



# Peace, War and the World in European Security Challenges

## Partner or Rival? Perceptions of China in Europe and Beyond

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**Let us begin with some questions first:**



**It's QUESTION TIME!!**



## Let us begin with some questions first:

### 1) China's rise

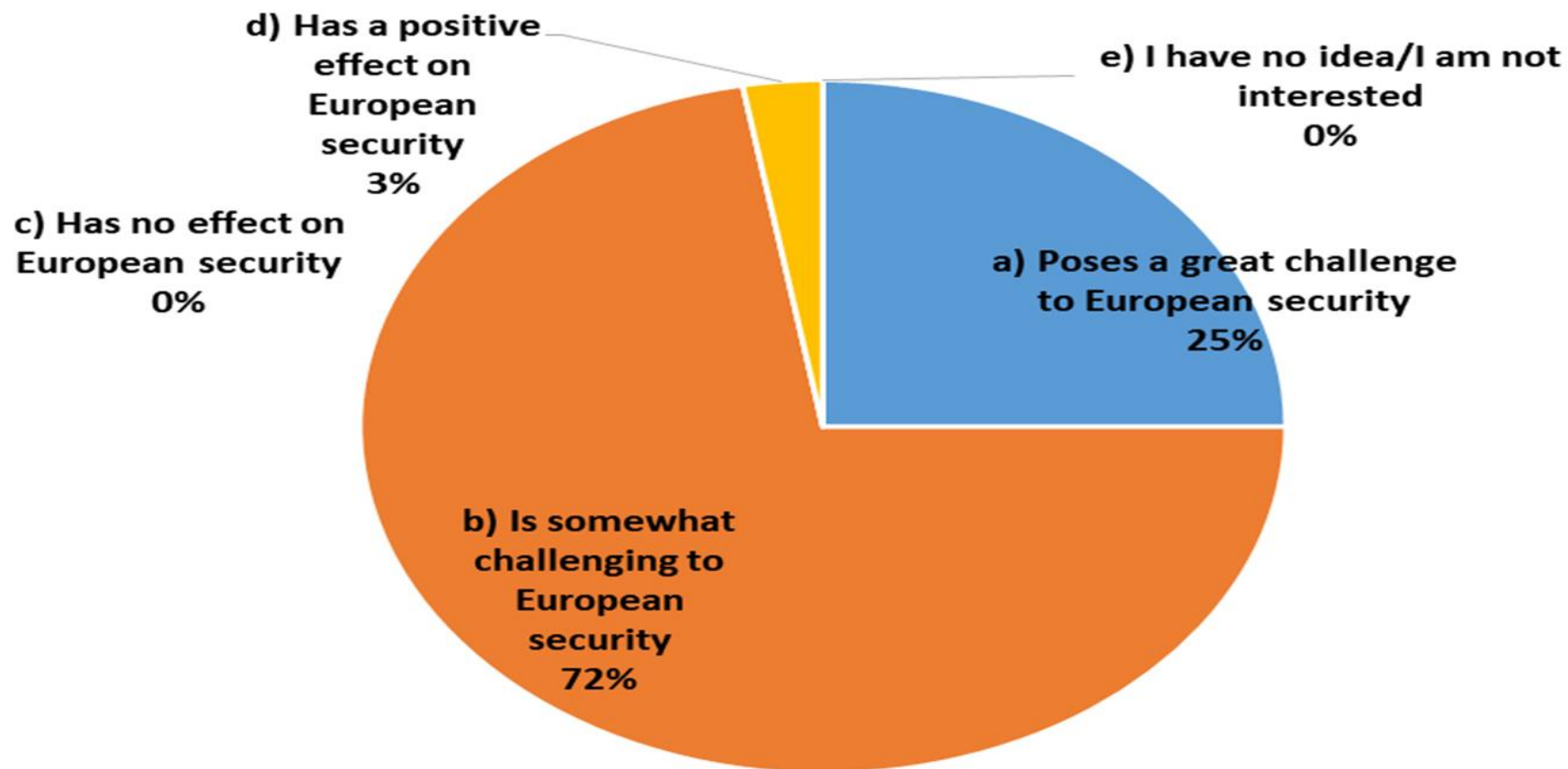


Chart prepared by  
Res.Asst. Tugcan  
Durmuslar

## Let us begin with some questions first:

### 2) China and EU:

Chart prepared by  
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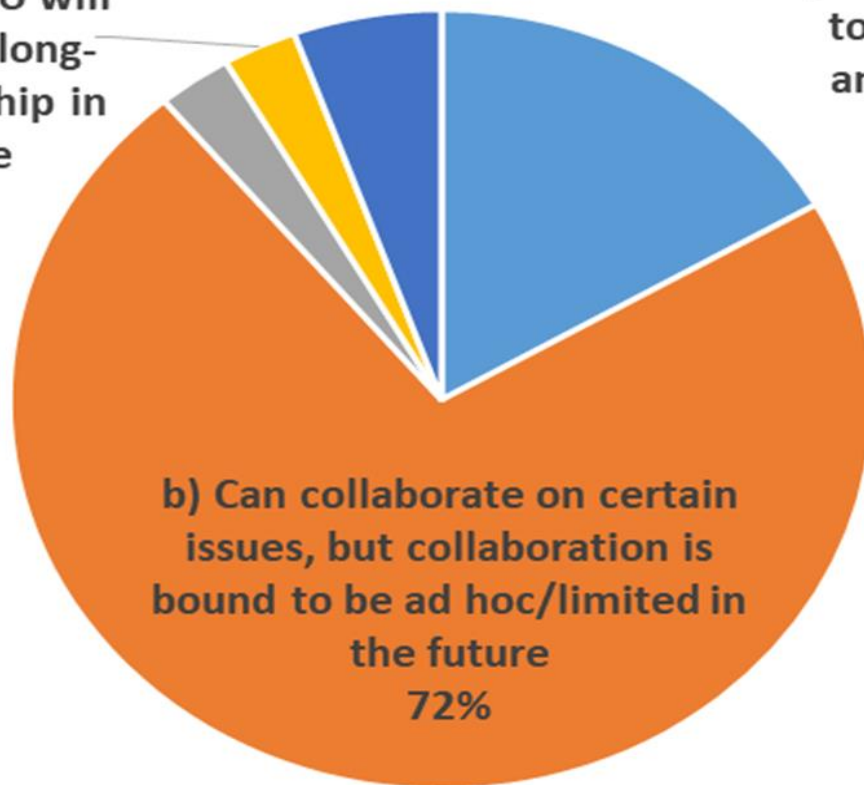
d) China and EU will  
never form a long-  
term partnership in  
the future  
3%

e) China and EU are likely  
to turn hostile to one  
another in the future  
5%

a) Can establish a  
steady strategic  
partnership in  
the future  
17%

b) Can collaborate on certain  
issues, but collaboration is  
bound to be ad hoc/limited in  
the future  
72%

c) Are likely to  
maintain neutral  
relations with each  
other in the future  
3%



# Let us begin with some questions first:

## 3) China is most likely to cooperate with EU in terms of

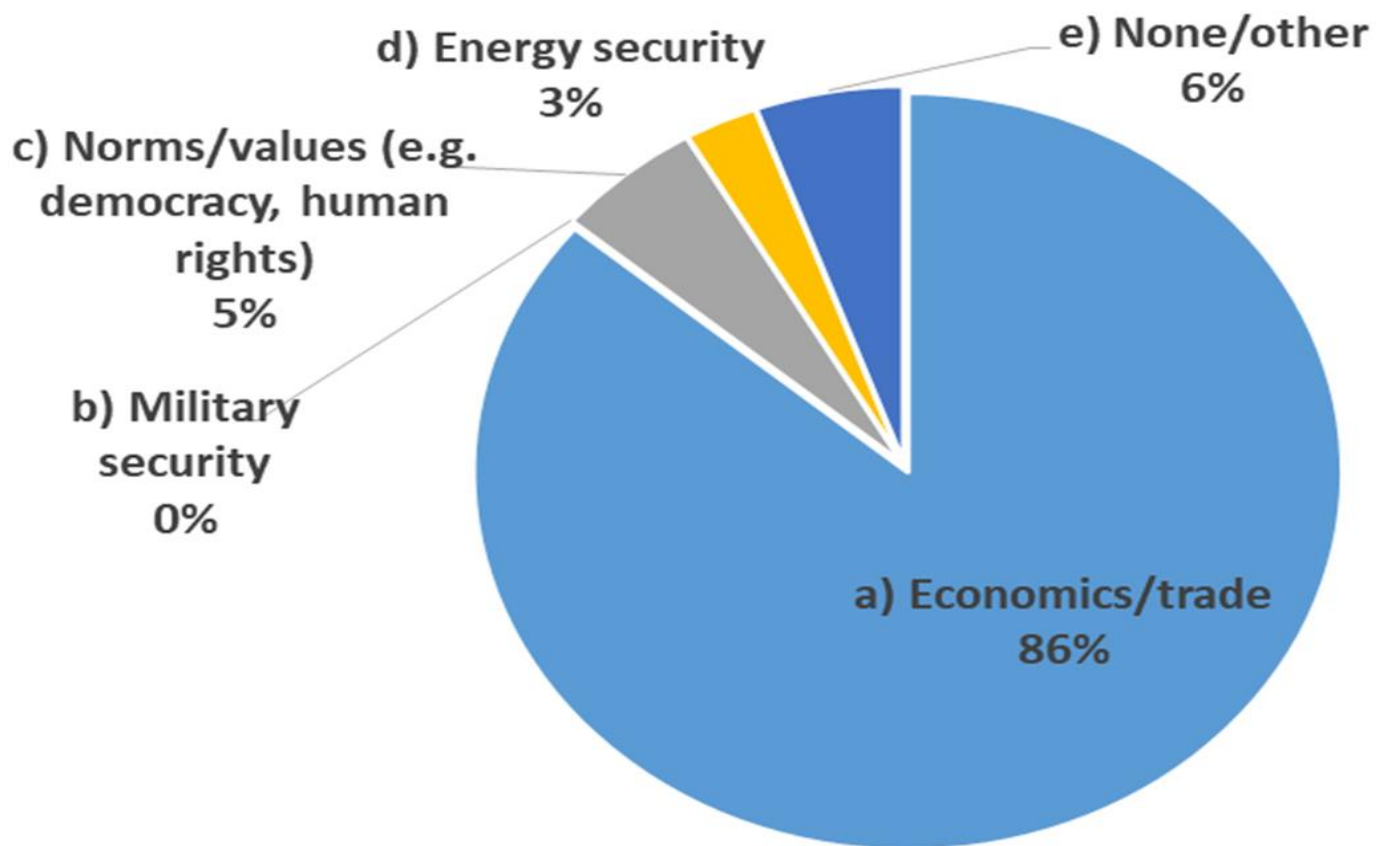


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# Let us begin with some questions first:

