Banking On A New World Order

Where, Donald Trump & Xi Jinping competes for winning Russia’s love

The 13th updated version since the 21st of February 2017, including amendments
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The Challenges of a New World Order

... and Nixon’s view! *

* Please note, Henry Kissinger who was Richard Nixon’s Secretary of State is today advisor to President Trump
Static or Dynamic Equilibrium?

- Theodore Roosevelt had articulated an idea of world order in which the U.S. was the guardian of the global equilibrium, while

- Richard Nixon was arguing that the U.S. should be an integral part of an ever-changing, fluid balance, not as the balancer, but as a component

- Nixon’s evolving strategy was, balancing China against the Soviet Union from a position in which America was closer to each Communist giant than they were to each other. An improved relationship with China would gradually isolate the Soviet Union or impel it to seek better relations with the United States.

Nixon’s glimpse of the promised land was;

To end the cold war, a redefinition of NATO, a genuine partnership with China, a major step toward Middle East peace, the beginning of Russia’s reintegration into international order

Source: Henry Kissinger’s book “World Order” page 308
The Missing Links of a New World Order

1) The nature of the nation-state itself has been subjected to a multitude of pressures: attacked and dismantled by design, i.e.,
   - A failed European project (EU)
   - Parts of the Middle East have dissolved into sectarian ethnic components in conflict with each other – giving sovereignty at will

2) The political and economic organization of the world are at variance with each other, i.e.,
   - The international economic system has become global, while the political structure of the world has remained based on the nation-state

3) The absence of effective mechanism for the great powers to consult and possibly cooperate on the most consequential issues
   - The UN Security Council, NATO, EU, APEC, East Asian Summit, G7, G8 and G20 have become “discussion clubs” lacking elaboration of long term strategy

4) America’s role in a new world order, i.e., “a balancer” or “a component” or “a withdrawer”?

# The game of fluid balance - Population

## Population in millions

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<tbody>
<tr>
<td>China, PRC</td>
<td>1371</td>
<td>Russia</td>
<td>144</td>
<td>EU (28)</td>
<td>511</td>
<td>United States</td>
<td>322</td>
<td>Japan</td>
<td>127</td>
<td>Total</td>
<td>960</td>
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China is a too big nation-state for everyone. China is even bigger than EU (28), United States and Japan put together. Even worse, if Trump succeds with winning over Russia to the West, is China bigger than EU (28), United States, Japan and Russia together.

More interesting observation is, if China in a near future achives 50% of U.S. GDP per capita -- measured in purchasing power parity (PPP) -- will China's aggregated GDP in PPP match EU (28)'s, Japan's and United States' GDP in PPP, if put together.
# The game of fluid balance – The Sum

<table>
<thead>
<tr>
<th>GDP in PPP and in trillion USD (FY 2016)</th>
<th>China, PRC</th>
<th>Russia</th>
<th>EU (28)</th>
<th>United States</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>China, PRC</td>
<td>19,9</td>
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<td>19,7</td>
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<tr>
<td>Russia</td>
<td>3,7</td>
<td></td>
<td></td>
<td>18,4</td>
<td>5,2</td>
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<tr>
<td>Total</td>
<td>19,9</td>
<td>3,7</td>
<td>43,3</td>
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</tbody>
</table>

Source: World bank
# The game of fluid balance – Per Capita

## GDP Per Capita in nominal USD (FY 2016)

<table>
<thead>
<tr>
<th>Country</th>
<th>Per Capita</th>
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<tbody>
<tr>
<td>China, PRC</td>
<td>8 123</td>
</tr>
<tr>
<td>Russia</td>
<td>8 748</td>
</tr>
<tr>
<td>EU (28)</td>
<td>32 059</td>
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<tr>
<td>United States</td>
<td>57 467</td>
</tr>
<tr>
<td>Japan</td>
<td>38 895</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8 123</strong></td>
</tr>
</tbody>
</table>

## GDP Per Capita in PPP USD (FY 2016)

<table>
<thead>
<tr>
<th>Country</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>China, PRC</td>
<td>15 535</td>
</tr>
<tr>
<td>Russia</td>
<td>23 173</td>
</tr>
<tr>
<td>EU (28)</td>
<td>35 630</td>
</tr>
<tr>
<td>United States</td>
<td>57 467</td>
</tr>
<tr>
<td>Japan</td>
<td>41 470</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15 535</strong></td>
</tr>
</tbody>
</table>

