

Transcript — China, Iran and the Future of Taiwan

Christian Smith: Hello and welcome to this podcast from Geopolitical Futures. I'm Christian Smith. Presidents Trump and Xi were due to meet in a much anticipated summit at the end of this month. That meeting has apparently been delayed because of the situation in the Middle East. But the meeting has the potential to be far more significant for the long term geopolitical order than the current, current war between the U.S. israel and Iran. China's reaction to the war has generally been restrained, despite its friendship with Iran and despite being the largest purchaser of Gulf energy importing more than \$400 billion worth in 2024. So today on the podcast we ask how much that has to do with the upcoming meeting with Trump as we dive into the impact of the war on China, whether we can expect a rapprochem it and the US and what that might mean for global geopolitics. And to do so, I am joined of course by Geopolitical Futures chairman and founder, George Friedman. George, hello. Let's start with China's view on the Middle east war itself. As I said, it's largely had a restrained response. Why would you say that is?

George Friedman: Well, for two reasons. The first obvious one is there's very little they can do about it. It's a long way away. The Chinese don't project force that readily and they don't want to get involved in it. At the same time, they should viciously take advantage of it by pointing out American imperialism. But they're not doing that. Okay. And they're not doing that because there's something fundamentally more important to the Chinese that is an accommodation with the United States on economic matters, giving them access to the American economy and to some extent to American investment. And this is critical for China at this point because its economy is really not collapsing, but in serious trouble.

Christian Smith: Is China that worried about this potential meeting, that it really doesn't want to create any waves to upset America? Is that really, it's that concerned that it just doesn't want to do anything that might put this off?

George Friedman: Certainly that's one of it matters. And secondly, it doesn't want to cancel it. So if at this point China, for example, said forces or weapons to the Iranians, it's quite possible that the United States, which also needs disagreement much less than the Chinese, they would back off on it. And the Chinese really need this agreement with the United States for various reasons. And so given the balance, they will make the formal condemnation of the attack, except that this attack endangers to some extent their access to oil. But the Chinese need two things they need the ability to produce things with that oil. They need the ability to sell the things they produce to the world's market. And without access to the American market,

25% of the world's market, and that's the economy they built that system for. That's a difficult thing. So they want that access.

Christian Smith: If we just look at the Chinese, Iranian relationship for a moment, I mean, would you say that it's fair to say that its inability or unwillingness to support Iran more than it is at the moment reflects Chinese weakness? Or is it more just the fact that China's approach to Iran has never been, you know, it's been talked up, but it's never gone as far as the military. So actually, this isn't really much new.

George Friedman: I think it's both. First of all, intervening militarily in Iran at this point would be very. Or. Or selling weapons. How do you get the weapons there? They don't have coastal areas. They could. Might possibly do by ship, but the entranceways are closed. So, I mean, if they were to have a massive reinforcement of equipment that would be very difficult to get there, to send large numbers of troops there would be more difficult. The Chinese don't project force that far. At the same time as that, they have very little interest in this beyond the oil. They want the war to end. They understand that the Americans are the ones to decide when the war ends to some extent, and they need the Americans. So you put all these things together, the Chinese are going to keep a low profile on this.

Christian Smith: And I mean, this is taking it a bit broader. But what lesson can we then draw? What lesson will those potential allies of China, or allies that are considering being allies, countries that are considering being allies, what lesson will they take from this? In that China is purportedly a friend of Iran, but really isn't helping it out much at all.

George Friedman: They will see China as a very rational country, make its self interest most important. So we're in this period now, particularly in Europe, where ideas that, you know, alliances must be reliable, alliances must serve the national interest. There is no national interest in China at this point, except for the energy, which is in some instance in the American hands. So when you look at this, we talk about these. Are we reliable nations do what's in their best interest, and that's the reliability that's there. And the idea that this is a marriage to which an alliance is made up of people committed to each other forever, that's an irrational view of it. So the Chinese are powerful. They have the ability to project Power occasionally. This is not a case in which it would be easy to project power, nor is it in their interest to do so. Thus, other people will have to look at Chinese interest rather than talk about these immortal, unending obligations.