## 4) China is most likely to challenge EU in terms of

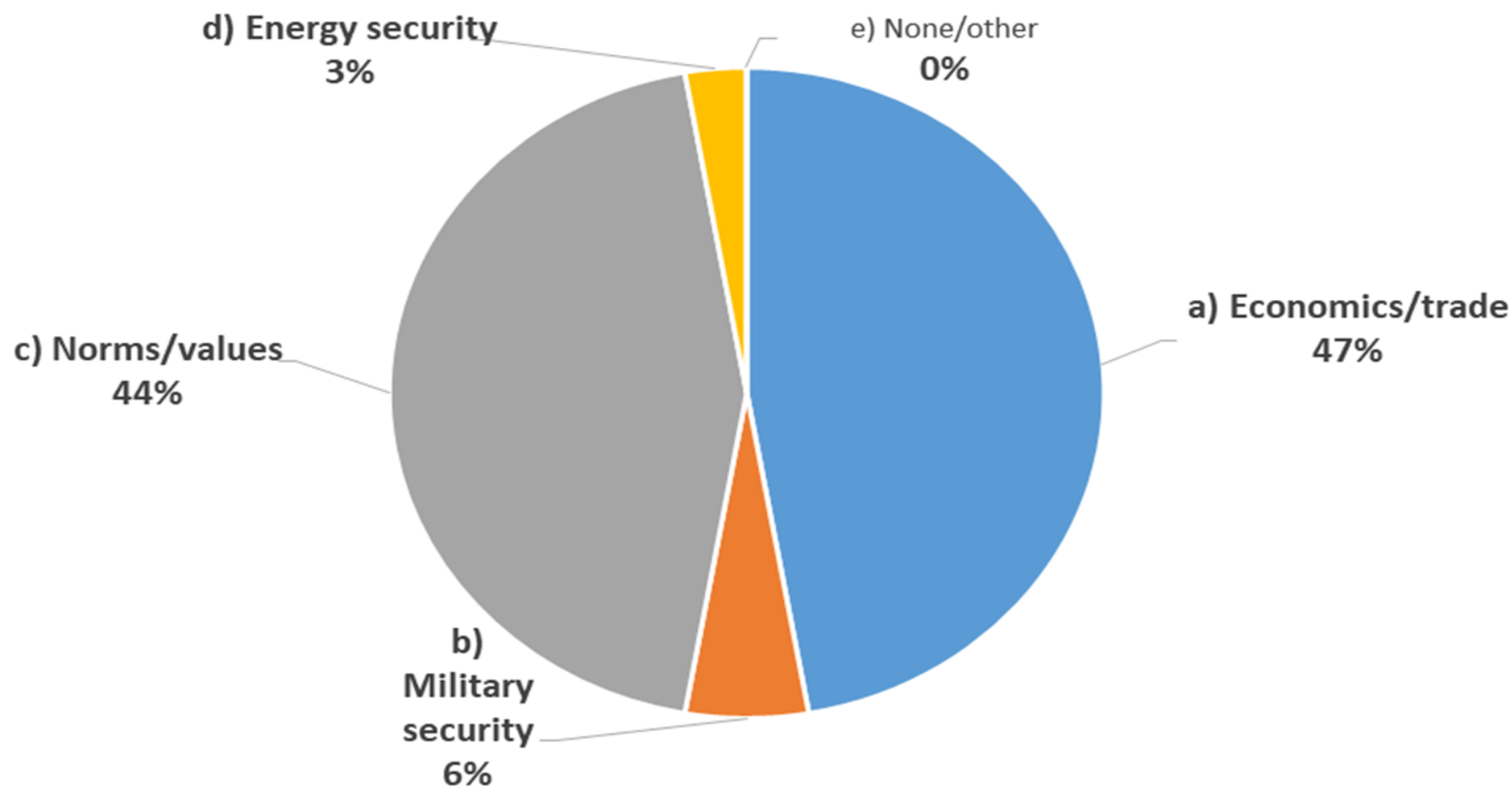


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## Let us begin with some questions first:

5) In your opinion, your country's relations with China in the future are likely to be

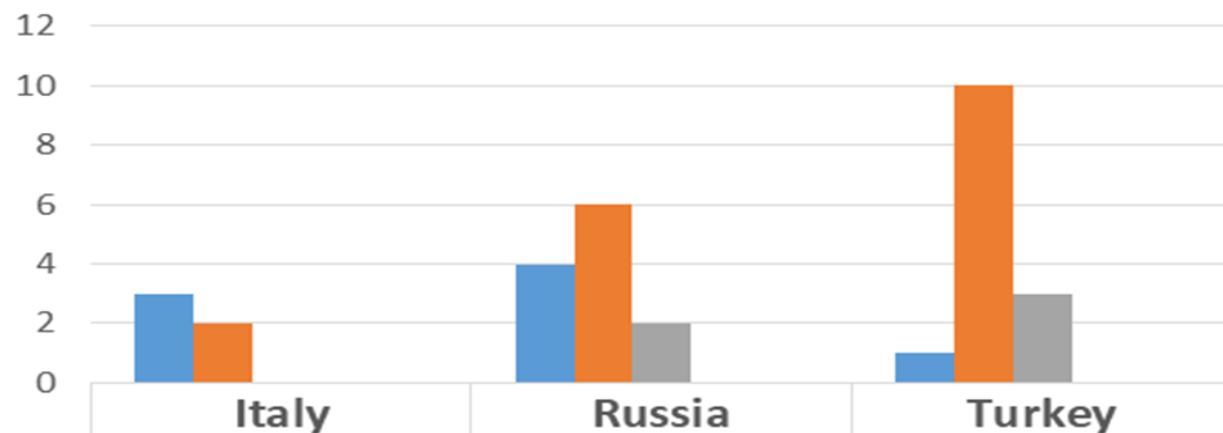


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- a) Mostly Cooperative
- b) Somewhat cooperative
- c) Neither cooperative, nor hostile
- d) Hostile
- e) I have no idea/I am not interested



## **Focus of the lecture**

- Overview the rise of China (facts, figures)
- Discuss its consequences for Europe and beyond
- Classroom discussion/Q&A





- **China:** ~1/5<sup>th</sup> of human population
- **Growth:** ~10%/year for ~40 years
- **Result:** Global actor (manufacturing, technology)
- **Economy:** No.2 in the world (No.1: USA)
- 6 megacities and counting (**Beijing, Tianjin, Chongqing, Shanghai, Guangzhou, and Shenzhen**)
- (2019) First quarter growth: **6.4%** (ongoing trade war with USA)

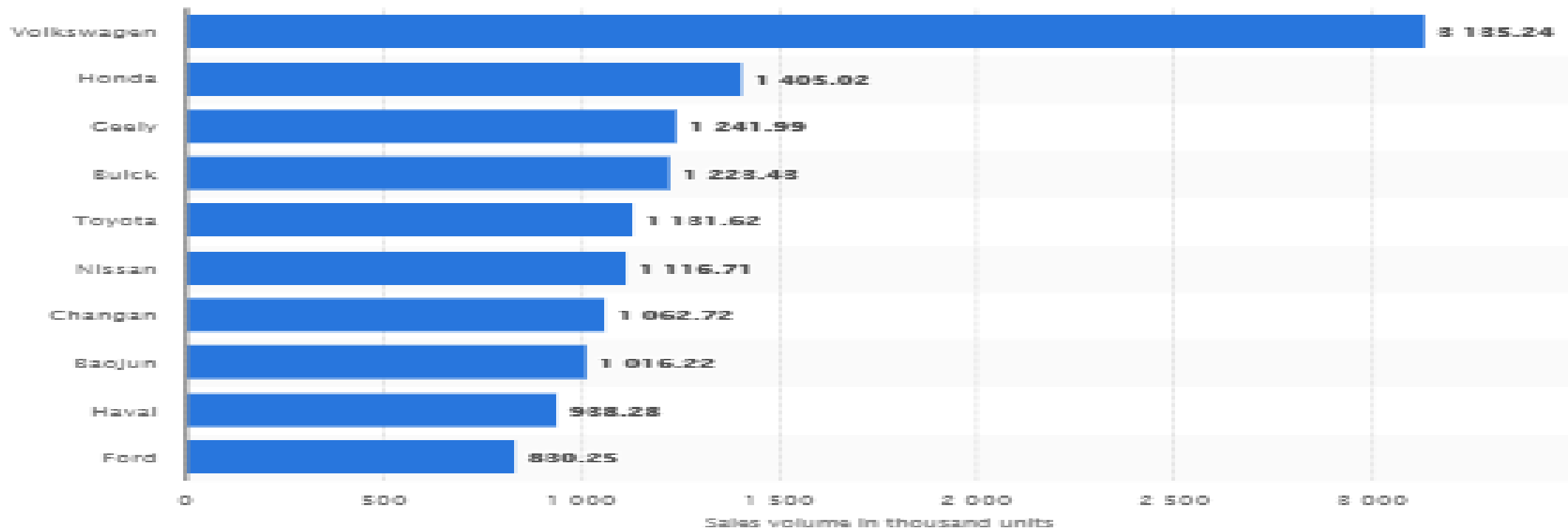
Source: World Economic Forum

Megacity: A city over 10 million people



- ↓
- **twice the UN forecast for the rest of the world)**

# Leading passenger vehicle brands in China (2017) by volume of sales (*in thousand units*)



© Statista 2021  
[Show source](#)