Source: World bank

A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the U.S..
# The Bargaining Chips “The Matrix”

<table>
<thead>
<tr>
<th>Russian Federation (RF)</th>
<th>China (PRC)</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geopolitical</strong></td>
<td><strong>Geopolitical</strong></td>
<td><strong>Geopolitical</strong></td>
</tr>
<tr>
<td>2. Ukraine</td>
<td>2. East China Sea (ECS)</td>
<td>2. &quot;Two Chinas&quot; Policy</td>
</tr>
<tr>
<td>4. A possible alliance with China (PRC) $^{\text{a)}}$</td>
<td>4. Syria</td>
<td>4. The PCA in Hague's verdict on SCS</td>
</tr>
<tr>
<td>5. A possible alliance with Russia (RF) $^{\text{a)}}$</td>
<td>5. A possible alliance with Russia (RF) $^{\text{a)}}$</td>
<td>5. Nobel Prize Laureate, Liu Xiaobo</td>
</tr>
<tr>
<td><strong>Trade</strong></td>
<td><strong>Trade</strong></td>
<td><strong>Trade</strong></td>
</tr>
<tr>
<td>2. RF is EU's 4th biggest trade partner</td>
<td>2. U.S. owes PRC 1.1tn US$ in debt</td>
<td>2. Chinese protectionism</td>
</tr>
<tr>
<td></td>
<td>3. PRC is EU's biggest trade partner</td>
<td>3. Chinese devaluation of the Yuan</td>
</tr>
<tr>
<td></td>
<td>4. PRC is U.S. 2nd biggest trade partner</td>
<td>4. Cheap Chinese products</td>
</tr>
</tbody>
</table>

Please see footnotes in appendix
China’s Presence in Europe
China’s presence in Europe

Trade

- China (PRC) is EU’s biggest -- and fastest growing -- trading partner
- Combined Chinese and Russian trades are by far bigger than EU’s trade with the United States, where
  - the U.S. is EU’s second biggest trading partner and
  - Russia is EU’s fourth biggest trading partner
- China (PRC) is Sweden’s 8th biggest trading partner, while the U.S. is Sweden’s 3rd biggest
- Taiwan (ROC) is Sweden’s 30th biggest trading partner

Source: EU Commission, SCB (Appendix)

Military

- The Chinese navy in the Baltic Sea in July 2017 was an answer to the French and British navies involvement in U.S. and Japanese exercises in the South China Sea in May 2017.
- The Chinese navy visited also the Baltic Sea in 2007 and 2015
- China’s navy visit in the Baltic Sea in 2007 and 2017 was (is) just ahead of the Communist Party Congress in October.
China’s presence in Europe

Trade

- **Sweden:** In November 2017 were the Chinese offering the Municipality of Lysekil -- at the Atlantic coast -- to build the largest port in Europe.

- **Norway & Finland:** The report “Vision for an Arctic Railroad” was delivered to Finnish and Norwegian transport officials on January 19 (i.e. a railway between Rovaniemi in Finland and Kirkenes in Norway that would serve as an Arctic gateway for China’s Belt and Road project).

Military

- To protect Chinese interest in Europe, Russia may give Chinese navy access or re-supply opportunities at Russian bases in:
  - St Petersburg and Kaliningrad in the Baltic Sea
  - Murmansk in Barents Sea
  - Tartus on the Mediterranean coast of Syria

- China expands their nuclear submarine operations to the Northern Atlantic to prevent the US from concentrating too much forces on Pacific if there is a crisis between US and China *

*Sources* “Finland could serve as China’s Arctic gateway for Obor” in Asia Times, July 2, 2017, Why Russian and Chinese Warships Joined Forces in the Baltic Sea This Week (Op-ed)” in The Moscow Times, August 9, 2017 .... *private sources*
The Chinese investors in Lysekil

