VIEWS

Zhang Yuan

Maintaining peace key to Iran and beyond

As the United States ramps up its military presence in the Middle East, a parallel escalation is unfolding in cyberspace and the media. Speculation about an imminent war with Iran is being amplified daily, fueling anxiety across the region. Against this backdrop, Iran faces a dual challenge: navigating through the gathering storm clouds toward political negotiations that safeguard its interests, while addressing the economic distress facing its citizens.

Iran's resilience manifests in what can be described as "resistance economy" — a systematic economic self-preservation strategy to counter the unrelenting pressure from the US. The country counters US pressure by reducing reliance on oil revenues, expanding non-oil exports, strengthening domestic production capacity, supporting local industries via import substitution policies, enhancing economic self-sufficiency, creating jobs and developing payment systems that circumvent financial blockades.

This approach has made Iran's economy resilient. Despite prolonged sanctions and recurrent domestic economic shocks that sparked social unrest, the country managed to sustain basic operations, stabilize the political situation and gradually roll out multi-tiered internal reforms.

What prevented Iran's economy from collapsing was its domestic resource endowments, relatively complete industrial system, and substantial foreign trade. At the same time, the frequent social unrest in Iran points to an urgent need to reform economic policies.

Iran's woes are compounded by the propaganda and information warfare launched by the US and Israel. Iran's opponents are flooding the internet with disinformation, using fake news to propagate narratives that Iran's current situation is spiraling out of control. They disseminate signals worldwide that the Iranian government is teetering on collapse, and that Iran is unsafe and unfit for investment.

Potentially meaningful nuclear negotiations, coupled with provocative and exaggerated threats in the same time, define the current complex situation in Iran.

This aims to obstruct potential capital from entering the country, which would worsen its economic conditions, undermine national unity and erode external confidence in Iran's political stability. Iran needs to counter this psychological warfare to achieve domestic and international confidence in the government's ability to manage the situation.

A war hurts the interests of all parties. A full-scale war and interference in another country's internal affairs would violate international law, shatter regional stability and devastate livelihoods. An unstable and civil war-torn Iran would be disastrous for regional peace, global markets and the principles of global fairness and justice.

Iran's economic problems are primarily due to the US sanctions against the country and secondary sanctions imposed on related nations. Iran's inflation stems from currency devaluation caused by sanctions, triggering a livelihood crisis. While increased subsidies may temporarily alleviate social discontent, lifting sanctions remains essential to break free from the vicious cycle of inflation.

Iran is an ancient civilization with a rich history and illustrious culture, characterized by continuity in national character and cultural heritage. Iranians have a profound pride in Persian culture and the nation's glorious past. They consistently emphasize their people's history of defying hegemonic powers. This legacy fosters both a collective consciousness to unite against external threats and an enduring aspiration for national rejuvenation and strength.

Iran has a distinctly independent spirit within the Middle East, emphasizing self-reliance. Shared collective historical memory and cultural narratives have forged a powerful national cohesion, rooted in traditions of resisting hegemony and opposing foreign interference. This psychological foundation enables the people to unite with dignity against external threats. When faced with military encroachment, the specter of war only strengthens Iranian solidarity.

But while the cohesion stemming from opposition to hegemony enables the Iranian government to withstand the pressure of war clouds, the people's yearning for prosperity demands that the government swiftly revitalize the economy. Politically, Iran must embrace greater flexibility, persistently explore a development path suited to its national conditions, stabilize domestic governance, and consolidate diplomatic achievements. Economically, Iran must urgently alleviate unemployment and the brain drain to prevent deeper economic collapse.

Iran's economic security is essential for the region's long-term stability. As a key node in the "Eurasian Land Bridge" and the East-West air corridor, Iran's geographical position makes it vital for regional trade. As one of the largest holders of oil and natural gas reserves, Iran's oil production and exports directly influence global oil prices. If economic and livelihood issues remain unresolved, Iran's social tensions will continue to erupt cyclically. The potential spillover crises from a turbulent Iran could pose systemic risks to the entire Middle East and even the world.