[Additional Information](#)

Source: <https://www.statista.com/statistics/863891/china-top-car-brands-by-volume-of-sales/>

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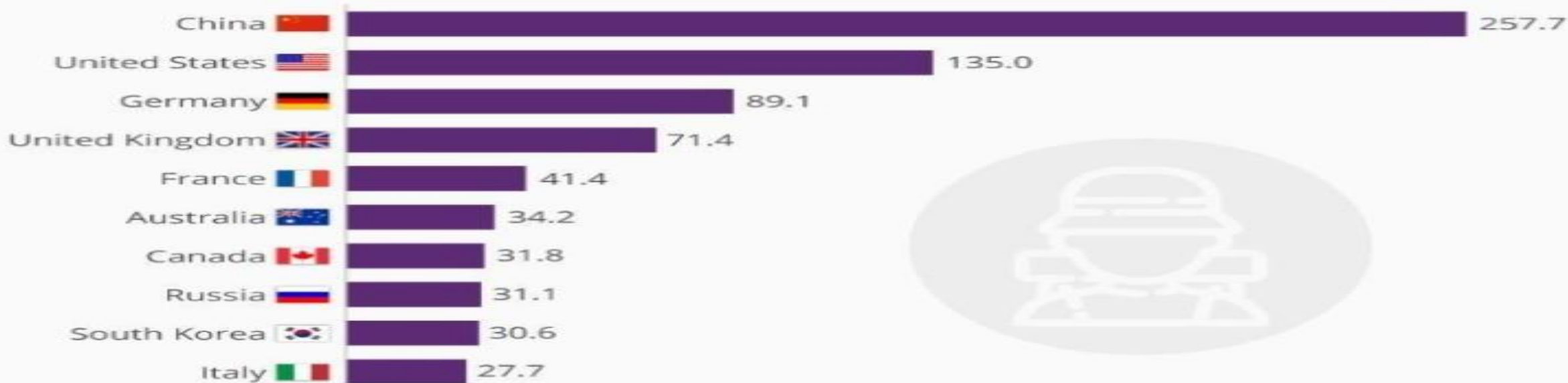


# China today: Some Facts (cont.ed)

Source: World Economic Forum

## Chinese tourists spent a quarter of a trillion dollars abroad

International tourism expenditure in 2017 (billion U.S. dollars)



@StatistaCharts

Source: World Tourism Organization (UNWTO)

statista

Image: Statista

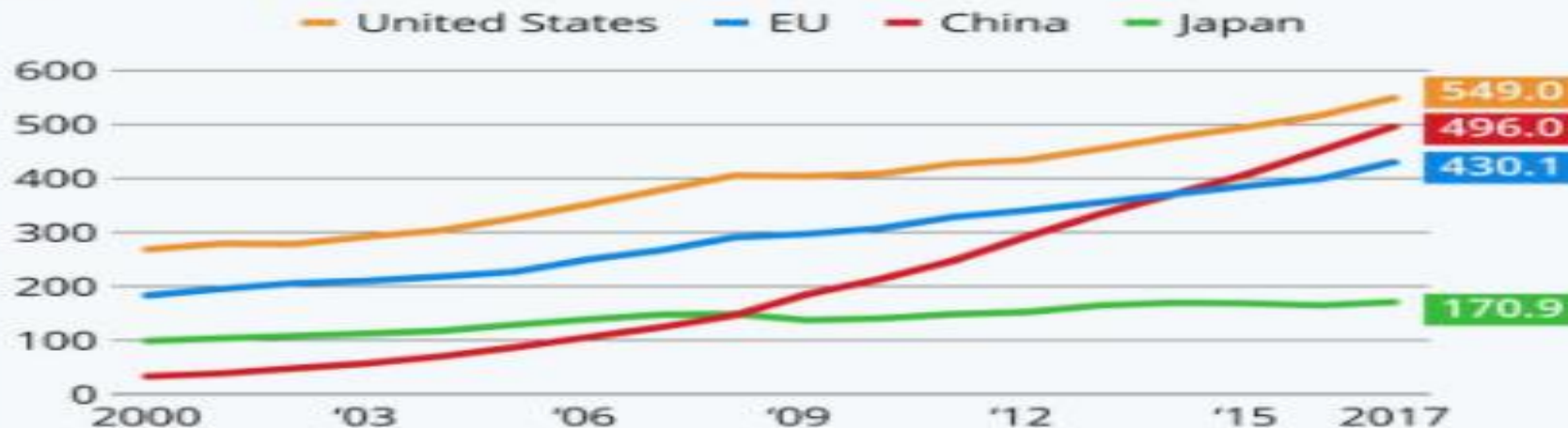
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# China: R&D Expenditure (2017)

## China Closes The Gap In R&D Expenditure

Gross domestic expenditures on R&D (billions of PPP dollars)



PPP=purchasing power parity.  
Source: National Science Foundation



Forbes statista

Gross domestic expenditures on R&D (billions of PPP dollars) STATISTA

Source: *Forbes*, 20 January 2020,  
<https://www.forbes.com/sites/niallmccarthy/2020/01/20/china-is-closing-the-gap-with-the-us-in-rd-expenditure-infographic/?sh=3cfe72b58326>

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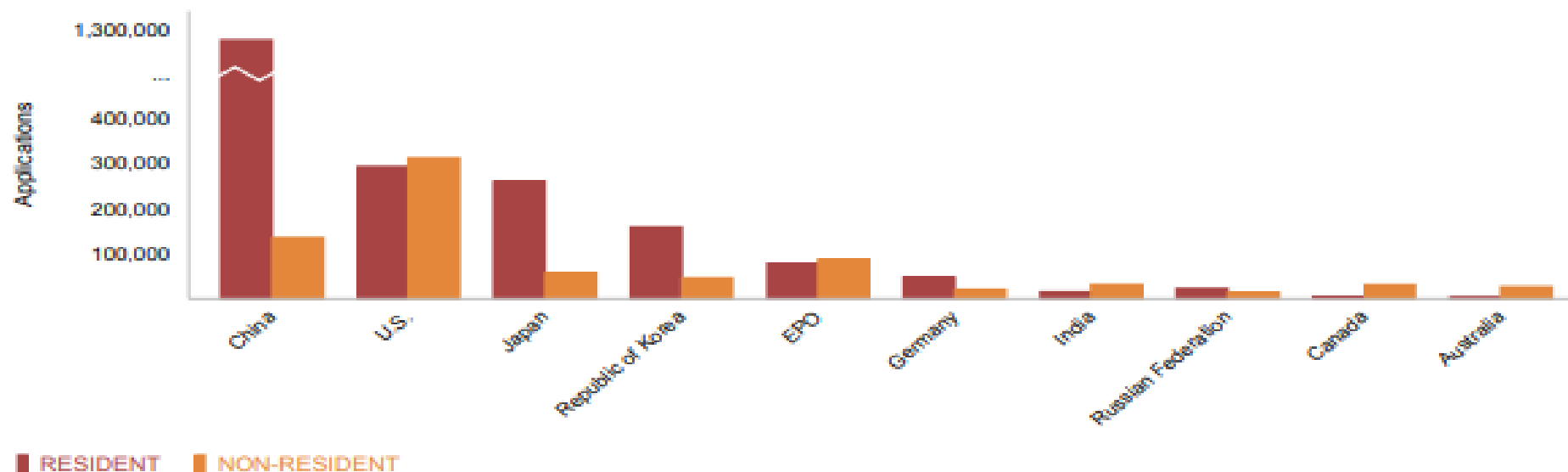




# The Rise of China: A Threat or An Opportunity?

**IP office of China received 1.38 million applications**

1.2. Patent applications at the top 10 offices, 2017



Source: Figure A8.

**Source:**  
World  
Intellectual  
Property  
Indicators  
2018

[https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_941\\_2018.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2018.pdf)

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# The Rise of China: A Threat or An Opportunity?

- **Opportunity**

- 1. Global Economic Dynamo
- 2. Keeper of the Status Quo
- 3. Guardian of Multipolarity
- 4. Weak China is worse

- **Threat**

- 1. Rapid militarization
- 2. Ruthless player?
- 3. Foreign aid to dependency
- 4. Authoritarianism

Source: Debating Europe

Image:  
[https://www.open.edu/openlearn/ocw/mod/oucontent/view.php?id=84359&section=\\_introduction](https://www.open.edu/openlearn/ocw/mod/oucontent/view.php?id=84359&section=_introduction)

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## **The Rise of China: A Threat or An Opportunity?**

- Opportunity
- **1. Global Economic Dynamo**
- China's economic development → positive impact on the world economy  
(e.g. Australian mines, German cars, US farmers)
- China's adoption of liberal market → 10-fold growth in 30 years

