"When it comes to China, we need to think bigger"

Article by Dr Janka Oertel
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The world's political order is in upheaval. China is increasingly seen as posing a systemic challenge that requires a political, economic and technological response. As a result, Europe is being obliged to redefine its own role in relation to the US and China. But the EU's largest member state, Germany, is finding it difficult to adopt a clear position. We spoke with Janka Oertel of the European Council on Foreign Relations (ECFR) about the Sino-American conflict, the 5G dispute and technological sovereignty, and Germany's role in formulating a new European China policy.

Green European Journal: For years, the German economy has benefitted from China's economic boom, designating China as a strategic partner. But the tide has turned. In a <u>2019 policy paper</u>, the Federation of German Industries (BDI) describes China as a "systemic rival". Why this change of perspective?

Janka Oertel: Business with China has been extremely lucrative for the German economy. While all was going well it was possible to ignore the downsides, for example major problems with intellectual property protection and restrictions on market access for international corporations. Those days are over. Western companies are increasingly realising that China has become a strong competitor in many areas, and in fact Beijing has declared the goal of global market leadership in a range of industrial sectors. This would naturally be achieved at the expense of Western companies. As a result, there has been a rethink within industry which has helped to expedite political processes, especially at the European level. In its document <u>'EU-China – A Strategic Outlook'</u>, published in spring 2019, the EU Commission speaks of China not only as a strategic partner but also an economic competitor and a systemic rival. We have to remember that we're not dealing with a market economy or democracy. This is an actor whose system calls the Western model into question, an actor which is sealing itself off and becoming increasingly protectionist, which is restricting human rights ever more tightly, and which keeps its own population under surveillance. We must respond to this.

The US government has been sharply critical of China and seems to be reacting with a 'decoupling strategy' to make the US economy less dependent on China.

We can't just speak of the Trump administration's decoupling strategy. This process has been underway for some time and has also been driven forward by Beijing. For years, the Chinese state and party leadership has been trying to reduce China's dependency on other countries and make it more resilient to global crises. The striving towards a higher degree of independence within the globalised economy was certainly strengthened by Xi Jinping's entry into office. The Chinese authorities are attempting to protect China's domestic market and to build up local capabilities; this is especially evident in the technology sector at present, where interrelationships and dependencies are very pronounced.

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Chinese technology companies are dependent on American chips, while US tech giants in turn purchase many product parts from China. This raises a number of questions. What are the implications of technological dependence for national security ? Should components from non-aligned third countries even be used in key technologies ? And what technological capabilities do we actually need in order to be sovereign in the 21st century ?

The current 5G debate, with the question of whether Chinese network suppliers Huawei and ZTE should be involved in the expansion of the network in Germany, seems to be particularly emblematic of this.

Right. 5G isn't a technical issue, it's a geopolitical one. The 5G network is the basis for central digital applications including autonomous driving and the digitalisation of industrial machines. However, because the network is mainly operated via software, there needs to be a sustained relationship with the network supplier. And because nobody knows the network better and has greater access to it than the manufacturer, trust is particularly important. But then of course this raises the question of whether it makes sense to allow such critical systems to be controlled by actors who are subject to the rules and the control of an authoritarian one-party state.

What is Europe's response to this question?

There is no single European response. The European telecommunications market is fragmented, with each EU member state having its own structures, its own providers, its own processes. Many telecommunications companies, in Belgium and Germany for example, have built a large proportion of Chinese providers into their networks, while others, such as TDC in Denmark, have completely detached themselves from Huawei and switched to the Swedish network supplier Ericsson.

The European Commission can only make recommendations when it comes to national security issues, but it has prepared an excellent risk assessment. This 33-page document is a synthesis of EU member states' national risk assessments and sets out the factors that should be taken into account when selecting network technology manufacturers, both technical and non-technical. These include the legal systems to which corporations are subject, and the influence that foreign governments can exert on manufacturers. The EU Commission intends to use this information to create a 'toolbox' which will serve as a guide for member states to strengthen the security of future telecommunication networks throughout Europe.

And how is Germany responding?

As Europe's most important telecommunications market, Germany has found itself in a difficult position. The US and China are exerting enormous pressure on the German government and the German position is also relevant for Europe: Germany's decision on 5G will have an impact on the way the other European states deal with the issue. Unfortunately, however, the current draft of the German government's new security catalogue for network and service requirements is disappointing.

So what's the position of the German government?