Potentially meaningful nuclear negotiations, coupled with provocative and exaggerated threats in the same time, define the current complex situation in Iran. US-Iran nuclear negotiations need more intermediary countries to guarantee rebuildable trust and convey accurate messages between Iran and the United States. A peaceful environment not only ensures Iran's sustainable economic development and its people's well-being, but is also a prerequisite for regional stability and prosperity. Therefore, maintaining regional peace, refraining from provoking unnecessary wars, and resolving differences through dialogue and negotiation should be the collective responsibility of all nations.

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Yu Changhua

US fiscal deficit threat to global financial stability

MA XUEJING / CHINA DAILY

The United States is grappling with an unsustainable fiscal path that threatens global financial stability. With massive budget deficits persisting and Treasury debt rapidly climbing, the risks of higher borrowing costs, refinancing pressures, and disruptive spillovers to currencies, commodities and capital flows are mounting. Emerging markets and developing economies are especially vulnerable.

The country's mounting fiscal burden is starkly evident in the fiscal year 2025 federal budget deficit of $1.8 trillion, which is equivalent to about 5.9 percent of the country's GDP. Gross federal debt now exceeds $38 trillion, with debt held by the public nearly 100 percent of the GDP at the end of fiscal year 2025. Ongoing large-scale Treasury issuance and a relatively short average debt maturity amplify refinancing risks and push up interest costs.

Net interest payments on the public debt now surpass $1 trillion annually. Treasury yields have eased from mid-2025 highs. The 10-year bond yield hovered around 4.24 percent and the 30-year one near 4.85 percent in late January. The Congressional Budget Office projects debt held by the public will climb to 118 percent of the GDP by 2035, with interest consuming an ever-larger share of federal revenues. Research shows that a 1 percentage point increase in the debt-to-GDP ratio tends to push long-term interest rates higher by roughly 2 to 3 basis points, creating a self-reinforcing cycle of rising borrowing costs and ballooning interest payments.

Recent data also point to a diminishing foreign appetite for US debt. Foreign investors hold approximately 30 percent of US public debt, or about 24 percent of total gross federal debt. This share has edged down modestly as domestic holders — including the Federal Reserve, mutual funds, and pension funds — have expanded faster than foreign demand. Japan remains the largest foreign holder, with more than $1.2 trillion as of November 2025.

Political winds at the Fed are shifting in ways that heighten fiscal-monetary tensions. On Jan 30, US President Donald Trump nominated former Fed governor Kevin Warsh to succeed Jerome Powell as Federal Reserve Chair. Trump has pressed aggressively for lower interest rates to alleviate government borrowing costs amid the high deficits. Warsh, long regarded as an inflation hawk, has recently signaled greater openness to accommodation, citing productivity gains as providing policy room.

This dynamic raises legitimate concerns about fiscal dominance, where debt-servicing imperatives constrain monetary policy. Aggressive rate cuts or balance-sheet expansion could be perceived as monetizing deficits, eroding Fed independence. Markets might respond with a weaker dollar, reduced real yields, or doubts about safe-haven role — potentially triggering capital outflows from the US in search of higher returns elsewhere.

Global spillover effects are already emerging from these dynamics. A weaker dollar could narrow the US trade deficit but also spark capital outflows from the US. Recipient economies may see their currencies appreciate, undermining export competitiveness, inflating asset prices, fueling import-driven inflation, and heightening vulnerability to sudden reversals. Commodity volatility — exacerbated by tariffs, geopolitics, and dollar fluctuations — further strains both importers via higher inflation and exporters via instability. Softening foreign demand and shifts toward gold already question the dollar's entrenched dominance. Without US reforms, the risks include capital flow volatility, currency and inflation swings, debt distress and eroded monetary policy autonomy for emerging markets, potentially culminating in stagflation or global contagion.

The US should prioritize fiscal reforms, including extending debt maturities to reduce rollover risks, curbing structural deficits, and stabilizing yields to ease global rate pressures. Critically, preserving the Fed's independence is essential to avoid perceptions of monetization, dollar depreciation, and destabilizing capital flow swings. It is essential to address the underlying imbalances through spending discipline and revenue measures.

