

# The Sinatra Doctrine. How the EU Should Deal with the US–China Competition

by Josep Borrell

## ABSTRACT

To avoid becoming entrenched between the US and China, the EU should deal with them in its own way: it should look at the world from its own point of view, defending its values and interests, and using the instruments of power available to it.

*European Union | External trade | China | USA | Transatlantic relations*

**keywords**

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### Introduction

Everything in the relationship between the United States and China changed when, at the beginning of this year, they signed an agreement in Washington that was meant to pave the way to eventually end the trade war that had started in 2018. That promise has remained unfulfilled, however. Today, the rivalry between the two extends to everything, involving closures of consulates and mutual recriminations, reflecting the struggle for world geopolitical supremacy between the two big superpowers, as if we were in a new Cold War.

Was it the coronavirus that led to this change? While this unexpected, exogenous factor has nothing to do with ideologies, it has certainly acted as a catalyst for exacerbating an underlying rivalry that will become the predominant geopolitical trend in the post-virus era.

The role of the European Union in such a scenario and the question of how it should deal with a China increasingly pursuing a strategy of global influence are issues of fundamental importance for our future. We can only answer this question positively if member states present a united front and make use of our Community instruments, in particular the power of our Single Market. Unity is vital in every area of our relationship with Beijing because no European country is capable on its own of defending its interests and values against a country the size and might of China. A balanced EU–China relationship is essential to address and eventually resolve major world problems, from pandemics to climate change, including the building of effective multilateralism.

In this new geo-political scenario, 2020 could go down in history as a key year in EU–China relations. Despite the difficulties created by the coronavirus pandemic, high-level meetings have never been so intense. The 22nd EU–China Summit took

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place on 22 June, by videoconference, lasting much longer than the scheduled time.<sup>1</sup> Discussions are ongoing to schedule a possible Leaders' level video conference, bringing together the Presidents of the European Council and Commission, as well as Chancellor Angela Merkel, representing Germany, which holds the six-monthly presidency of the EU, and President Xi Jinping. Before the end of the year, COVID-19 permitting, a summit is to be held in Leipzig (Germany), which should be attended by the Chinese President and the Presidents of the European Council and Commission, plus the 27 European Heads of State or Government.

The aim is to conclude by the end of 2020 the EU–China Comprehensive Agreement on Investment, which we have been negotiating since 2013. At the June summit with China, the EU expressed its disappointment to Beijing about the lack of progress in implementing the agreements reached at the previous meeting in 2019. The President of the European Council, Charles Michel, made it clear that Beijing had not honoured its commitments to ensure access to the Chinese market on a reciprocal basis and reduce aid to state-owned companies, and had thus placed European companies at a clear competitive disadvantage.

## 1. New Chinese characteristics

For us Europeans, the coronavirus crisis has accelerated trends observed in recent years and has brought to light some of our weaknesses in the relationship with China, which has become gradually more assertive, expansionist and authoritarian.

### 1.1 Assertive

China is reclaiming what it regards as its rightful place in international politics. For eighteen centuries, up to the first Industrial Revolution, China was the richest country in the world. Angus Maddison has pointed out that, in 1820, it still produced 30 per cent of the world's GDP: more than Europe and the US combined.<sup>2</sup>

China has always regarded itself as the Middle Empire, *the* great civilisation based on the concept of "everything under the heavens". This concept of centrality was reflected in *kowtow*, the act of prostrating oneself before the emperor. Still, China did not necessarily try to export its values.

There has, however, been a significant change in the attitude of the current Chinese leaders who, with the "Made in China 2025" initiative, have revealed the ambition to China a global technological power. The "China Dream" proposed by President Xi would be the means of achieving this. This ambition for leadership is the main

<sup>1</sup> Council of the European Union, *EU-China Summit via Video Conference*, 22 June 2020, <https://europa.eu/!Xp86KW>.