Christian Smith: George, you mentioned oil there, of course, before. Is there anything in this suggestion that's been floated by a few people that China's really the big loser? Perhaps, apart

from the direct parties involved, the other big loser in the war, Asian countries import mostly from the Persian Gulf rather than anywhere else in the world. China in particular, it has particularly good stockpiles of oil, but really, I've got about a billion barrels that will only last it three months, so that won't last long. Is it the big loser here?

George Friedman: This is a global problem. Iran was a substantial contributor to oil around the world, as well as natural gas. So China has this problem and so do other countries, including some extent, the United States, if only because the price of oil is rising dramatically. So when you have these wars that occur, it is inevitable that economics suffers. So you have to take a look at why the United States chose this war, as it will, to understand the relative importance of that to the United States relative to the economic problems that even it's suffering from. But certainly Chinese are more exposed, and

Christian Smith: what would it mean for them if the war were to continue, the Straits of Hormuz were to continue to be closed, its access to oil would. Would decrease over the coming months?

George Friedman: Well, particularly liquid natural gas, which is a component of the economy, part of making plastics and all these things, okay, would put a tremendous drag on them. Certainly the price of oil globally would go up, probably not more in China than elsewhere. It would limit their economic growth. So would it seem that they would be very interested in doing this? But they have another problem, and that problem is not just oil, but where they sell these products. It's not worth that much if you get all the oil you need at a low price and you can't sell it. So the other side of the equation is the United States was a fundamental customer of China. It was one of the foundations of China's evolution, both in terms of access to the American market and in terms of investments as well. So when we look at this, well, the fundamental thing is, what's the trade off? And the Chinese have clearly decided they'd rather not alienate the United States, even the cost of having oil.

Christian Smith: The date for their meeting was meant to be next week, but it's been delayed. Is there anything behind that, do you think, beyond the fact that Trump's got quite a lot else going on. I mean, I saw something in the South China Morning Post that suggested that it's really a myriad of factors rather than just Iran. Do you think there's anything more to it?

George Friedman: No, I don't. Because, for example, after the war began on the 15th to 17th, the American secretary of the treasury and the Chinese Vice Premier were holding meetings in Paris, obviously with some staff present, obviously sorting out the final details of the summit that was scheduled in March. When the President said he can't make it, he's busy with the war,

they rescheduled it for sometime in April. The Chinese didn't hesitate to do that. They didn't say, well, if you can't visit now, we're not interested in talk. They accommodated him. And most importantly, as I said, the war was going on and the US and Chinese delegations were meeting each other in Paris to talk about this. So I don't see this as in any way, from the Chinese point of view, affecting it, because the Chinese need this very much, this accommodation.

Christian Smith: I have seen it said that perhaps not deliberately, although also perhaps, I suppose we don't know, but there is an element of 4D chess going on where actually the war is not designed in itself, but one of the convenient byproducts of it for the US is the impact that it's having on China. Do you think that there's any sort of tactics there from the US that they are deliberately doing this to put further pressure on China?

George Friedman: Well, it puts a great deal of pressure on China, but it does so in the United States as well. The United States has the problem of what used to be called inflation now affordability, we call it. Prices have gone up, the price of oil is surging or might surge. It's gone different directions. And that will make affordability more difficult. One of the things that in polling in the United States, Trump has great difficulty with is the inability to control prices, therefore not in the same intensity as in China. The Trump administration has a fundamental interest in not letting the oil prices go up. There were other reasons that led to the war, but certainly the United States is not in a position to be gloriously happy with the economic fallout. So I doubt very much that this was a way to put pressure on China. We already had enough pressure on China and mutual interests with the Chinese as well to deal with this.