• Who is behind this investment proposal of building Scandinavia’s largest port in Lysekil in Sweden, and what relationship, if any, is there to the Chinese government?
• The investor Sunbase International (Holding) is backed up (associated) with:
  – China Communications Construction Company (CCCC)
  – The Hong Kong chapter of the China Council for the Promotion of Peaceful Reunification of China, an organization under the United Front Work Department (UFWD)
  – The Association of Chinese Culture of Hong Kong, whose mission is to “successfully realize” the “one country, two systems” policy and “contribute to the great unification of the motherland” by spreading Chinese culture
  – Sunbase International Properties Management Limited, a subsidiary of Sunbase International (Holdings), manages all the 18 plots of military land on which China’s military operates in Hong Kong.
  – The owner and chairman of Sunbase is Gunter Gao Jingde. Gao describe himself as a Chinese patriot. He is also proud to have “generously supported” the publication of several Chinese military books — among others The Great Rehearsal in the Taiwan Straits — with the “intent of promoting the glorious image of the People’s Liberation Army (PLA) as a civilizing and powerful force and of spreading the superior tradition and revolutionary spirit of the PLA.”

Source: China’s Bid to Build the Largest Port in Scandinavia Raises Security Concerns (By Jojje Olsson)
China’s Quest to End Its Century of Shame *

* The Century of China’s National Shame was between 1839-1949
Century of National Shame (百年國恥)

- It refers to the intervention by Western powers and Japan in China between 1839 and 1949
- Major events are:
  - Unequal treaties of Whampoa-Aigun
  - the Taiping Rebellion
  - the First & Second Opium War
  - the sacking of the Old Summer Palace
  - Eight-Nation Alliance suppressing the Boxer uprising
  - the Sino-French War
  - the First Sino-Japanese War
  - the British invasion of Tibet
  - the Twenty-One Demands by Japan
  - the Second Sino-Japanese War

Global Presence of Chinese Navy

• As a response of French and British joint navy exercises with the U.S. and Japan in the South China Sea in May 2017, had the Chinese navy for the first time a joint exercises with the Russian navy in the Baltic Sea between the 21\textsuperscript{st} and the 28\textsuperscript{th} of July, 2017

• China sends troops to open first overseas military base in Djibouti -- in the Horn of Africa -- on July 12, 2017

• Chinese overseas investment are cultivating a network of potential ports

• Chinese diplomatic sources say they are not surprised if China opens additional military (navy) bases around the world in a couple of years

"One Belt, One Road” The Arctic Circle

- Beijing named in June as crucial to the success of “One Belt One Road”, a grand scheme to win diplomatic allies and open markets in around 65 countries between Asia and Europe.

- Chinese companies have announced plans to buy or invest in nine overseas ports in the year to end-June in projects valued at a total of $20.1bn.

- This level of activity represents a sharp acceleration from the $9.97bn in Chinese overseas port projects in the year to end-June 2016, according to Financial Times estimates.

Source: Chinese purchases of overseas ports top $20bn in past year (Financial Times, July 16, 2017)
“One Belt, One Road” The Arctic Circle
China’s version of the Monroe Doctrine

• China hopes to impose a modern version of the Monroe Doctrine on its surrounding oceans

• The **Monroe Doctrine** was a United States policy of opposing European colonialism in The Americas beginning in 1823. It stated that;
  – further efforts by European nations to take control of any independent state in North or South America would be viewed as "the manifestation of an unfriendly disposition toward the United States."
  – At the same time, the doctrine noted that the U.S. would recognize and not interfere with existing European colonies nor meddle in the internal concerns of European countries.

• What China’s leaders have said;
  – On the one hand, they say Asia should be governed by Asians, and
  – On the other hand, they say that since time immemorial the South China Sea has belonged to and has been controlled by China

**Sources:** Howard W. French in “China’s Quest to End Its Century of Shame (NYT, July 13, 2017),” and Wikipedia
The key driver behind Chinese expansionism

- The changing dynamics of the Chinese population more than anything else explain Beijing’s apparent haste.

- In a bid to explain the rush with which China in the past few years has been trying to expand its territory and global influence.

- China is doomed to grow old before it grows rich. Its demographics are a disaster, and the economy will follow suit. After decades of one-child policy:
  - China is set to have one of the highest median-age populations in the world by 2050, and
  - one of the lowest rates of people of working age.