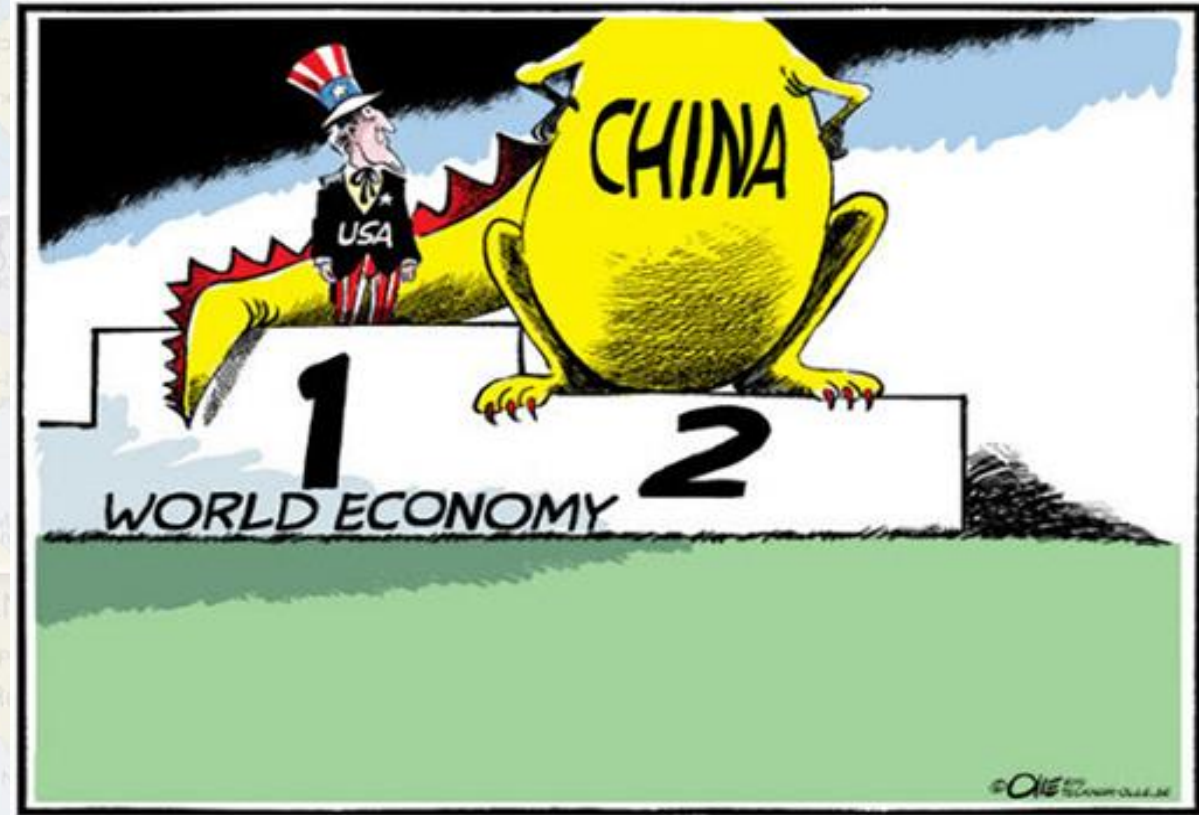


Image:  
[https://www.open.edu/openlearn/ocw/mod/oucontent/view.php?id=84359&section=\\_introduction](https://www.open.edu/openlearn/ocw/mod/oucontent/view.php?id=84359&section=_introduction)

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## The Rise of China: A Threat or An Opportunity?

- **Opportunity**
- China's adoption of market economy → economic growth ~8%/year
  - Avoiding the “middle income trap”
- Positive example for the rest of the (developing) world

**The middle income trap:** an economic term to describe a condition where after a country reaches a certain income level, it gets stuck there (losing competitive edge due to rising wages; keeping up in the **high-value-added market**)



Image:  
[https://www.open.edu/openlearn/ocw/mod/oucontent/view.php?id=84359&section=\\_introduction](https://www.open.edu/openlearn/ocw/mod/oucontent/view.php?id=84359&section=_introduction)

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# The Rise of China: Threat or Opportunity?

- **2. Keeper of the Status Quo**
- **China:** would avoid anything that would threaten its development
- China and the Western world: converging interests
  - stability in the **Middle East**
  - encounter **religious radicalism**
  - control **nuclear proliferation**
- **China:** important actor for global peace and stability



Image source:  
<https://leadingincontext.com/2018/11/07/the-seductive-power-of-the-status-quo/>

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# The Rise of China: A Threat or An Opportunity?

- **3. Guardian of Multipolarity**
- Rise of **BRICS** (Brazil, Russia, India, China, South Africa) → promote multipolarity, prevent hegemonic overdomination
- Multipolarity:
  - Increased checks and balances
  - Promote cooperation on
    - Terrorism
    - Energy
    - Climate change





# **The Rise of China: A Threat or An Opportunity?**

- **4. Weak China is worse**
- Former US president Bill Clinton: China in poverty is more dangerous than a rich China
- Increased wages can decrease the competitive edge of China → loss of low-cost advantage → possible social unrest for over a billion people → bad news for the world.



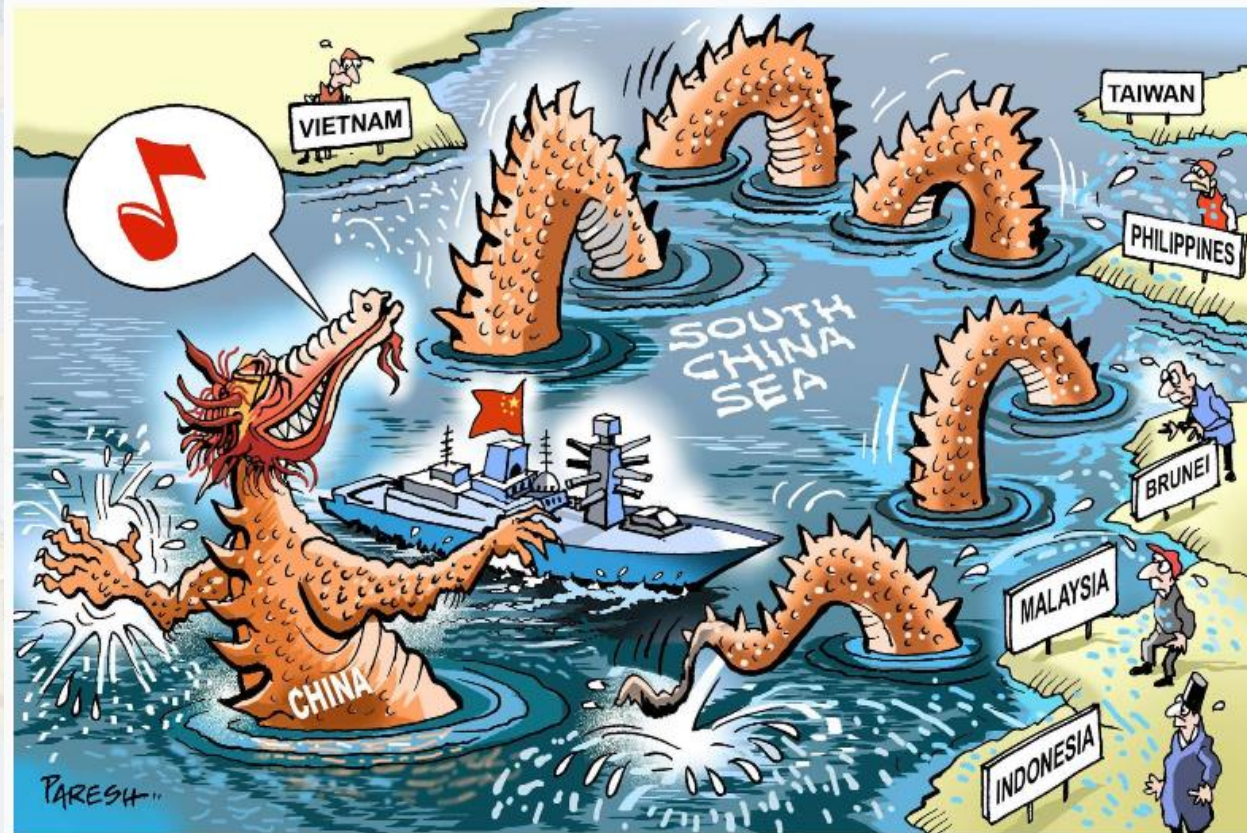


# The Rise of China: A Threat or An Opportunity?

- **THREAT**

- **1. Rapid militarization**

- Chinese military budget: +12% expansion for over a decade
- Over **2 million** soldiers
- Conflicts
  - Taiwan
  - South China Sea
  - Territorial dispute with India



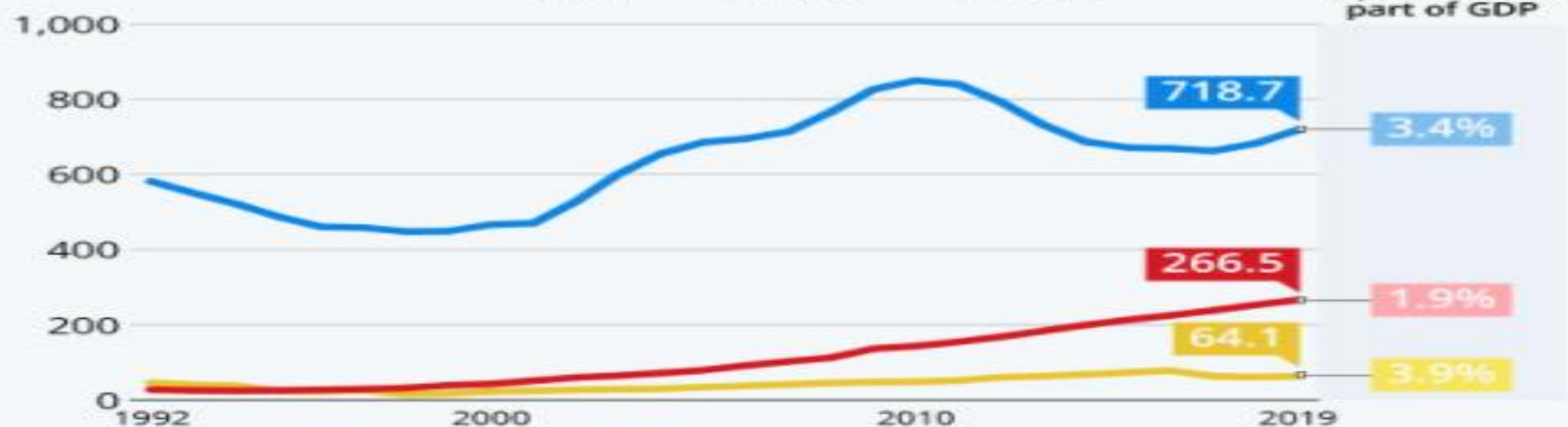


# The Rise of China: A Threat or An Opportunity?

## China Steps Up Military Spending

Military expenditures by the U.S., China und Russia (in billion U.S. dollars)

