

The EU and China: From Strategic Partners to Systemic Rivals

Article by Fraser Cameron

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For foreign policy analysts, the Covid-19 pandemic represents another twist in the winding path of EU-China relations. In this book review, Director of the EU-Asia Centre Fraser Cameron reads *The European Union and China* (Macmillan, 2018) in light of recent developments in the relationship between the two global powers.

The rise of China has been the major geopolitical event of the past fifty years. The country has become the manufacturing powerhouse of the global economy and the European Union's second largest trade partner. Whilst trade is still the most important factor in EU-China relations, the past two decades have seen the two sides develop a strategic partnership and an intense network of policy dialogues covering a vast array of issues. In the last 10 years, more EU Commissioners visited China than visited all other Asian countries put together. China's rise has also posed a serious problem for attempts to forge a common EU foreign policy as individual member states have jockeyed for position in order to secure their own trade and investment deals.

For those wishing to gain a deeper insight into EU-China relations, *The European Union and China* by Thomas Christiansen, Emil Kirchner and Uwe Wissenbach is an excellent introduction, covering issues of politics, economics, security, and society. But the danger all books face is being overtaken by events, and in this case the volume was completed before the EU's dramatic change in policy in Spring 2019, when it labelled China a "systemic rival". There is not a single mention of Huawei in the list of references, which has arguably become the most difficult and sensitive issue for EU-China – as well as transatlantic – relations in 2019-20. Neither could the sudden outbreak of the coronavirus in China and its widespread ramifications have been foreseen, but this also illustrates the difficulties of publishing a manuscript several months after completion.

There is, nevertheless, a huge amount of useful information in the book, authored by two leading academics and one leading European diplomat. It clearly explains the challenges of building a relationship between two wholly distinct actors with fundamentally different political and economic systems. In the 1990s, the EU's main approach towards China was to guide it towards entry into the World Trade Organisation (WTO) through the development of a market economy and reforms to its legal system.

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It was widely believed that as China grew economically and became more intertwined with the global economy, this would inevitably have a knock on effect on domestic politics and push China towards a more liberal and democratic system. Instead, China has reaped the benefits of WTO membership while moving to a more

authoritarian style of leadership, especially since Xi Jinping became president in 2013.

The EU has struggled to react to China's ascendance. Member states all want a share of the economic benefits and are thus reluctant to call Xi out on human rights and democracy. When some countries do, such as Sweden, they are usually left isolated by other member states in a shameful lack of solidarity.

The main reason for the EU's change in approach in Spring 2019 was anger and frustration at China's broken promises to tackle massive subsidies to its state-owned enterprises, enforced technology transfer, and intellectual property theft. The EU was willing to continue partnering with China on the environment and regional security, notably the Iran nuclear deal. But it was now stating loud and clear that enough was enough on the trade front.

The EU is moving to screen Chinese investment in Europe and toughen its trade defences, for as long as Beijing refuses to accept the principle of a level playing field. The new EU Trade Commissioner, Phil Hogan, has emphasised that reciprocity will now be the guiding principle for future relations. If Beijing does not sign up to a bilateral investment agreement, already under negotiation for over six years, then a raft of measures will come into force aimed at curbing Chinese investment in Europe.

Another divisive issue is technology, which is given scant attention in the book. The EU is struggling to reach a common position on whether to allow Huawei a lead role in constructing 5G networks. Like Britain, Germany has fudged the issue and it seems likely that other EU member states will follow suit, much to the fury of the Trump administration. Indeed, the intense lobbying of the US administration vis-à-vis China is not properly covered in the book, though its impact is being felt across all areas of transatlantic relations. As US Secretary of State Mike Pompeo put it bluntly with regards to China, "either you are with us or against us". This is not a choice most European governments wish to make. When Trump's friend and UK Prime Minister Boris Johnson allowed Huawei to operate part of his country's 5G network, the US president went into a fury.