Source: The Real Reasons Behind Chinese Expansionism (Sentinel, July 25, 2017, Jojjo Olsson), and Everything under the heavens (Howard W. French)
The answer to poor demographic

- As China’s economy falters, its army will also have to spend more to keep up with global capabilities. The closer a military gets to state-of-the-art technology, the more expensive it will get to develop new weapons.

- Therefore, says Howard W. French, president Xi Jinping has decided that “China must seize whatever advantages it can now before its window of opportunity slams shut within the next ten or, at best, twenty years.”

Source: The Real Reasons Behind Chinese Expansionism (Sentinel, July 25, 2017, Jojjo Olsson), and Everything under the heavens (Howard W. French)
China’s “friendly” encirclement of Russia and Europe
“One Belt, One Road” – Arctic Circle

Encirclement of Russia

Encirclement of the Nordics

2018-01-29

Thomas Ringkvist, Agent & Advisor, Tel: +46 739 011 800, E-mail: thomasringkvist@yahoo.se
China’s Big Plan

• Clearly, China’s plan for the Baltics is not only a reaction to European involvement in South China Sea affairs, but part of its friendly encirclement of Russia and the Nordics thus part a long-term global ambition, e.g.,
  – “One Belt, One Road” in the Arctic
  – Chinese-Russian joint naval exercises in the Baltic Sea between July 21-28, 2017
Trump’s China policy
Has Trump Opened Pandora’s Box?

- **On December 2, 2016** had Trump an unprecedented call with the President of ROC (Taiwan) Tsai-ing Wen
- **On December 6, 2016** questioned Trump whether the U.S. should continue its "One China" policy
- **On January 12, 2017** said Secretary of State, Rex Tillerson, at a congress hearing: I would block China's access to islands in South China Sea
- **On June 30, 2017** The U.S. announced a $1.3 billion arms sale to Taiwan, published a report ranking China among the world’s human-trafficking offenders and called on Beijing to let ailing Noble Peace Prize winner Liu Xiaobo seek cancer treatment abroad
- **On July 8, 2017** the United States refers to Xi Jinping as President of the Republic of China (ROC) contrary to the People’s Republic of China (PRC)
- **On December 18, 2017** is Trump the first US president to use national security strategy to label China a strategic competitor, where Trump also branded China a revisionist and rival power
Trump’s speech to the Nation
February 28, 2017 – The Five Bullet Points *

1. We've lost more than one-fourth of our manufacturing jobs since NAFTA was approved, and we've lost 60,000 factories since China joined the World Trade Organization in 2001.

2. Ninety-four million Americans are out of the labor force. Over 43 million people are now living in poverty, and over 43 million Americans are on food stamps. More than 1 in 5 people in their prime working years are not working.

3. I believe strongly in free trade but it also has to be FAIR TRADE.

4. We expect our partners, whether in NATO, in the Middle East, or the Pacific --- to take a direct and meaningful role in both strategic and military operations, and pay their fair share of the cost.

5. My job is not to represent the world. My job is to represent the United States of America.

* Russia was never mentioned in the speech, while negative comments were given to China, Iran and ISIS.
Trump’s Trump Cards

1. **Asymmetric U.S.-Chinese trade relations**
   a) U.S. trade deficit with China was $347 billion in 2016
   b) Cheap Chinese products motivates a 45% tax at U.S. border
   c) Chinese protectionism *
      ✓ State-subsidized companies and “zombie enterprises”
      ✓ No efficient bankruptcy laws and no bankruptcy enforcement mechanisms
      ✓ Lack of regulatory transparency and inconsistent enforcement
      ✓ Favoritism toward local firms and national champions by "borrowing" Western technology
      ✓ Weak patent rights laws, owner rights laws, weak shareholder laws

2. **Chinese devaluation of the Yuan**

3. **China’s territorial claim of 80% of the South China Sea**
   ✓ The Permanent Court of Arbitration in Hague rejected China’s territorial claim in the South China Sea on July 12, 2016