— U.S. — China — Russia



At contant 2018 prices

Source: SIPRI



statista

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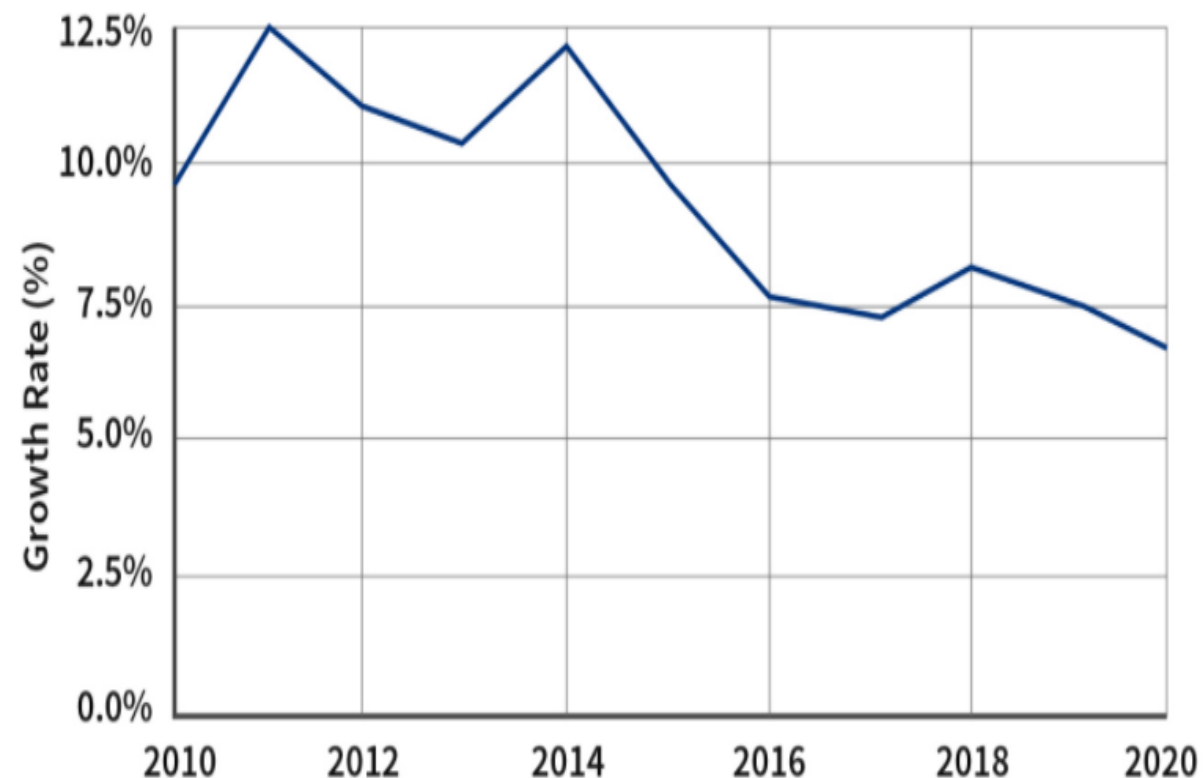


# The Rise of China: A Threat or An Opportunity?

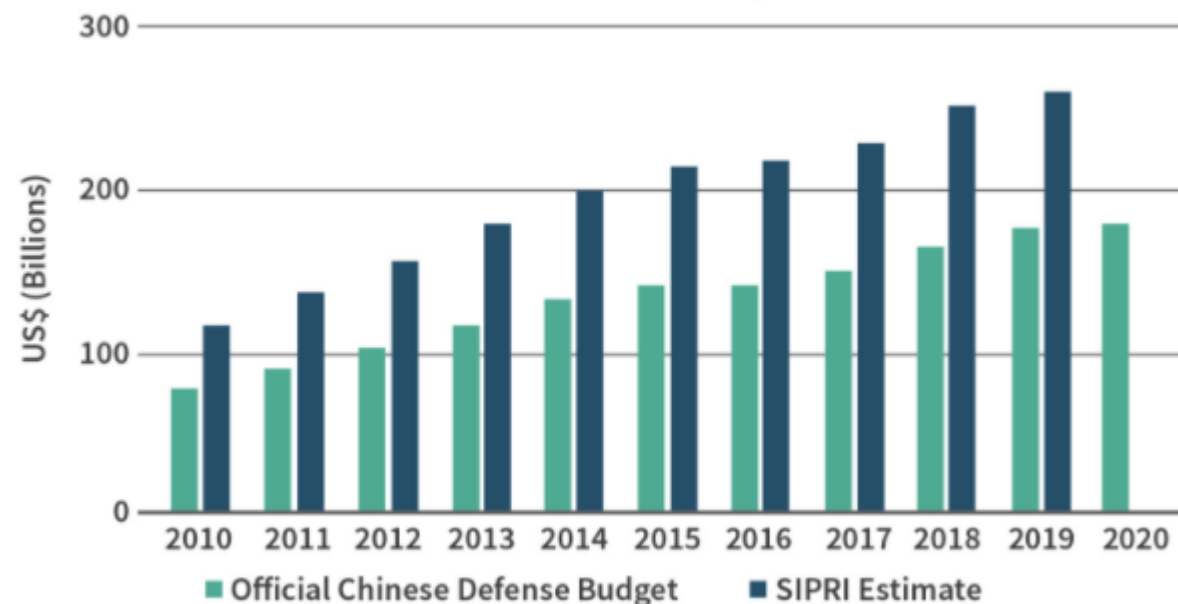
Center for Strategic and International Studies

Breaking Down China's 2020 Defense Budget  
May 22, 2020

Annual Growth Rate of China's Announced Defense Budget



China's Estimated Defense Spending  
Nominal US\$



Sources: Chinese Central Government; Stockholm International Peace Research Institute

CSIS | CHINA POWER PROJECT

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# The Rise of China: A Threat or An Opportunity?

- **2. Ruthless player?**
- China's cheap labor → **fierce competition** with the rest of the world to sell goods
- Tough competition → Global job loss





# The Rise of China: A Threat or An Opportunity?

## INTELLECTUAL PROPERTY

The best and the worst in protecting property rights:

Country	Rank
New Zealand	1
Finland	2
Sweden	3
Switzerland	4
Norway	5
United States	14
Czech Republic	30
Poland	41
China	52
Bangladesh	125
Venezuela	126
Yemen	127

Source: The Property Rights Alliance "2017 International Property Rights Index"

THE WASHINGTON TIMES

- 2. Ruthless player?
- Intellectual property rights problem → hurts producers *and* consumers

Image source:

<https://www.washingtontimes.com/news/2018/apr/16/problems-in-protecting-intellectual-property-right/>

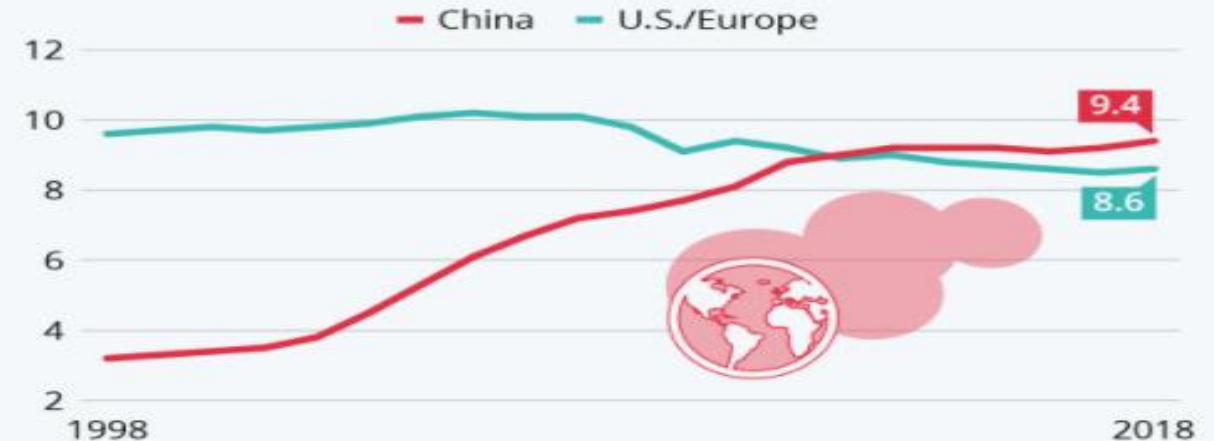


# The Rise of China: A Threat or An Opportunity?

- **2. Ruthless player?**
- China's rapid development → increasing energy consumption → price hikes for hydrocarbons, raw materials.
- Pollution: A threat for China and the rest of the world.
- **Chinese carbon emissions have increased by 171 percent since 2000.**

## China Beats U.S., Europe in Combined Greenhouse Gases

Amount of greenhouse gases produced by China and U.S./Europe (in billion tons)



Measures carbon dioxide emissions from burning fuel  
Sources: BP, Bloomberg



**statista**

<https://www.statista.com/chart/22983/china-greenhouse-gas-emissions/>

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# The Rise of China: A Threat or An Opportunity?