It's at loggerheads. Interestingly, the split isn't along party lines but rather according to responsibilities. The Ministry of Foreign Affairs and the security services believe that critical infrastructure shouldn't be dominated by Chinese suppliers, and Foreign Minister Heiko Maas has clearly positioned himself on this. The Ministry of Economics and the Chancellor's Office, on the other hand, are concerned that the exclusion of Chinese suppliers could lead to countermeasures by Beijing and thus have economic consequences. This is not unrealistic. The cases of Australia and Canada demonstrate that Beijing is quite willing to use economic means to achieve political goals.

In Sweden and the Netherlands, parliament in particular has put pressure on the government to avoid technological dependence on China. We can now see this in Germany, too, where there's strong parliamentary resistance. In the Bundestag there have already been two public hearings on the subject of 5G and many MPs, particularly from the governing parties, want to tighten up the criteria for manufacturers.

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In Germany this is the first time that a China-related issue has triggered a broad social debate. This is both important and noteworthy. China has long ceased to be a niche issue that is restricted to the Foreign Ministry or that is seen as a top priority in the narrow circles of the Federal Chancellery alone. For our future dealings with China, such a debate is essential: how dependent can we be on the Chinese market if the country develops in such a way that calls our own system into question? And how should Europe define its own position in relation to both China and the US in the future? When it comes to China, we need to think bigger, beyond clearly defined departmental boundaries and responsibilities.

This also means thinking about China in European terms. French President Emmanuel Macron appears to be doing this. At the France-China Summit in March this year he invited EU Commission President Jean-Claude Juncker and German Chancellor Angela Merkel to join him, while the EU Trade Commissioner and the German Federal Minister for Education and Research accompanied him on his recent trip to China. To what extent is Germany doing this? Would you say that the German government is acting as a European member state in its relations with China, or is it trying to go it alone?

The German government does a lot of talking about Europe, but when it comes to contact with China, the relationship is definitely still very bilateral. The various German-Chinese government dialogues are very important to Berlin. It's more difficult than you might think to abandon this 'special role', but some thought is being given to it nevertheless. Within the framework of the German EU Council Presidency, the German government is planning an EU-China Summit in autumn 2020 with all European heads of state and government. The idea is to present a common European front and to prevent Europe from becoming divided. It remains to be seen whether this will work, or whether in the end it will just serve as a European fig leaf for Germany's bilateral China policy.

Can Germany position itself more clearly in terms of power politics vis-à-vis Beijing, even within the European framework, if it so economically dependent on China?

There's a big struggle going on right now. Germany is having to weigh up a whole range of disadvantageous options, and it's a complex process. A tougher stance towards China could lead to the loss of German jobs in key industries. Of course that's something that we want to avoid. At the same time, Germany's bilateral approach to China is taking place at the expense of intra-European cohesion and transatlantic relations. This is not an easy situation. The short-term costs of a change in Germany's position vis-à-vis China is causing questions to be asked about the long-term sustainability of the German economy and Europe's strategic sovereignty.

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The European-Chinese relationship could put pressure on the transatlantic relationship. Trump is demanding European support against China, and China wants the EU on its side. What's the right way? Must Europe ultimately make a choice, or can it stand alone?

There's no easy answer to that. What is clear is that Europe needs a realistic analysis of where it stands. We have a close defence and security partnership with the US, and we clearly stand alongside democratic states including Japan, Australia and the US. But, nevertheless, certain questions are being raised that require a considered answer. What capabilities would Europe have to build up if the United States were to turn its back on Europe? Where do we draw borders in strategic infrastructure? What technological capabilities do we need? I find it somewhat schizophrenic that we have central 5G network suppliers such as Ericsson and Nokia in Europe but are creating obstacles for them on the European market, while in China Huawei and ZTE operate largely protected from international competition. We have two tech champions in Europe and talk a lot about technological autonomy, but we don't actually do anything about it.

What would European 'technological autonomy' actually mean? Would this not lead to the formation of Chinese, American and European technological 'blocs'?

There is indeed a risk of this happening, although it isn't yet clear whether these spheres of influence would ultimately become that firmly established. But it's essential for Europe to start thinking about the technological core competencies it needs to make sovereign decisions in the 21st century. Do we need tech champions in Europe? Do we need a semiconductor industry? These are all political decisions, and we need to take the long view. I would say that the more competencies Europe can build in this area the better – for the sake of sovereignty, of course, but above all for Europe's economic prosperity. Unfortunately, Germany is currently not doing enough to drive this process forward.

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