New Bloom, April 21, 2019; U.S.-Taiwan Business Council, January 7, 2020).

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