- 3. Foreign Aid → Dependency
- China's economic ties with Africa criticized by the West
- China controls **\$1.261 trillion** of American debt
- Chinese investments in Europe in recent years
  - power company takeover attempt (Portugal)
  - purchase of ports (Greece)
  - [Technology transfers]

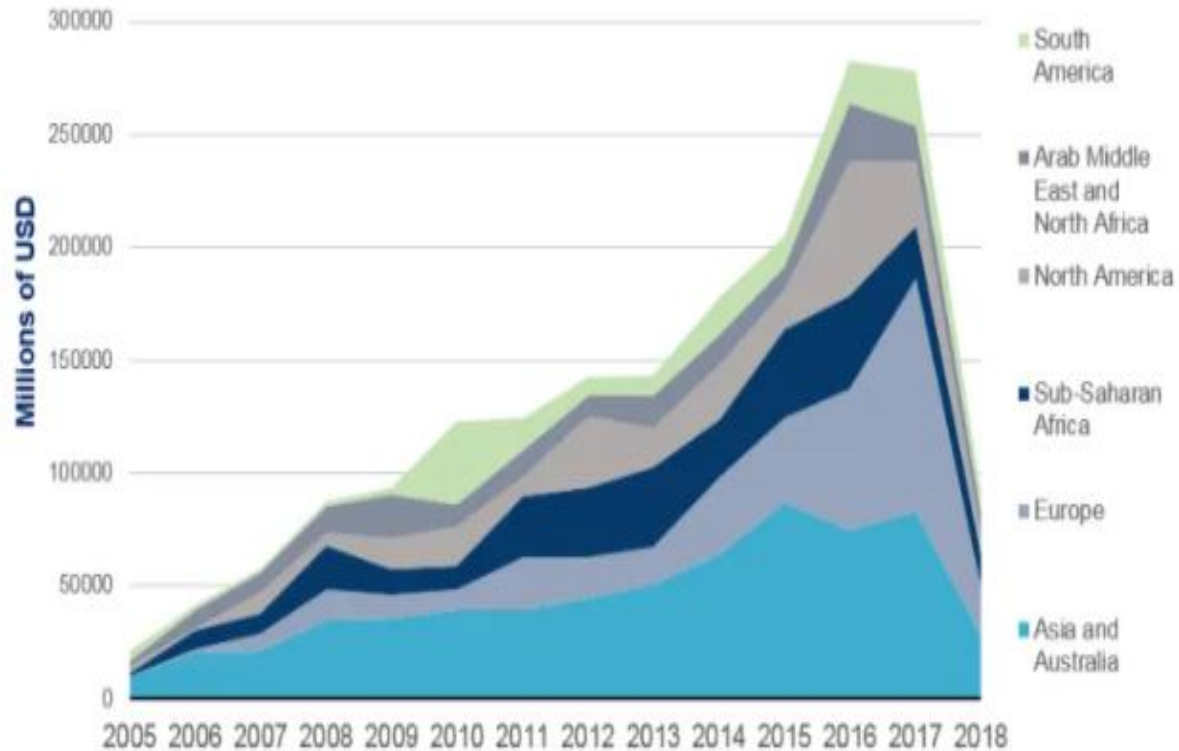


Chinese investment in Africa (2005)



# The Rise of China: A Threat or An Opportunity?

Figure 1. Global Chinese investment since 2005

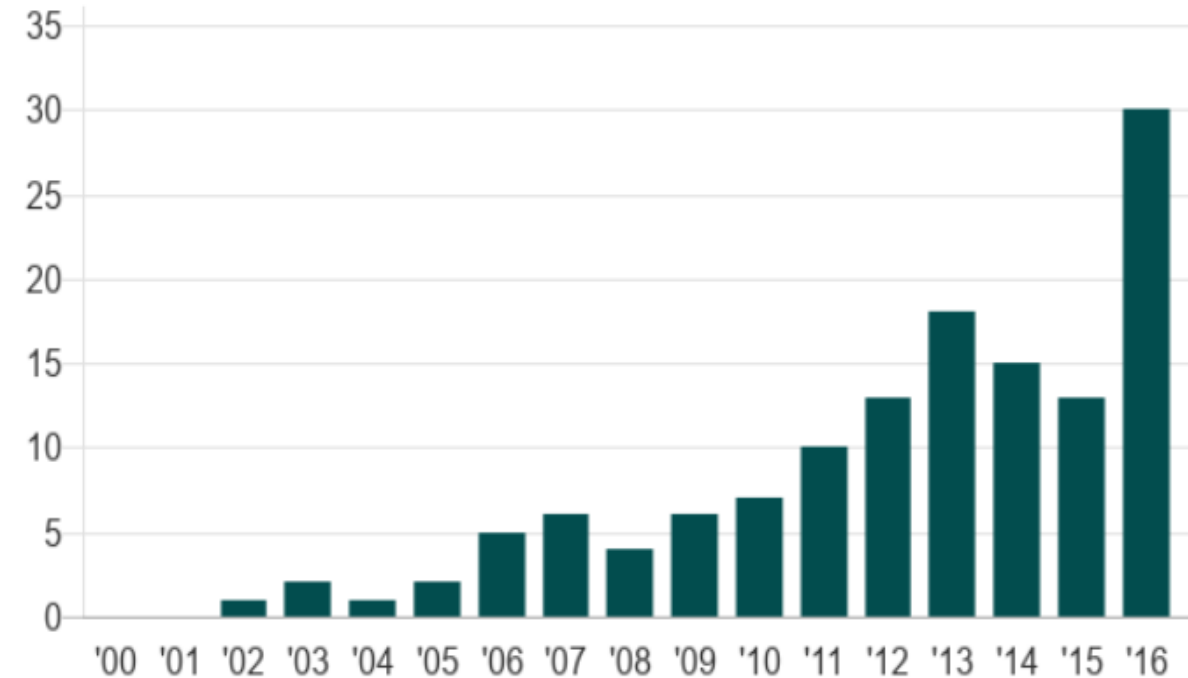


Source: Chinese Investment Tracker, AEI

BROOKINGS

Annual Chinese loans to African governments (2000-2016)

US\$ billions



Source: Johns Hopkins SAIS China-Africa Research Initiative

BBC

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# The Rise of China: A Threat or An Opportunity?

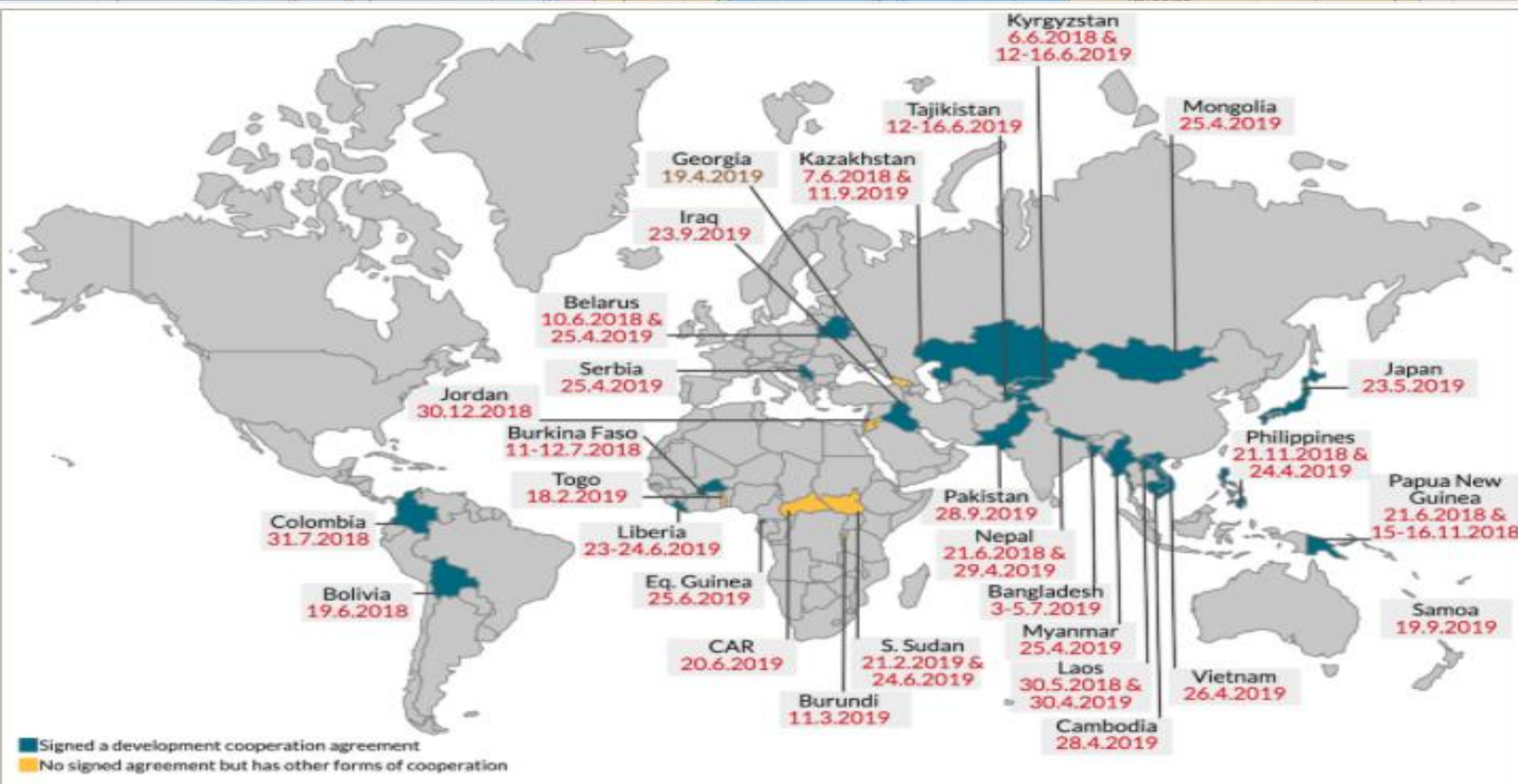


Image source:  
**Center for Global Development,**  
<https://www.cgdev.org/publication/chinas-foreign-aid-primer-recipient-countries-donors-and-aid-providers>

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# **The Rise of China: A Threat or An Opportunity?**

- **4. Authoritarianism**
- **Democracy:** US/EU approach not shared by China
- **Domestic problems:** (e.g. Hong Kong protests, Xinjiang issue)
- **China's actions in UN criticized** (e.g. Myanmar, Sudan and Syria)



# The Rise of China: A Threat or An Opportunity?

- 4. Authoritarianism
- Chinese actions in Africa contradicts **EU conditionality** principles on human rights and foreign aid.
- **Chinese economic growth threatens EU aspirations to be a model for the world**



© Getty Images/APPT Schwarz



## Favorability of...

### United States

37%

35%

46%

50%

63%

61%

### China

Netherlands

49%

Germany

34%

France

44%

UK

45%

Hungary

38%

Italy

31%

Source: Pew Research Center

# Duke and Wong: Chinese and EU Views of Military Security

**Simon Duke and Reuben Wong, “Chinese and EU Views of Military Security: Crafting Cooperation,” *Security Relations between China and the European Union: From Convergence to Cooperation?***

Emil J. Kirchner, Thomas Christiansen, Han Dorussen (eds.), Cambridge University Press, 2017.