<sup>2</sup> Angus Maddison, *Chinese Economic Performance in the Long Run*, 2nd ed., Paris, OECD, 2007, p. 44.

difference compared with past eras. China is seeking to fill the political vacuum that the US is leaving following its gradual withdrawal from the international scene. China's aim is to transform the international order into a selective multilateral system with Chinese characteristics, in which economic and social rights would take precedence over political and civil rights.

This strategy is deployed on several fronts. For instance, undermining international rules, such as the failure to implement the UN Convention on the Law of the Sea in the South China Sea; promoting Chinese language and ideals as a "community of shared destiny"; the Chinese vision of international relations based on cooperation, interests and shared responsibilities, and cooperation in the fight against transnational threats, plus political inclusiveness, according to the premise that no political model can be applied universally; occupying senior positions in the United Nations system (in which China was, admittedly, under-represented): in a short time it has become the chair of four of the 15 UN agencies<sup>3</sup> and the deputy chair of six; and reducing the financing of multilateral initiatives in the field of human rights.

Gone are the days of the Chinese foreign policy inspired by Deng Xiaoping's speech to the UN General Assembly in 1974, when he said that "China is not a superpower, nor will she ever seek to become one. What is a superpower? A superpower is an imperialist country which everywhere subjects other countries to its aggression, interference, control, subversion or plunder and strives for world hegemony".<sup>4</sup>

The new-style Chinese foreign policy is known as "wolf warrior diplomacy", a name taken from a series of blockbusters based on a Chinese version of Rambo. In this new method of communication, high-level Chinese diplomats respond aggressively to any criticism of the regime on social media that are generally prohibited in China. In this new approach, China's increasingly important role in the world involves safeguarding its main interests in an unambiguous and unconditional manner.

Australia, for instance, which is heavily reliant on trade with China (accounting for 32.6 per cent of Australian exports), has directly suffered from China's growing assertiveness. After Australian Prime Minister Scott Morrison requested an investigation by the World Health Organisation (WHO) into the origins of the coronavirus, China responded by imposing tariffs of 80.5 per cent on Australian

<sup>3</sup> China holds the most important position in the UN Food and Agriculture Organisation (FAO), the International Civil Aviation Organisation (ICAO), the International Telecommunication Union (ITU) and the UN Industrial Development Organisation (UNIDO). The country has the second most important role in the International Fund for Agricultural Development (IFAD), the International Monetary Fund (IMF), the Organisation for Education, Science and Culture (UNESCO), the World Tourism Organisation (UNWTO), the International Organisation for Intellectual Property (WIPO) and the World Bank.

<sup>4</sup> UN General Assembly, *Sixth Special Session. Official Records*, 10 April 1974, p. 19, <https://undocs.org/en/A/PV.2209>.

barley and suspending licences that affected 35 per cent of Australian beef exports to China. If these measures are extended to other sectors, it is estimated that the disagreement is likely to cost Australia 1 per cent of its GDP.

## 1.2 Expansionist

From a historical standpoint, China's attitude to the rest of the world has changed significantly. China dominated nautical technology under the Song dynasty (960–1279). However, it did not use it to occupy territories and establish an overseas colonial empire. Between 1405 and 1433, before Europeans launched their maritime campaigns, Admiral Zheng He sailed to Java, India, the Horn of Africa and the Strait of Hormuz with a fleet that far outmatched the Spanish Armada of 150 years later in size and sophistication, yet the voyages did not lead to any plans for permanent occupation and exploitation of oversea countries. Unlike then, China is now prepared to use its technological and military advantage to enhance its political influence.

In the last 30 years, China's military spending rose from just over 1 per cent to 14 per cent worldwide, and this year it will increase by 6.6 per cent, according to figures from the Stockholm International Peace Research Institute (SIPRI).<sup>5</sup> It is clear that President Xi wants to make the People's Liberation Army the main military technology force by 2049, the 100th anniversary since the establishment of the People's Republic. At the commemoration of the 70th anniversary in 2019, China proudly displayed its nuclear arsenal, which is land-, air- and sea-based.

