

How Europe Should Approach China

by Nicola Casarini

Should the EU enforce a containment policy towards the People's Republic of China (PRC – or simply China), joining efforts undertaken by US President Donald Trump, who has unleashed a trade and technological war against Beijing with the aim of permanently subordinating the Asian giant to the West? Or should the EU continue its engagement policy towards Beijing – and even seek to maximise Sino-European ties to put limits on those US unilateral policies that are detrimental to Europe's interests and fundamental values? What would be the best policy mix of engagement and containment for EU–China relations? And to what extent should the EU align its China policy with that of the US?

A rich debate has emerged in Europe on these topics. In January 2019, the Federation of German Industries (BDI) issued the policy paper *China – Partner and Systemic Competitor*, arguing in favour of a more assertive position vis-à-vis China on trade and investment.¹ In

¹ Federation of German Industries (BDI), *China*

March 2019, the European Commission and the EU High Representative published the document *EU–China – A Strategic Outlook* which puts forward an approach towards China based on cooperation and rivalry.² Think tanks and universities across Europe have also entered the debate through dedicated publications, conferences and workshops.³

– *Partner and Systemic Competitor. How Do We Deal with China's State-Controlled Economy?*, Berlin, BDI, January 2019, <https://english.bdi.eu/publication/news/china-partner-and-systemic-competitor>.

² European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *EU–China – A Strategic Outlook* (JOIN/2019/5), 12 March 2019, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019JC0005>.

³ See for instance the latest report by the European Think-tank Network on China (ETNC): Tim Nicholas Rühlig et al. (eds), *Political Values in Europe-China Relations*, Stockholm, The Swedish Institute of International Affairs, December 2018, <https://www.merics.org/en/node/8541>. The ETNC is Europe's foremost gathering of China experts from leading European think tanks and research institutes. For more details see the website of the Mercator Institute for China Studies: <https://www.merics.org/en/node/4111>.

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Notwithstanding calls to foster a common – and tougher – approach towards China coming from Brussels as well as a number of EU member states, developing a coherent and unitary EU policy towards Beijing remains a major challenge. Three reasons can be highlighted: (i) China is both a boon, as well as a threat, to Europe; (ii) EU member states are divided over China, which in turn exploits these divisions; (iii) there are differences between the various political families within the European Parliament.

Few would dispute that Beijing represents a serious economic and trade challenge for the EU. China's state-dominated economy and its unfair trade practices have contributed to de-industrialisation and a declining standard of living across some parts of the old continent – a situation that European countries share with other developed nations, including the United States. At the same time, China's huge domestic market and expanding middle class represent a formidable opportunity for many European companies, some of which have shifted production to China to take advantage of lower production costs and global supply chains.

The Belt and Road Initiative (BRI – also known as the New Silk Road) launched by Chinese President Xi Jinping in late 2013 is set to mobilise significant financial sums that are expected to surpass 1 trillion dollars over the next two decades. Europe stands to profit from the BRI, since the old continent sits at the end point of it. However, Chinese investments made in the framework of the BRI rarely uphold Western standards

and principles. There is a risk that some of these projects become “debt-traps”, helping Beijing gain political influence in the old continent. The BRI is thus both an opportunity and a challenge for Europe.

Due to its non-democratic nature, the Chinese regime continues to be viewed with suspicion by European public opinion, which raises questions as to what use Beijing leaders will make of their country's increased capabilities. Yet, it is precisely this authoritarian Communist China, informed by values and principles quite different from those of the EU and its member states, that has come to support the EU's integration process, including key initiatives such as the European common currency.

China has become an important partner of the EU for addressing regional and global issues, including support for initiatives such as the Paris Agreement on climate change and the Joint Comprehensive Plan of Action (JCPOA) for Iran – also known as the Iran nuclear deal. Cooperation with China is essential for advancing effective multilateralism, although China's engagement towards it is sometimes selective and based on a different understanding of the rules-based international order.

China is thus many things to Europe, and this complicates the adoption of a clear-cut strategy towards the Asian giant. The EU's China policy thus needs to be multifaceted and flexible enough to include both elements of engagement as well as of containment, underscoring the need for the EU and

its member states to work together in a unitary and coordinated way.