- **Caveat: some contents taken verbatim from the chapter**



## Duke and Wong: Chinese and EU Views of Military Security

- Chinese and EU concepts of “security:” diverse interpretations
- EU’s military/security relations with China: subset of wider security engagement with East Asia
- **EU goal:** Prevent tensions in Southeast Asia from spilling over into the Indian Ocean region



Image source: “China’s sea lines of communication—implications for the South Pacific?,” <https://www.aspistrategist.org.au/chinas-sea-lines-of-communication-implications-for-the-south-pacific/>

# The EU's Threat Perceptions and Military Security Thinking

- China-EU military relations **in Asia** also dependent on EU-USA relations
- The EU's security outlook: **US primacy in Asia aided by bilateral alliances, military presence**
- Revised 2012 guidelines on the EU's foreign and security relations with East Asia → **closer alignment between EU and US security policy in the region**



# The EU's Threat Perceptions and Military Security Thinking

- EU–China military cooperation: not just focused on Asia
- EU attempts for trilateral cooperation in Africa
- Common objectives:
  - Work on reinforcing **peace** and **security**
  - Work on **peacekeeping** operations
  - Work on **capacity building** and **training**



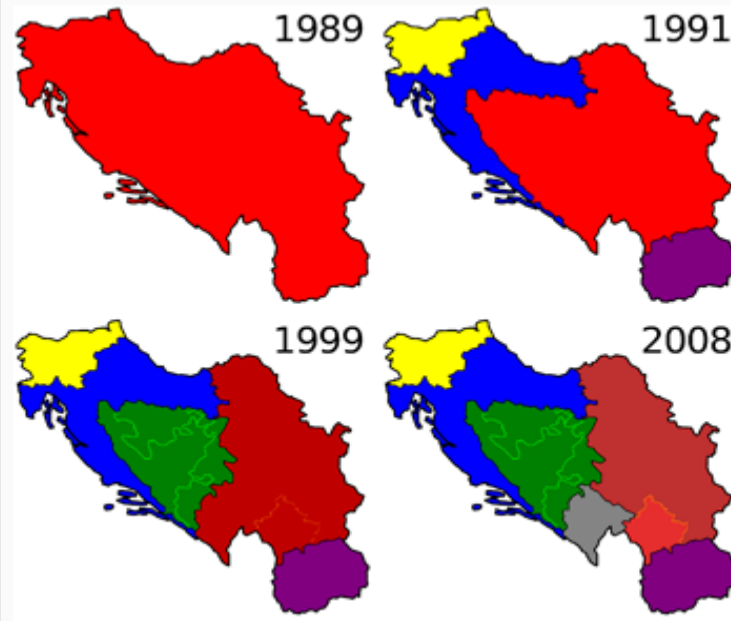
# Duke and Wong: Chinese and EU Views of Military Security

- **Military security in EU–China relations developed late:**
  - **Ban on contacts** between military personnel from the EU and the People's Liberation Army (PLA) **until 1995**
  - **The overall evolution of the CSDP** (The Common Security and Defense Policy)
    - **(1998)** The CSDP established
    - **(2003)** First military mission of CSDP
    - **Until Lisbon Treaty (2009)** no legal capabilities for European Commission to include military security subjects in its discussions with third parties



## The EU's Threat Perceptions and Military Security Thinking

- China in post Cold War era: concerned by Western actions
  - (Summer 1989) Collapse of communism
  - (June 1989) Tiananmen incident
  - (1990s) Western-led military interventions (e.g. Yugoslavia)





# Duke and Wong: Chinese and EU Views of Military Security

- (1990s- ) **Exponential increases in Chinese military budget**
- **Tensions between China and neighbors** (e.g. Chinese military maneuvers regarding Taiwan Straits)
- **Tensions between China and US**
  - (1995-1996) The US Seventh Fleet support for Taiwan [Taiwan Strait Crisis]
  - (2001) The US spy plane crash on Hainan Island
  - (2004–5, 2007) Conflict over (potential) European and Israeli arms sales to China
  - **General disagreement over the US role in Asia**



Soldiers march in formation in a parade that saw China unveil its latest weapons in a demonstration of national pride © Reuters



# Duke and Wong: Chinese and EU Views of Military Security

EU: End of Cold War → end of bipolarity, militarism

- **Intrastate conflicts** ↑ (low technology, high civilian casualties)
- No **explicit** threat to EU
- Economic crisis in 2008
- **Soft tools** ↑ > **Defense** ↓ for EU
- **USA and Europe:**
  - Threats from the “pre-modern world” (e.g. terrorism)
  - Threats from modern, rising countries (e.g. ambitious China/India challenging regional balances)

# Duke and Wong: Chinese and EU Views of Military Security

- **(Traditional) EU-China relations:** economic cooperation
- Military security becoming prominent in recent years:
  - E.g. sea lines of communication (SLOCs).  
(SLOC: major maritime routes between ports)
- Explaining EU's interest in keeping SLOC open:
- **The rule of law**
- **1/3 of global trade passes through the South China Sea and the observance of the UN Convention on the Law of the Sea (UNCLOS)**



# The EU's Threat Perceptions and Military Security Thinking

## 2019 Asia-Europe Foreign Ministers Meeting

- Why EU concentrates on these themes?

- 1) EU focus on **multilateralism** and the **rule of law** congruent with the overall EU experience of Asia
- 2) EU exerts little influence on the immediate security concerns of Asia through any direct military presence



Image source: "Asia and Europe: Together for effective multilateralism,"  
[https://eeas.europa.eu/headquarters/headquarters-homepage/72272/node/72272\\_hr](https://eeas.europa.eu/headquarters/headquarters-homepage/72272/node/72272_hr)

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# Duke and Wong: Chinese and EU Views of Military Security

- **(December 2013) European Council:** Military security issues central to EU's external actions
- **China:** strong interest in the EU's *Common Security and Defense Policy* (CSDP)
- Chinese goals:
  - increased military-to-military engagement,
  - cooperation of defense industries

Chinese general motive: promote **multipolarity** in the post Cold War era (EU as a pole acting independently).



# Duke and Wong: Chinese and EU Views of Military Security

- **(2020) EU–China Strategic Agenda for Cooperation (EEAS)** established
- **Goal:** Bilateral collaboration on
  - peace and security (EU-China cooperation in the Gulf of Aden)
  - prosperity
  - sustainable development
  - people-to-people exchanges
- **The role of military security in mutual relations (and triangular relations with USA) **AMBIGUOUS****

# Chinese Threat Perceptions and Military Security Thinking

## Chinese Threat Perceptions/Military Security Thinking

- Two contrasting themes

### 1) Realist approach

- Focus: territorial integrity and defense
- Military power as a tool to enhance “great power” status in IR

**Military threat perception (since 1949):** control of territorial borders important





# Chinese Threat Perceptions and Military Security Thinking

- **China: involved in several wars since WWII**
  - a civil war (1947–49)
  - proxy wars with USA
    - Korea 1950–53
    - Vietnam 1965–75
  - Hot wars/border skirmishes with India, the USSR, Vietnam
  - Threat of military force (e.g. Taiwan, the Philippines, Japan)



© Diptendu Dutta/AFP/Getty Images

# Chinese Threat Perceptions and Military Security Thinking

## 2) Cooperative approach:

### Five Principles of Peaceful Coexistence (adopted in 1950s)

- mutual respect for sovereignty and territorial integrity
  - mutual non-aggression
  - non-interference in each other's internal affairs
  - equality and mutual benefit
  - peaceful coexistence
- (2002-2012) Hu Jintao administration
    - **Focus: “peaceful development”** → no direct challenge on “neoliberal world order” (USA)





# China-EU military relations

Chinese military perceptions of the EU identity and goals:

- multilateral player, soft power

**EU/China military security:**

- No direct threat from both sides
- No evident military conflict of interest between EU and China

**Disagreements remain due to historical, cultural, geographical differences**

- **Overall, more room for cooperation than disagreements**



# China-EU military relations

- **Recent years:** Chinese traditional approach to security has changed (supremacy of land over sea)
- **New focus:** Protection of maritime rights and interests on the near seas for own security
- **Active in regions beyond immediate neighborhood to gain/maintain “great power” status**
- **Relations with EU affected**



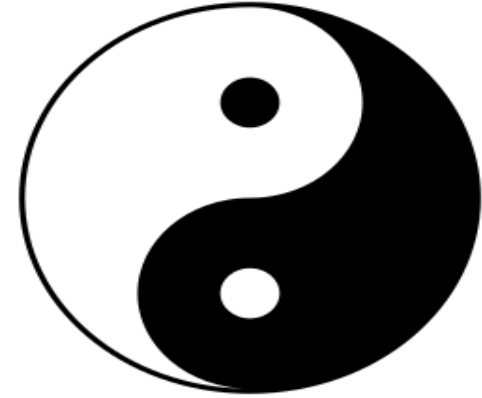
# Chinese military power in international security

- EU's international peacekeeping practices: helpful examples for China
- China: responsible power in international security
  - (1990s- ) China active in 20+ UN peacekeeping operations
  - (June 2015) **2720** Chinese peacekeepers in **9** UN mission areas
  - Ex:
    - Lebanon
    - The Democratic Republic of Congo
    - Liberia
    - Mali
    - South Sudan
    - The Darfur region of Sudan