Christian Smith: It is one of those things that sounds like could almost be a conspiracy theory, but it is being said by. In certain quarters. It's really interesting looking at the talks and looking at the relationship at the moment between the US And China. If we generally move away from the war itself, what do you think each side actually wants from the other here in China? Yeah, the US And China. We obviously had the extraordinary tariffs in the tariff escalation war last year. Lots of strong rhetoric from both sides. You've written about how this is a geopolitical, a defining geopolitical moment for the age. What do you think they want from each other?

George Friedman: Well, first, let's say the Americans are one quarter of the world's economy. The Chinese is another quarter of the world's economy. The Chinese evolved because they had access to the American market and were able to sell a great many goods to the United States. In fact, much of their market was built on what the Americans wanted to buy, which other nations may or may not want to buy. From the American point of view, China's economic

flow into the United States was vastly popular. It lowered the price of many goods. From the American point of view, this allowed us to be concentrating on higher value products while the Chinese, as the Japanese before them, surged into the American market at lower prices. Given that in the United States, inflation is a fundamental political power, more inflation, less popular, the President and so on, the Chinese moderated the cost of living in the United States. At the same time, the Chinese built their economies on access to that as well as other countries. But the Americans were central. And what we see right now is that the Chinese really need that because they're having tremendous economic problems of problems such as bank failures, problems such as unrest, people who have lost their jobs, unemployment and so on. This is a serious blow to the Chinese economy. In the American economy, which is not as much affected but is politically more sensitive to higher prices, there's also a problem. So to the extent that the United States can settle that, we really are not going to war with each other, which is going to be fundamental in how we do this, and that the Chinese also need major investment. They're saying now, foreign investment. And much of that investment might come from the United States because in the past it had come from the United States. So China and the United States are in a way entangled. For all the tension, all the things that we say, the two are entangled. They have hostile military relationships potentially, and that's a worry. And what this summit is about is trying to reach an accommodation on all these levels, which is certainly an urgent need for China and a very significant need for the United States. So when we look at this, this is a thing that has to happen. Will happen. And from the standpoint of the Chinese, neither can they get support into Iran, nor do they care that much about what happens to Iran, given the circumstances.

Christian Smith: Take a moment to follow and rate us on your preferred podcast platform. For video versions of the show and more, subscribe on YouTube [eopoliticalfuturesgpf](#). Click the link in the description below for access to our free newsletter. And for a limited time, you will receive an instant download from our special collection on the Middle East. In this select issue, you'll find insights on Turkey's regional ambitions, Iran's nuclear and ideological dilemmas, and the role these nations play in regional power dynamics. Remind us, George, I mean, before Trump came along and perhaps even before that, the relationship between the US And China was fraught in many ways, but was plodding along nicely. And as you say, both were somewhat dependent on each other. Are we talking here about a return to how things were? I mean, what are the kind of economically they want to get on, but what are the fundamental issues that is preventing them from doing that?

George Friedman: Well, I'm not sure it's going to be preventing them. I think this is why it's going to solve it. But I would go on to say that from the American point of view, there appears to be deep military tension between what China is going to do. Okay, in various ways. We talk about to be dependent on a country that you might go to war with economically means fundamental wreckage to your economy. Remember the Arab oil embargo that was opposed in the United States in the 1970s? Massive. So we cannot be this integrated with China and be hostile to it. So the Chinese have to make a decision. Is hostility more pre. More preferable to a better economy? Now, the Chinese have no intention of going to war with the United States, nor the ability to do so. We're very far apart. The United States has no intention of going to war with China and therefore you're in a situation where something that is almost symbolic rather than realistic is getting in the way potentially of fundamentally needed relationships in economics. So it will have to be an understanding that reaches some sorts of agreement on economics, but as well on the fundamental relationship in the United States and China. And this is where Taiwan becomes interesting. Yeah.

Christian Smith: Well, tell us a bit about that. I mean, obviously China has territorial ambitions around the South China Sea, around Taiwan has for a long time. Are you talking about that? They're going to have to sort those out in some way so that America is going to have to get an agreement out of China that it will effectively back off militarily in its region.