4. **The “One-China” policy**

* Source: American Chamber of Commerce in China and South China Morning Post

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*Source: American Chamber of Commerce in China and South China Morning Post*
"One China"
or
"Two Chinas"
or
"One China, Dual Representation"
or
An Independent Taiwan?
Due to the “One China” policy are all communiqués, agreements, treaties, resolutions, laws and court verdicts -- on the “Chinese problem” -- between the United Nations, International Monetary Fund, United States of America, Republic of China on Taiwan (ROC) and the People’s Republic of China (PRC) full with trapwires, pitfalls, poison pills and kitchen doors

Such as:
1. UN Resolution 2758 from 1971 to swap ROC for PRC
2. IMF decision from 1980 to swap ROC for PRC
3. The Three Joint Communiqués from 1972, 1979, and 1982
5. The Taiwan Relations Act from 1979, signed into U.S. law
7. The U.S. never revoked (recalled) its recognition of the Republic of China (ROC) from 1913 when the U.S. recognized the People’s Republic of China (PRC) in 1979 as the sovereign government of China. The same goes for Sweden. Hence, within here lies the legal dilemma of “once recognized, always recognized,” since PRC has never defeated ROC militarily and occupied Taiwan. Most important, ROC has never capitulated or agreed on a peace treaty.

Where, the definition of:

a) a kitchen door refers to “re-entering your house discretely through the kitchen door on the backside of your house”

b) a poison pill is a series of possible strategies designed to fend off a hostile takeover (in our case, strategies avoiding mainland China taking over Taiwan legally)
The "One China" Policy from 1972

- The bilateral **policy** is the central pillar of Chinese-US relations since 1972

- There are two counterparts
  - China (PRC)
  - United States of America

The "One China" Principle from 1992

- The unilateral **principle** made by the People’s Republic of China (PRC) is the central pillar for PRC-ROC (Taiwan) relations since 1992

- On Nov. 16, 1992, China sent a letter to Taiwan stating that “the functional consultations between the two sides of the Taiwan Strait do in no way whatsoever involve the political implications of ‘one China.’” After that, China held on to the “one China” principle, continuously expanding its use, saying there is only one China and Taiwan is one of its provinces. However, this view is a gross deviation from the true meaning as understood at the time.
The "1992 Consensus"

• There are two counterparts
  – The Chinese Communist Party (CCP) in Beijing (PRC)
  – The Chinese Nationalist Party (Kuomintang – KMT) in Taipei (ROC)

• The "one China" principle and the "1992 consensus" are two different things, as the principle claims that Taiwan is part of the PRC while the thesis behind the 1992 consensus is that both the PRC and the ROC recognize that there is only one China, but that this China could be either governed by the nation-state of ROC or the nation-state of PRC depending on ROC’s or PRC’s interpretation.

• Mainland China is now stressing the “one China” principle and abandoning the 1992 consensus: it has banned the mention of the ROC and the "one country, different interpretations” formula — the basis of the 1992 consensus — in Chinese media

Source: The Taipei Times
The Democracy of ROC (Taiwan)

1986 - The Democratic Progressive Party (DPP) was formally established

1987 - The party ban was lifted when martial law was lifted in 1987

1991 - Lifetime legislators forced to retire

1992 - Several other parties established and the first full elections to parliament was made. The body orders the destruction of tens of thousands of personnel dossiers, ending checks for ideological reliability

1993 - Taiwan and China hold landmark semi-official talks on neutral ground, Singapore. Taiwan lifts ban on new radio stations. The island's parliament ends restrictions on broadcasts in the Taiwanese dialect.

1994 - Government allows new television stations

1996 - Voters make Lee Teng-hui first directly elected president, in defiance of months of menacing wargames by China that prompted the U.S. to send ships to the Taiwan Strait. Lee takes landslide 54 % of vote
The "One China" Policy from 1972

- **The Chinese side** firmly opposes -- in the Shanghai Communiqué -- any activities which aim at the creation of “one China, or one Taiwan,” “one China, two governments,” “two Chinas,” and “independent Taiwan,” or advocate that the status of Taiwan remains to be determined.

- **The U.S. side** declared -- in the Shanghai Communiqué -- the United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China.