Emerging economies can mitigate risks from currency appreciation and volatile capital flows with targeted measures. Macroprudential tools, such as higher bank reserve requirements, loan-to-value or debt-service-to-income caps, and restrictions on foreign-currency lending, can prevent credit booms and excessive leverage. Capital flow management, used judiciously, may include taxes on short-term inflows, quantitative limits on portfolio investments or minimum holding periods. Stronger banking supervision, ample foreign-exchange reserves and tighter rules on external exposures of banks are critical, as are efforts to diversify funding sources, promote local-currency bond issuance and reinforce regional financial safety nets or swap arrangements. These policies and sound domestic fundamentals together offer emerging markets a stronger buffer against external volatility.

Broader global cooperation remains critical as well. Multilateral institutions such as the IMF and G20 should facilitate debt restructuring, enhance safety nets and promote policy coordination. Innovations such as blockchain-enabled cross-border payments and greater internationalization of the yuan could gradually lessen dollar dependence, but these must be embedded within strong regulatory frameworks and international standards.

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Michele Ferrero

Being a 'Chinese' in Italy, and a *laowai* in China

The first time I went to China was in 1996. I stayed in Hong Kong for a few days, then moved to Taipei to study Chinese and later earned a doctorate at Fu Jen University. Since then, I have studied and worked in China for almost 30 years, with one break of four years when I taught in Jerusalem, Israel.

So it is not surprising that every time I return to my small town in northern Italy, my friends and relatives refer to me as "the Chinese". "The Chinese is back" or "the Chinese is here" are common expressions I hear whenever I return to Italy.

How did I become "Chinese"? Someone once told me: "You behave in a Chinese way."

What does that mean?

For example, in Chinese tradition it is considered good manners not to offer direct observations or criticism, but instead to focus on the other person rather than on oneself. While Italians would have no problem saying, "It's time for me to go," I now prefer to say, "Maybe you are busy? I don't want to take too much of your time."

Global Lens

Italians also have no hesitation in saying a loud and clear "no". I now find that quite rude, having grown used to the Chinese "yes" which often actually means "no" but in a very indirect way.

I am also surprised by how Italians can hold conferences or meetings with very little organization.

Similarly, I often forget that in Italian, "please wait a moment" usually means that something will be done a little later, not that the person is politely saying, "sorry, it's not possible."

Sometimes I also like to eat in a "Chinese" way. It is not about the food — Italian food is as good as Chinese food — but about feeling uncomfortable when everyone orders individual portions instead of sharing dishes placed in the middle of the table.

I often look at Italy with Chinese eyes. For example, in China, before making a decision, people usually refer to someone in a higher position. But in Italy it seems everyone — from the cleaning lady to the restaurant waiter — decides on the spot, without any need for consultation.

Another way in which I have become more "Chinese" is my discomfort with how much Italians love to argue, hold different opinions, and express them freely without fearing that this might affect friendships or relationships. I now feel uneasy when surrounded by too many conflicting opinions and heated discussions.

What also surprises me is how Italians do not care where they stand in a group photo or who stands in the middle. It simply does not matter. In China, before a group photo, people can spend up to 10 minutes jostling and tugging to persuade others to stand in the middle or stay away from it.

I can now leave a room without telling everyone "I'm leaving" — something that is considered impolite in Italy but seen as a sign of humility in China.

I also feel uneasy in summer when I see how little some Italian girls wear and notice with disapproval when people offer gifts using only one hand.

When I was more "Italian", I used to say, "This is a wonderful place — look, there's no one here!" Now, places without crowds make me uncomfortable.

I am also surprised by how Italians can hold conferences or meetings with very little organization.

In Beijing, people queue up in an orderly manner at metro stations and public offices. I often wish people in Italy could import this nice habit.

The first time I gave red envelopes to my nieces, they were puzzled. But now they have learned what these red envelopes mean, and always look forward to receiving them.

I study Confucianism and often talk about it, and I see that its wisdom is appreciated in Italy as well.

I speak Chinese in local Chinese shops — famous in Italy for being open 24 hours a day, seven days a week — as well as in Chinese restaurants and laundries, always receiving a mixture of surprise and suspicion.

So yes, I have become a little Chinese.

And like many other foreigners, in China I will always be a *laowai*, and in Italy "the Chinese".

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