George Friedman: Well, it's not been a very aggressive power. They fought some border wars with the Indians who started was not clear. They assisted Vietnam during the Vietnam War quite a few years ago. Okay. But they've not really projected military force too far. So in terms of wanting to be a. Prof. A very prominent form in the region, that's an economic thing far more than a military one. So for the American point of view, China in this current situation presents an economic challenge, a potential military challenge, but on the other hand, is a very important economic relationship with the United States. Therefore, these things have to be sorted out. The military confrontation revolves around one thing. What happened to Taiwan? And I could explain why Taiwan is so important. The Chinese like to talk about Taiwan is inherently part of China. Well, that's symbolic and that matters to some extent. But when you take a look at the Chinese military situation, it is confronted with a string of islands, okay, the first island chain that could potentially block their access to the Pacific. Okay, so that's Japan, South Korea, to some extent, Taiwan, Philippines, Papua New Guinea. Now, this is not like the Straits of Hormuz, a very narrow path, however, between these countries. Even if they have several hundred miles of passage, it's still in the nature of modern warfare, very narrow with Taiwan sitting right where it is. That is a tremendous military threat to their access to the

Pacific, and that access to the Pacific is their access to the world. So they need to neutralize Taiwan in the sense of it not being a threat to them. They would also want it to be symbolically part of China from the American point of view. If we reach a serious accommodation on economic and military matters, Taiwan becomes less important, less imperative. But we still need to have some guarantee. So I suspect that what will happen is that sort of the Hong Kong decision on steroids. When they took Hong Kong, Hong Kong was an area that was autonomous in some sense and remained so in some limited sense in Taiwan. We could easily agree that Taiwan is part of China, but an autonomous zone, an autonomous zone that remains profoundly autonomous at the same time that the US limits its sales of weapons Taiwan to just enough to fend off a Chinese invasion. Thus, the Chinese don't have anti ship missiles in Japan, Anti ship missiles in Taiwan and Philippines, they have more access. So this fundamental question is the Chinese are afraid of the United States blocking their access to the Pacific. That would be the worst case scenario for them. The Americans are worried about the Chinese somehow moving so powerfully into the Pacific that various islands and so on fall their Hands. Well, neither of these things are likely to happen. So they're very easy to negotiate away. The price will be high. Thus, the Chinese have made this settlement dependent on a settlement in Taiwan. And that can be settled, I think, in ways symbolic and other ways. And we see an evolution inside of Taiwan itself where there is growing movement toward accommodation with the Chinese. They don't necessarily want to be hostile to China, they just don't want to be invaded. So there are ways in which we can guarantee Taiwanese security from the island of Guam, for example, especially in the age of drones and stuff, and at the same time see that they are officially part of China, but in a time Taoist region, the Hong Kong on steroids, if you will, would be the model that would be followed. This, at this point for the Chinese seems to be the fundamental issue that has to be settled. From the American point of view, the fundamental issue that needs to be settled is an accommodation that we will be certain that there will not be military actions, even theoretically against the United States. The way nations usually do this is, is that when they are going to have naval exercises anywhere in the world, they inform the United States beforehand, the United States informs the Chinese beforehand, so that neither one of them is able to launch a surprise attack. It's kind of a formality, a way of doing it. So there's a way out of the military problem. It's a complex one in Taiwan, but it's going to be the primary issue that the Chinese raise. On the other hand, the Chinese, as I said, need access to the American market. The Americans need lower priced Chinese goods and the Chinese need foreign investment. They've made it very clear that they're going to be seeking foreign investment. And Americans have been investing in China for quite a while. So there is a meeting of necessities with a fundamental dimension having to be solved. The military, which

ultimately has as a primary issue, Taiwan. We cannot abandon Taiwan, nor can we allow Taiwan to be a threat to China. And that's a little complex.