- **Please mind the interpretation gap between the Chinese side and the U.S. side.** Hence, the Chinese side states that there is only one China and Taiwan is part of China, but when it comes to the American side, it simply says that [the US] ‘acknowledges’ [Beijing’s] position that there is one China and Taiwan is part of China.
Henry Kissinger’s ”Poison Pills”

- Henry Kissinger was National Security Advisor (1969-1975) and Secretary of State (1973-1977) under President Richard Nixon and President Gerald Ford

- Today’s 93 year old Kissinger is Trump’s advisor on Russian and Chinese affairs

- Henry Kissinger is the chief architect of the “One China” policy

- Kissinger’s first “poison pill” in the U.S. definition of the “One China” policy is that the U.S. refers to:
  - “all Chinese on either side of the Taiwan Strait” (i.e., Chinese contrary to Taiwanese)

- Kissinger’s second and third “poison pills” are that the U.S. did use the words:
  - “acknowledge” contrary to “recognize”
  - “China” contrary to “The People’s Republic of China (PRC)”
The Four Options
within the ”One China” Policy

1. Today’s status quo of “One China, two governments”
   ✓ Where the Chinese government on Taiwan isn’t recognized as sovereign

2. “One China” under Beijing (PRC) rule

3. “One China” under Taipei (ROC) rule

4. “One China, dual representation”
   ✓ That is, “One China” is represented by two sovereign governments, where each recognized government represent the Chinese territory the government (PRC or ROC) controls
   ✓ The U.S. proposed before the voting on UN resolution 2758 in 1971 a “One China, dual representation”
"One China" – Beijing or Taipei?

On February 9, 2017 is Trump -- after Chinese demands -- reconfirming Unites States "One China" policy

- However, Trump never mentioned which side -- Beijing or Taipei -- he is supporting
- That is, “Taiwan and the US were in close contact and communication regarding this development, and continue to take an effective ‘zero surprise’ approach,” reports the Taipei Times
- Noteworthy was that in the statement, the White House used the phrase “our ‘one China’ policy” and not “China’s ‘one China’ principle,” which indicated that the US was clearly suggesting that it would not accept China’s framework when it comes to cross-strait relations.
Sweden’s and EU’s “One China” policy

- Sweden’s official “One China” policy started on January 14, 1950, when Sweden recognized the People’s Republic of China (PRC), with the ambition of giving PRC the seat at UN Security Council, which was taken by the Republic of China on Taiwan (ROC).

- The dilemma of Sweden neither denying or confirming the existence of a public Swedish policy document of the “One China” policy is, if Sweden “acknowledge” or “recognize” Taiwan as part of China or the People’s Republic of China?

- Sweden and the European Union (EU) shares the same interpretation of the “One China” Policy, since Sweden is an EU-member.
ROC (Taiwan) returns to the UN?
Will ROC (Taiwan) return to the UN?

The U.S. is very negative to the UN after;
1. Allies and friends voted in favour of UN resolution 2758 in 1971
2. Trump’s comment on Fox News 2016, saying, “The UN is not a friend of democracy, it's not a friend to freedom, it's not a friend even to the U.S. where, as you know, it has its home, and it is surely not a friend to Israel”
3. The Politico reported on February 25, 2017 “The U.S. considers quitting UN Human Rights Council”

If Trump really wants to review the ”One China” policy, there is a big chance Taiwan (ROC) will return to the UN
1. The U.S. -- together with friends and allies -- can do a reverse resolution of UN resolution 2758 from 1971, or
2. Vote for “One-China, dual representation” as the U.S. proposed before the UN in 1971
3. Beijing cannot veto against a Chinese regime change since Chiang Kai-shek gave away China’s veto right for regime change in 1971
What’s at play in a new ”One China” or ”Two Chinas” Policy?