The EU's embargo on the sale of arms, imposed on China after the Tiananmen Square events in 1989, is still in force, but China is no longer dependent on imports of military equipment. It has developed a first-rate arms industry, particularly naval weaponry and ballistic missiles, and its exports are increasing every year. Although Chinese military capabilities still fall far short of those of the US, the distance is much smaller than a few decades ago, and in some areas there are hardly any differences at all. Within a year, China will have four operational aircraft carriers. Several US reports point out that China is now a major challenge to US naval domination and control of the Western Pacific.

China's expansionism is more visible in the South China Sea, where Beijing has increased its presence by creating artificial, militarised islands, in breach of the 2016 arbitration ruling in favour of its Southeast Asian neighbours. Its growing presence is also visible in Nepal, Myanmar and Sri Lanka, which are all countries which are important to India. The tension between Beijing and New Delhi has been exacerbated recently, as evidenced by skirmishes between their armies on the disputed Himalayan border.

<sup>5</sup> Nan Tian et al., "Trends in World Military Expenditure, 2019", in *SIPRI Fact Sheets*, April 2020, p. 3, <https://www.sipri.org/node/5103>; and *SIPRI Military Expenditure Database*, <https://www.sipri.org/databases/milex>.

Chinese realpolitik is based on creating *faits accomplis*: the patient, discreet accumulation of advantages on the ground. Board games are a clear example of how the Chinese think and how they differ from Europeans. While in Europe we are fond of chess, which ends in total victory (checkmate), in China they prefer Go, where the aim is to occupy empty spaces on the board to surround the opponent's stones and undermine his/her ability to respond. As the famous Chinese strategist Sun Tzu said in *The Art of War*, the supreme art of war is to subdue the enemy without fighting, creating situations on the ground that reinforce one's position and place one's opponent in a weak position.

### 1.3 Authoritarian

In 2001 the West welcomed China into the World Trade Organisation (WTO), convinced that the liberalisation of trade would go hand in hand with political openness - "*Wandel durch Handel*" (change through trade). The French also believed that "*le doux commerce*" would appease tensions and bring the political systems closer together. This belief has for some time been shown to be wrong. There has been no convergence: on the contrary, there has been greater divergence in recent years. China is the paradigm that has disproven the theory that economic and political openness are two sides of the same coin. The new technological possibilities for information and monitoring of the population have had a significant influence in this respect. This trend looks set to increase.

Any signs of dissidence can be easily suppressed by means of powerful mass surveillance tools and the sway which the Communist Party holds over the State. In recent years, we have witnessed with concern a rise in human rights abuses in China, increased repression of human rights defenders, journalists and intellectuals, and the violation of basic rights of the Uyghurs in Xinjiang.

The deterioration of the situation in Hong Kong is a clear example of this wave of repression. Recently, speaking on behalf of the 27 member states, I expressed the EU's serious concern over the adoption of the new Hong Kong National Security Act, which is contrary to the principle of "one country, two systems" and to China's commitments to the international community.

At the request of the European Foreign Ministers, I presented a set of measures to address this violation of Hong Kong's autonomy. The measures include a limitation on surveillance technology exports, a review of the extradition agreements that various member states have with Hong Kong and an increase in scholarship and visas for Hong Kong students.<sup>6</sup>

<sup>6</sup> Council of the European Union, *Council Conclusions on Hong Kong*, 28 July 2020, <https://www.consilium.europa.eu/media/45225/st09872-re01-en20.pdf>.

## 2. The European response

If the EU does not want to remain entrenched in the dispute between the US and China, it must look at the world from its own point of view and act to defend its values and interests, which do not always coincide with those of the US. In short, as I said on one occasion, the EU has to do things “its own way”. This led to some commentators calling my approach the “Sinatra doctrine”, a reference to his song *My Way*. I do not mind this, as long as it makes it easier to get my message across. I could have said that Europe must increase its strategic autonomy or its sovereignty, but this would probably not have aroused as much interest.