Christian Smith: Well, yeah, quite right. And I suppose on Taiwan then, from the point of view of the Taiwanese people you mentioned there, you think that this might be an accommodation they might be on board with. I suppose the thing mentioning Hong Kong that people will remember is the fact that Hong Kong was meant to be autonomous and then China went back on its word there. I mean, that will be the first question that Taiwan asks, won't it?

George Friedman: Well, it's interesting that Taiwan has several political parties. The political party has been the opposition, the Kuomintang Party. The KMT has always wanted not to be part of China necessarily, but a much closer relationship with the Chinese. The ruling party was hostile to China. Now we're seeing in Taiwan itself growing strength of the kmt, which is interesting in accommodation because China is a very interesting market for them as well. And they have many things like microchips that the Chinese could use and so on. So in other words, whereas the Hong Kong situation was simply taking part of China that the British had taken away, okay. And there was no strategic element in Hong Kong that anyone was fighting over, nor would anyone come to Hong Kong's defense in this case, it's a very different thing. Taiwan is an important threat to China. If the United States decides to use it as a blocking tool, it is also very important for the United States that it not fall into Chinese hands so that in some distant circumstance we can use it. So neutralization in this case is different from the Hong Kong situation because if the Chinese were to violate this, unlike the British in Hong Kong, we have things we can do the Chinese really wouldn't like, like cut off their exports to the United States. So there are consequences here. And the best treaties that are made are those that, if you violated, have significant consequences. And this is like that.

Christian Smith: That's interesting because earlier on, George, you said that relationships between states are now much more based on national interest rather than vibes or loyalty or things like that. Arguably, whether they were in the first place or not is a different question. But what you're saying here is that for Taiwan, the US Has a national interest in Taiwan and maintaining it as it is, geographically, geopolitically.

George Friedman: Well, you can't move Taiwan, China and the Philippines between Japan, I should say, in the Philippines, and it's going to be there at the same time, if it stands in the way of an economic accommodation for the Chinese, they're really going to have to make some concessions on this, which I think they're prepared to do. We have to be prepared at least to give China a symbolic that Taiwan is part of China, but an autonomous part. And I think the

Chinese very much want to get by this and get back into access to the American economy in the same terms they had or negotiated terms. And the United States really doesn't want to have a war with China anyway. We really don't want to wind up fighting for Taiwan. So in this particular case, there are more things bringing China and the United States together than are forcing them apart. And the Chinese in particular want this, and so does the United States. Therefore, in spite of the Iran war going on. Meetings were held during the war in Paris on this. And when the President said, look, I got a war going on, give me a few weeks before we have the next meeting. The Chinese were very pleasant, said, of course. So what you're seeing is something that sometimes happens to be nations reasonable a

Christian Smith: question on the American economy in that respect. Of course, one of the things that, that brought Trump to power, that won him both elections was this argument that China has been stealing American industry, undermining the US Economy, that sort of thing. How does an accord with China propose to solve that, do you think?

George Friedman: Well, that'll be one of the negotiation points. So here's the thing. China both took advantage of the American economy, but also benefited the American economy with lower priced goods and so on and so forth. It drove some businesses that were in that industry out because the competition was bad. At this point, those businesses are out of the game and we really need that imports from China on drugs, for example, and other things that the Chinese were able to supply. So the reality is that wars happen between nations that are fundamentally different, dangerous and insoluble events. That's not the case between the United States, between China and the United States, it may have been years ago when war was impossible anyway, but certainly at this point, and then you see something very dramatic happening. We won't be allies, we're not going to love each other, we're not going to trust each other that much. But at the same time, we are one quarter of the world's economy. China is a little less, but it's also, it's a lot less, close to a quarter of economy. China and the United States working together in any extent is one half of the world's economy coming together. And this has certain advantages for the Chinese and certain advantages for the Americans. In some sense it makes each of them more powerful. One of the ways to suck power out of a nation is have a confrontation like between China and the United States that forces it to be very cautious in other areas to maintain alliances and so on. So this is a case in which you see a situation where both sides might also geopolitically benefit. And therefore, even though the war in Iran was raging, meetings were being held in Paris on the deal and there will be a summit in China.