Financial Risks
- Property rights (ownership rights)
- Law of contracts and agreements
- Global foreign exchange policy
- Global interest rate policy

✓ Please mind what happened when East and West Germany was reunited, or the collapse of the Soviet Union, giving the rebirth of Russia, Georgia, Ukraine, Estonia, Lithuania and Latvia, et cetera, et cetera

✓ Central banks, investment banks, asset managers and corporates are simultaneously reweighting their foreign exchange, bonds, equities and commodities portfolios

Geopolitical Risks
- Horse trading between two of the permanent members of the UN security council -- United States and Russia – for swapping recognition de jure of Crimea as Russian for a new ”One China” policy
- U.S. allies and friends -- like Japan, South Korea, India, Australia, Poland, the Baltics, Romania, Hungary, et cetera – are likely to support a U.S. shift in China Policy

✓ U.S. is obliged by law to defend Taiwan

✓ A weakened NATO increases the risks in Finland, the Baltics, the Baltic Sea, Åland, Gotland, Stockholm, Blekinge and Skåne
Consequences of new China Policy

- What are the consequences for Swedish economy, foreign affairs and defense, given a new “One China” policy?
- Which nations may support (recognize) a new American “One China” policy or a “Two Chinas” policy?
- Will Russia recognize a new “One China” policy in exchange for a U.S. recognition of Crimea as Russian territory?
- What impact will a new “One China” policy have on global growth, exchange rates, interest rates, stock markets, Chinese contract laws, Chinese property laws, geopolitics, defense?
Appendix
Footnotes to the bargaining chips

a) Informal discussion of an alliance have taken place between PRC and RF. Please note, the history -- which isn't pretty -- of alliances between USSR-ROC (1945-1951) and USSR-PRC (1950-1979) and the Sino-Soviet Split (1960-1989)

b) NATO is in play for the U.S. if NATO allies doesn't honor article 3 in the treaty, opening up an entire new ball game for the U.S., where Kissinger has suggested for Trump to get closer to Russia by trading "recognitions"

c) the U.S. isn't able to fulfill all its obligations to all its nine defense pacts -- if allies cannot fulfill their financial and military obligations -- if the U.S. has an armed conflict with China (PRC)

d) NATO was founded in 1949 and is the very foundation of today's EU. If the U.S. exits NATO, will most likely EU fall apart. The U.K. is most likely not interested to build an European defense alliance after Brexit
## EU’s biggest trading partners

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Import Value to the EU/MS (EURO)</th>
<th>Import Qty to the MS (Kg)</th>
<th>Export Value from the EU/MS (EURO)</th>
<th>Export Qty from the MS (Kg)</th>
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<td>EU Member State(s)</td>
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<td>Years</td>
<td>2016</td>
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Source: SCB
US’ defense obligations on Taiwan

- The U.S. is obliged to defend Taiwan according to:
  - Taiwan relations Act (TRA), signed into U.S. law in 1979
  - The Six Assurances from 1982
  - China Mutual Defense Treaty between the U.S. and ROC from 1954

- The most important paragraph in TRA stipulates that:
  - all treaties and international agreements which were in force between the United States and Taiwan, known as the Republic of China, on December 31, 1978, and that multilateral conventions to which the United States and Taiwan are contracting parties shall continue in force between the United States and Taiwan unless terminated in accordance with law.
  - That is, since no new U.S. laws have been passed to terminate the Sino-US Mutual Defense Treaty from 1954, the defence treaty is still in effect.
Global U.S. Defense Obligations

- U.S. defense priorities are Taiwan first, Asia second and Europe last
  - That is,
    - Domestic law stands above foreign treaty
      - The U.S. can be held accountable in U.S. courts for not honouring the Taiwan Relations Act (TRA), signed into U.S. law in 1979, contrary to U.S. defense treaties
    - The U.S. is bound by nine pacts to defend a quarter of humanity
      1. THE NATO TREATY
      2. AGREEMENT BETWEEN THE UNITED STATES AND AUSTRALIA AND NEW ZEALAND
      3. PHILIPPINE TREATY (BILATERAL)
      4. SOUTHEAST ASIA TREATY
      5. JAPANESE TREATY (BILATERAL)
      6. REPUBLIC OF KOREA TREATY (BILATERAL)
      7. THE RIO TREATY
      8. TAIWAN RELATIONS ACT + SIX ASSURANCES + CHINA MUTUAL DEFENSE TREATY
      9. PRESIDENT JOHN F. KENNEDY PLEDGED TO DEFEND ISRAEL IN 1962
  - Hence, 69 countries have some form of defense pact with the U.S., and they make up around 75% of the world's economic output.