This doctrine would be based on two pillars: continuing the cooperation with Beijing in order to address global challenges such as climate change, combating the coronavirus, regional conflicts and development in Africa, while at the same time strengthening the EU’s strategic sovereignty by protecting technological sectors of our economy which are key to ensuring the necessary autonomy and promoting international European values and interests.

This is not a change in policy, but rather a development within the boundaries of the 2019 EU strategy on Beijing,<sup>7</sup> which already identified China as a strategic partner with which the EU cooperates, as well as a competitor and a systemic rival. Let us not fall into the trap of seeing things in black and white: our relationship with China is and will inevitably be complicated because it is our second biggest trading partner, and which is in fact a necessary interlocutor if we are to solve global problems. At the same time, it is, inevitably, a technological and economic competitor. The problem with our relationship with China also lies in the difference between our political systems.

Following the emergence of a “battle of narratives” since the outbreak of the COVID-19 pandemic, together with the controversies over China’s “politics of generosity” (a term which I was one of the first to use, attracting considerable criticism), subsequently renamed “mask diplomacy”, the EU must base its strategy on three pillars: combating Chinese disinformation operations, opposing “cherry-picking” multilateralism (where China only defends multilateralism when this suits it), and ensuring that China complies with its commitments so that European companies have reciprocal access to its markets and innovation and research programmes. It is vital that we ensure a balance in our economic relationship and dispense with some of the naivety of the past.

Independence from two competitors/rivals does not mean being at equal distance from them. Our lengthy common history and shared values with the US mean that we are closer to Washington than we are to Beijing. Cooperation with the US within

<sup>7</sup> European Commission, *EU-China – A Strategic Outlook* (JOIN/2019/5), 12 March 2019, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019JC0005>.

NATO is still crucial for European defence, for instance.

However, to be able to continue taking political decisions autonomously as Europeans, we need to invest in strategic sovereignty.

Thus, the EU recently adopted measures to protect our interests, such as trade defence instruments, the Regulation on scrutiny of foreign investment and the White Paper on subsidies to foreign companies that distort competition in the Single Market. The International Procurement Instrument is currently being adopted. While these measures are not aimed at any country in particular, their effects will redress the imbalance in our trade relationship with China.

The whole point of the EU is to defend European values and interests by means of a united front. Our founding treaties refer explicitly to both of these things. But I do not think that we should have to choose between protecting our economy and protecting our fundamental values. The figures show that we are not, on the whole, as dependent on China as many think. However, some individual companies in specific sectors are indeed dependent on China. For instance, only 7 per cent of German exports of goods go to China. And Germany is the biggest European exporter to China. In terms of added value, German exports to China in 2015 represented 2.8 per cent of the total added value of its exports, according to a study by Jürgen Matthes in the German Economic Institute's report.<sup>8</sup> We tend to think of the importance of third countries to our economies, ignoring our trade with our European partners. In fact, 60 per cent of German exports go to EU countries. This does not detract from the major role played by Asian demand, in particular Chinese demand, in key sectors of German industry. Dependence on China in specific sectors such as the car industry is clear. Of the 10 million cars sold by the Volkswagen group in 2018, four million were sold to the Chinese market, in other words 40 per cent of its sales.

It is becoming increasingly clear that China is taking advantage of our economic relationship: its decision to call itself a developing country when joining the WTO enabled it, for instance, to avoid trade concessions and significant commitments to reducing polluting gas emissions. Moreover, China subsidises its state-owned enterprises and has the largest series of trade and investment barriers recorded, as documented in a 2019 European Commission report.<sup>9</sup> European companies suffer discrimination as regards access to its market, in particular for public tenders. Keeping things as they stand (lack of reciprocity and unequal conditions) is not an option. Our relationship is too asymmetric for the current level of Chinese development. This needs to be redressed.

<sup>8</sup> Jürgen Matthes, "Zur Abhängigkeit der deutschen Wirtschaft von China im Außenhandel – Eine Faktensammlung", in *IW-Reports*, No. 43/19 (17 December 2019), <https://www.iwkoeln.de/en/studies/iw-reports/beitrag/juergen-matthes-the-german-economys-dependence-on-china-for-foreign-trade-a-collection-of-facts.html>.