Yet, the EU is not always consistent in its China policy. A united stance is often undermined by EU member states, which continue to compete against each other in search of commercial advantages in the Chinese market as well as to attract Chinese investment into their territories. Beijing continues to play into the bloc's divisions, often helped in this by national elites more eager to develop relations with Beijing on a bilateral basis than in the EU framework. An example of such an approach is the creation of the China–Central and Eastern European Countries (China–CEEC) grouping founded in Budapest in 2012 to push for China–CEEC cooperation outside the EU framework and to promote China's BRI. Since 2019 the grouping has comprised 17 European countries (including 12 EU member states) and China – it is thus commonly referred to as the 17+1.⁴

Another example of the tendency of EU member states to go it alone in their relations with Beijing was the decision of the previous Italian government – a populist coalition formed by the far-right League party and the anti-establishment Five Star Movement which ruled Italy from June 2018 to August 2019 – to sign a Memorandum

⁴ The 17 European states are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. See also Jeremy Garlick, "China's Economic Diplomacy in Central and Eastern Europe: A Case of Offensive Mercantilism?", in *Europe-Asia Studies*, Vol. 71, No. 8 (2019), p. 1390-1414.

of Understanding on China's BRI. Italy's official endorsement of Chinese President Xi Jinping's signature foreign policy initiative in March 2019 was taken without consultation with EU partners – actually, in defiance of calls from Brussels and other European capitals not to sign up to the BRI. By doing this, Italy's populist coalition clearly undermined EU efforts to find a common stance vis-à-vis Beijing.⁵ It also showed that there are differences between the various political families within the European Parliament – a trend that has implications for EU relations with China.

Indeed, there are commonalities, but also differences, between the progressive camp on the one hand and the hard right, sovereigntist and populist forces which seek to undermine the EU for ideological reasons on the other. Their anti-EU stance hinders their capacity to extract meaningful concessions from Beijing as they lack the necessary clout that the Union would have when negotiating with the Asian giant. The China policy of hard right, sovereigntist and populist forces is thus a lose-lose game for the national level (too weak in the face of the Asian giant) and for the EU which is often bypassed and thus undermined. The only winner is China – and this is quite remarkable for political forces that claim to put their countries' interest "first".

Differences also exist between the progressive camp and conservative

⁵ Nicola Casarini, "Rome-Beijing: Changing the Game. Italy's Embrace of China's Connectivity Project, Implications for the EU and the US", in *IAI Papers*, No. 19|05 (March 2019), <https://www.iai.it/en/node/10105>.

forces regarding the allegiance to vs. independence from the US. In general, conservative parties tend to side with Washington as a matter of principle; the progressive camp recognises the invaluable role of the US and of NATO, but it can countenance siding with China on specific issues if that helps promote EU interests and fundamental values.

The EU and the US share the same commitment to promoting an open society based on market economy and the respect of human rights, fundamental freedoms, good governance and the rule of law in China. Moreover, both hope that Beijing will be a responsible stakeholder in the global system and that the Asian giant will not upend the rules-based order. Alongside many similarities, the transatlantic allies' relations with Beijing show some important differences, not to mention the existence of EU-US diverging interests and competition for China's market shares. Today, some EU interests and fundamental values are under attack not only by an authoritarian China, but also by the America First policies of US President Donald Trump.

To address the above questions, a recent paper written for the Foundation for European Progressive Studies (FEPS) proposes a new EU framework of relations with China for the next five years. Built around three key words – defend, engage and maximise – it combines both elements of containment, as well as of engagement, towards China.⁶ It invites the EU

⁶ Nicola Casarini, "Defend, Engage, Maximise: A Progressive Agenda for EU-China Relations", in

to focus on a select list of issues of strategic importance in its relations with Beijing so as to achieve maximum impact, along the following lines:

- *Defend* European jobs, industrial competitiveness and technological sovereignty from China's state-controlled economy and unfair trade practices; and EU fundamental values and principles from the Chinese authoritarian political system.
- *Engage* China to meet the targets of the Paris Agreement on climate change; Strengthen the multilateral trading system; Address global security challenges, including ways to find a solution to North Korea's nuclear threat and support for a rules-based order in the South China Sea.
- *Maximise* EU-China relations to save the Iran nuclear deal; Reform the international monetary system and put limits on the dollar's exorbitant privileges.

This progressive framework allows EU policymakers to identify and distinguish between those issues where China is a challenge – and thus needs to be contained, together with the US and other like-minded partners when necessary – and those policy areas where Beijing can become a partner – and even an ad hoc ally – to advance EU interests and fundamental values and put limits on the Trump administration's unilateral impulses that are detrimental to the EU.

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FEPS Policy Papers, October 2019, <https://www.feeps-europe.eu/resources/publications/696>.

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