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These major policy issues are not given sufficient attention in the book, which is top heavy on process. It offers the reader a comprehensive overview of every document published by the EU and China on their relationship. But this is only half the story, and the book would have been improved by comments from EU or Chinese officials. Surprisingly, the authors do not appear to have interviewed any officials who could have added some spice, such as the story of former Commission President Jean-Claude Juncker chasing Premier Li Keqiang through the corridors of the European Council building after the 2017 summit to stop him leaving before the press conference.

The authors point to the cumbersome and complex decision-making process on EU foreign policy, but in spring 2019 the EU institutions acted exceptionally quickly, taking just a few weeks to agree the new strategy. There is also little space devoted to the interests of the 27 member states. The 16+1 process (now 17+1) – a Chinese bid for partnership with Central and Eastern European countries, some inside and some outside the EU – is mentioned without assessing its value or disruption to the continent's unity. Some of the 17, including Poland and the Czech Republic, have since become more critical of China while others, such as Hungary, continue to block EU statements that are critical of China. It is an open question whether the 17+1 arrangement will survive.

Given that Germany accounts for over 50 per cent of EU exports to China, the position of Berlin could have been

further highlighted. Chancellor Angela Merkel has tried to defend German economic interests against Chinese threats to reduce the import of German cars if the country refused to allow Huawei a stake in its telecoms market. This has led to a major political row in the Bundestag. Merkel will probably manage to delay a decision until the special EU-China summit in Leipzig that was due for September 2020 but has now been postponed. Her brainchild (and perhaps her swansong), the summit will bring together all 27 member states with President Xi. The hope is to sign the EU-China bilateral investment treaty, but there has been a break in negotiations because of the coronavirus crisis.

The pandemic will certainly have a major impact on the future of EU-China relations, with many European companies already questioning the logic of supply chains which are totally dependent on one country. The EU is unlikely, however, to follow the US example of an active attempt to decouple its economy from China.

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The European Union and China is on stronger ground when it comes to revealing the points of agreement and divergence in the two powers' approaches to global governance and global issues. It notes the constructive approach China played – alongside the EU – in securing the Paris Climate Agreement. It explains why China felt disillusioned at the Western blocking of its legitimate claims for increased representation in the World Bank and International Monetary Fund and thus moved to establish the Asia Infrastructure and Investment Bank and promote the Belt and Road Initiative (BRI). In both cases, the Europeans were divided on how to respond. Italy is the only major EU member state to have joined the BRI, a Chinese strategy of investment in infrastructure and projects around the world – which is perhaps why Italy was top of China's aid list after it was hit by Covid-19.

The authors note that China has proved a useful partner in some regional security issues including Iran, Afghanistan, and, to a lesser extent, North Korea. Its professed support for multilateralism and a rules-based system, however, was revealed as partial in its failure to accept The Hague ruling on sovereignty in the South China Sea. The EU and China have different concepts of both sovereignty and multilateralism, which often results in the two sides talking past each other.

On societal issues, the book suggests that there is little evidence that the large increase in person-to-person contact in relations between the powers has had any impact on the overall relationship. While this may be true today, it seems more than likely that the massive increase in educational exchanges and tourism will have a positive impact on how European and Chinese people perceive one another.

Although the book offers few insights into the high politics and special relationships that most member states have with China, it nevertheless provides a unique and succinct review of the history and process of the EU-China relationship.

It is also a useful guide to the complicated nature of EU foreign policy with multiple actors involved and each able to block any initiative due to the outdated unanimity rule. The EU's High Representative Josep Borrell and others have called for a change to allow limited qualified majority voting in foreign policy, but given the importance each member state attaches to its own bilateral relationship with China (or the US), this is unlikely to happen in the

foreseeable future. EU foreign policy will thus remain slow and cumbersome, continuing to reflect the lowest common denominator.

In response to the initial dismal lack of EU solidarity in dealing with the Covid-19 crisis, China attempted to exploit EU divisions by delivering medical equipment to Italy and Spain (and Serbia), giving the impression that Beijing was offering more assistance than Brussels. The “battle of the narratives” was denounced by the EU and it may have a lasting impact on EU-China relations. Much will depend on whether the EU and China can work together on the recovery plan and whether they can cooperate in supporting the multilateral system under attack from the US and others.



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