<sup>9</sup> European Commission, *Report on Trade and Investment Barriers - 1 January 2019-31 December 2019*, June 2020, <https://trade.ec.europa.eu/doclib/html/158789.htm>.

If we do not do this now, in a few years' time it will be too late. Chinese products will continue to rise in the value chain and our economic and technological dependence will increase. The EU's technological power must rise in line with our strategic autonomy. We must avoid arriving at the point where, as my friend Enrico Letta says, we Europeans have to choose between being a Chinese colony or an American colony.<sup>10</sup> As I said at the beginning of this article, the key to our success will depend to a large extent on our ability to exploit the potential of the European Single Market, maintain unity between member states and assert our international standards.

Cooperation is an equally central component of the Sinatra doctrine. I cannot stress enough the fact that cooperating with Beijing is essential to addressing global challenges effectively. The most obvious example is combating climate change. The EU accounts for 9 per cent of worldwide emissions, while China is responsible for 28 per cent. Even if we Europeans could, by some miracle, stop emitting CO2 tomorrow, this would not change things very much. We will succeed in effectively tackling climate change only if we manage to ensure that, together with our efforts on the climate, the big polluters such as China, the US and India follow suit and Africa takes a different development route from the one we took.

We are too interdependent to decouple economically from China, as the Trump administration is preaching. Coronavirus will change globalisation, but it will not stop it. Although some analysts speak of a new Cold War, this reading is misleading because the US and the Soviet Union were never as economically interconnected as the US and China are now. As I have pointed out on a number of occasions, the stability of the dollar, and with it the stability of the entire capitalist system, is paradoxically highly dependent on the Communist Party of China – the term US Secretary of State Mike Pompeo uses to refer to China – as it is the second biggest owner of US Treasury bonds after Japan. Interdependence is just as extensive in Europe: EU–China trade amounts to well over 1 billion euro per day.

Moreover, the strategy of open confrontation with China has proven costly for the US. According to a Federal Reserve report, US tariffs did not increase employment or manufacturing output in the US, but they did increase production costs.<sup>11</sup> Moody's Analytics estimates that the trade war has cost Washington roughly 300,000 jobs and 0.3 per cent of the country's GDP.<sup>12</sup> US economists calculate that the trade war

<sup>10</sup> Enrico Letta, "Our Second Identity, Protected by a United Europe", in *TEDxVicenza*, 8 June 2019, [https://www.ted.com/talks/enrico\\_letta\\_technological\\_humanism\\_our\\_second\\_identity\\_protected\\_in\\_europe](https://www.ted.com/talks/enrico_letta_technological_humanism_our_second_identity_protected_in_europe).

<sup>11</sup> Aaron Flaaen and Justin Pierce, "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector", in *Finance and Economics Discussion Series*, No. 2019-086 (23 December 2019), <https://doi.org/10.17016/FEDS.2019.086>.

<sup>12</sup> Mark Zandi, Jesse Rogers and Maria Cosma, "Trade War Chicken: The Tariffs and the Damage Done", in *Moody's Analytics*, September 2019, <https://www.moodyanalytics.com/-/media/article/2019/trade-war-chicken.pdf>.

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will cost each US family 800 dollars per year.

In response to those who wrongly advocate a new Cold War with a world divided into two blocs, the EU should promote its interests, but it should do so in close cooperation with countries that champion effective multilateralism and the primacy of international law.

If we want to use musical references to describe the state of EU–China relations, we could perhaps turn to the legendary song by Serge Gainsbourg, *Je t'aime ... moi non plus*, a song which marked my generation's youth, and which plays down the feelings and contradictions that form part of the eternally difficult relations between couples. Because, in strategic relations as in love, actions speak louder than words. Therefore, to put it in practical, specific terms, it is essential for Beijing to comply with its commitment to move towards a more balanced economic relationship between the EU and China by the end of 2020.

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