Christian Smith: A quick sidebar, George, you mentioned there that war between the US and China would be difficult because they're so far away. I mean, Japan and the US were far away and they had a war. What would the difference be, do you think?

George Friedman: The Japanese war happened because the United States cut off supplies of oil, steel and other things the Japanese had to have access to. Japanese attacked Pearl Harbor with the belief that in the end the United States would want negotiations, would not want to fight a war. They miscalculated completely on that basis. The Chinese have watched the United States carefully, noted its unpredictability in what it'll do militarily, and that's a great asset to be unpredictable and really does not want to have a war with the United States. What will it do with it? So all these things fall into line for these two countries who are already entangled in many ways, to negotiate the entanglement and benefit each other to the extent possible. And that's what's happening. And to me, although the Iran war is significant, in the long run, this evolution, if it takes place, and I think it will, fundamentally transforms the global geopolitical system.

Christian Smith: Well, you've brought me very well onto the final topic I wanted to discuss, which is this long view. How would it fundamentally change the geopolitical system?

George Friedman: The previous geopolitical system was based on tension between the United States and the Soviet Union. There was a nuclear confrontation, a confrontation apparently over Europe, confrontations like Vietnam and other things in the Third World between the two countries proxies. And this was the fundamental basis. China was a side issue. Now China has a massive economy, a very significant military force, I think more significant than the Russian, as we've seen in Ukraine. And these two countries, if they're not hostile to each other, create an incredibly different foundation. So that, for example, when we look at Russia at this point for the moment, we see that Russia has lost its Central Asia, it has lost South Caucasus, it has lost the Baltics, all of which are part of it. It's a fragment of what it was. It tried to reclaim it in Ukraine, and after four years, over three years, I'll say, has failed to regain it. So you're in a situation here where Russia and the American relationship is not at all that critical at all. It doesn't define the world as it did. The relationship between the United States and China is more important to both countries than the relation to Russia. And we should also remember that China is not particularly friendly with the Russians, that even during the Cold War, when both were deeply communist, battles were fought along the Ussuri river elsewhere between the Russians. Also note that the Chinese are claiming, sort of informally at this point, that eastern Russia around Vladivostok really belongs to China. And so there are tensions between Russia and China. And now it has another neighbor at its border

that's not particularly friendly. At the same time, its economy is a wreck compared to the others. Its military has proved itself to be ineffective. So the old geopolitical order is obsolete. Russia is not the key issue. And this is one of the things that Trump has made a point of saying. This is not our key issue. Our key issue is China and the possibility of reaching accommodation. While you would think that Trump is the last person to be accommodating is in the process of taking place.

Christian Smith: And do you think. Final question, George. Really. Do you think then that what we could be looking at is a future where the geopolitical order is less dominated by US China competition and more dominated by their ability to get on?

George Friedman: It won't be an alliance. We're not going to be sending love letters to each other. But we have the same interests in the world, primarily economic. The Chinese don't want to have a war, and they want to dominate with economic power. And the Chinese have avoided major wars ever since then. Okay, the Americans don't want a war. We want a different hemisphere. We got stuck again in the Iran issue in doing exactly what Trump said he would not do, get involved in a war in the Eastern hemisphere. Well, we couldn't avoid it. They couldn't have nuclear weapons. This frightened us, as I've talked about past. So we're in there. But it creates a very different dynamic between two countries that are not allied but to some extent have common interests.

Christian Smith: Really interesting, George, as always, thank you so much for your time. Thank you out there, of course, for listening. And we'll be back again soon with another podcast from Geopolitical Futures.

George Friedman: Bye.

Christian Smith: Bye. You can find all of our expert geopolitical analysis@geopoliticalfutures.com SA.