# China's military security: Persisting duality

## Contrasting identities:

- i) developing country *and* ii) ancient once predominant civilization.
- Reconstruct Chinese identity as a **cooperative** global economic partner → development
- Issues regarding **national pride and sovereignty** → **Hard militarist position**
- Territorial occupation by foreign states: China's "**century of humiliation**" → **affects self-perception**





# The EU's Threat Perceptions and Military Security Thinking

- The EU's Threat Perceptions and Military Security Thinking
- Both China and EU clarified their policies toward one another in 2003 marked the (European Security Strategy).
- EU: human rights → External relations
- China: Development + stability → External relations

# **The EU's Threat Perceptions and Military Security Thinking**

- **China: realist approach to security**
- **the EU: not a state**
- EU's (military) security culture based on member attitudes
- EU approach to China in military relations: four principles
  - Multilateralism
  - The rule of law
  - The comprehensive approach
  - The triangular relationship (USA)





## The EU and China in 2020: More Competition Ahead

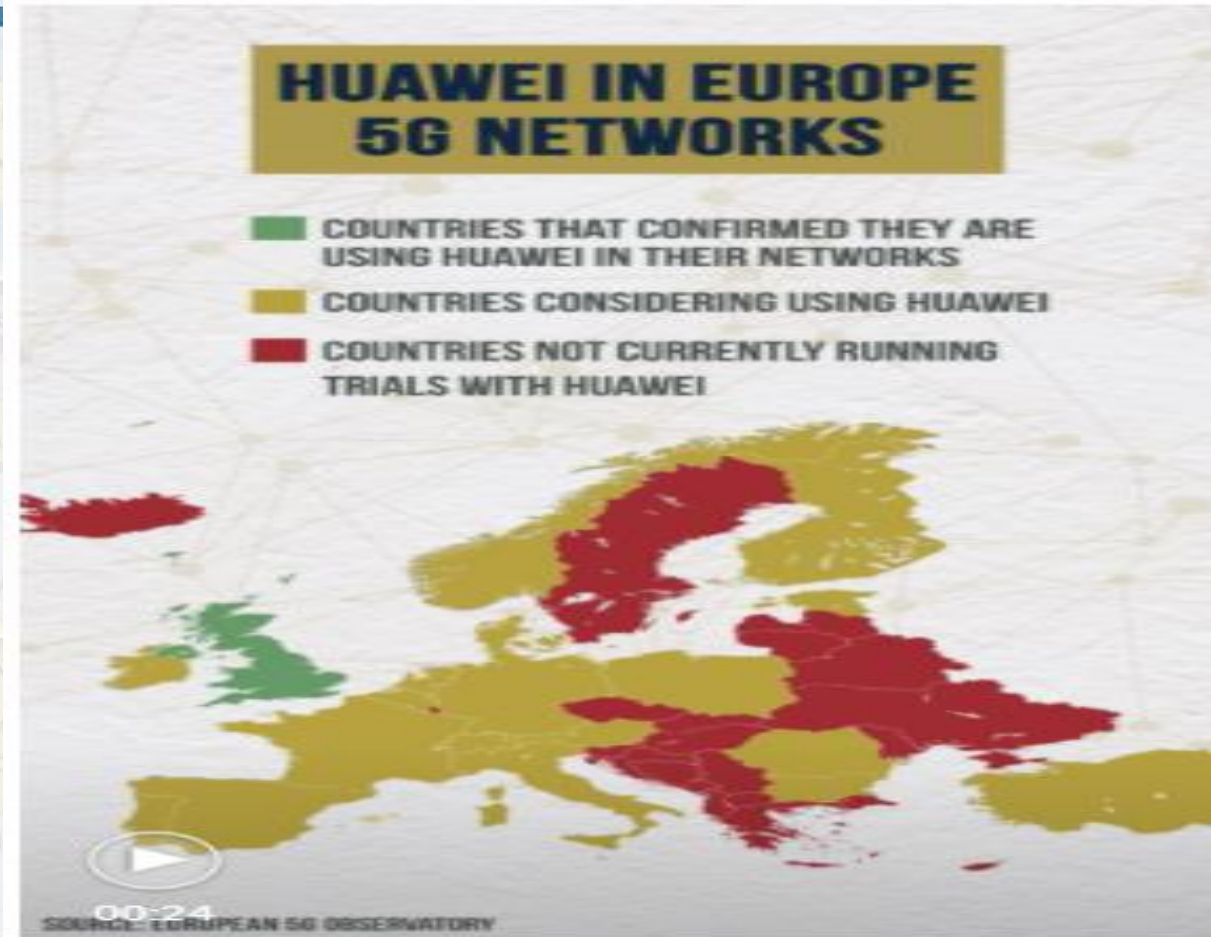
Erik Brattberg, Philippe Le Corre. *The EU and China in 2020: More Competition Ahead*. 2020. hal-02488557





## **The EU and China in 2020: More Competition Ahead**

- (2019) EU → tough stance toward China
- **Future:** probably more confrontational
  - Can the EU and China reach a bilateral investment agreement?
  - Will European governments allow **Huawei** to construct 5G networks?
- **Dilemma: the EU wants cordial relations with China to improve its trade but also faces challenges**





# The EU and China in 2020: More Competition Ahead

## TRADE



In 2019, the EU was China's **biggest trading partner** while China was the EU's **second largest trading partner**



Trade in goods between the EU and China was worth over **€1.5 billion** a day in 2019



The EU exported to China **€198 billion** and imported **€362 billion** in 2019



In 2018 the EU exported **€46 billion** of services to China, while China exported **€30 billion** to the EU

## COMPREHENSIVE AGREEMENT ON INVESTMENT

Under negotiation, to create:



a more level playing field for business



new market opportunities for both sides



And encourage China to:



advance its economic reforms



give the market a more decisive role



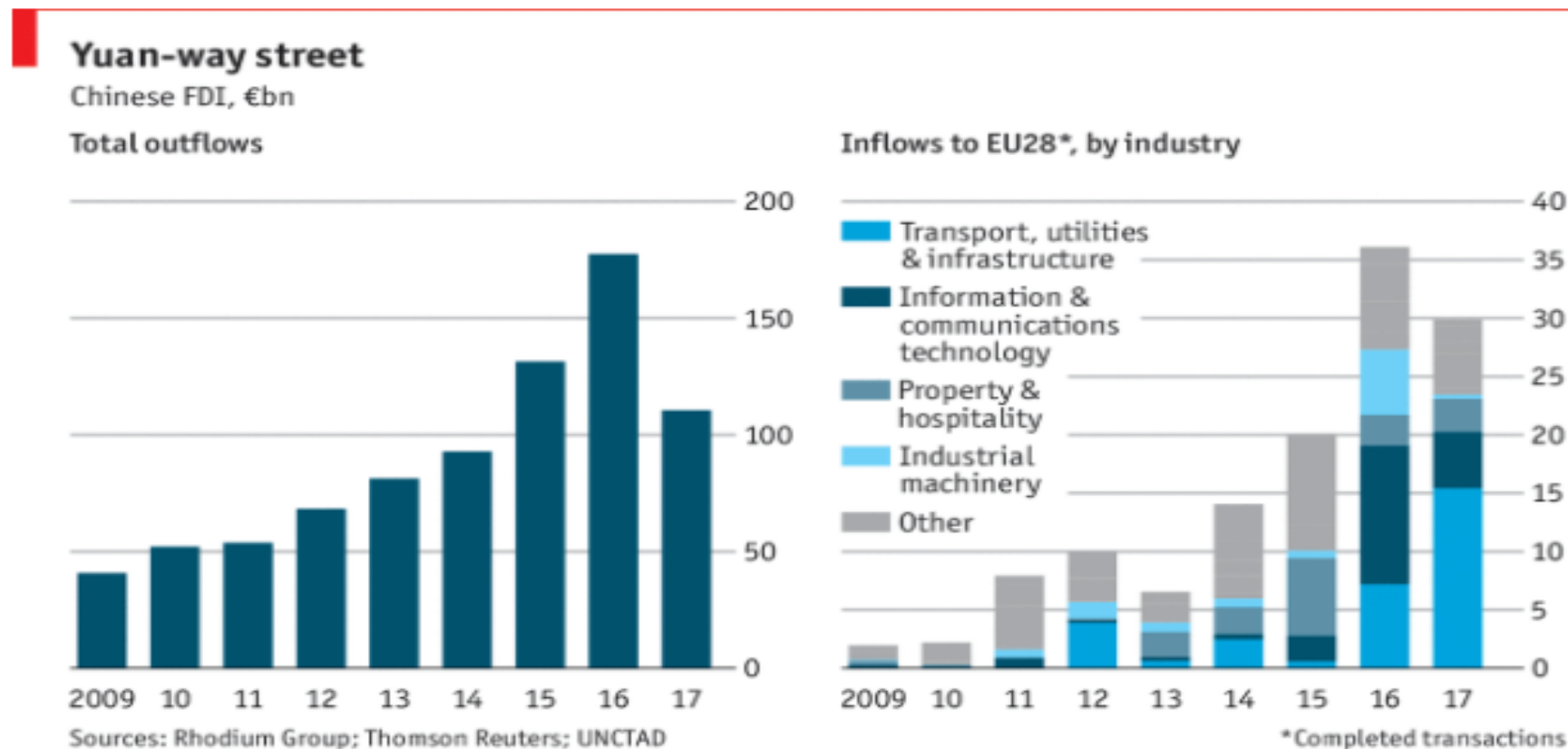
“EU China Relations,”  
[https://eeas.europa.eu/sites/default/files/eu-china\\_factsheet\\_06\\_2020\\_0.pdf](https://eeas.europa.eu/sites/default/files/eu-china_factsheet_06_2020_0.pdf)

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## A Turning Point in EU-China Relations: 2019 in Review

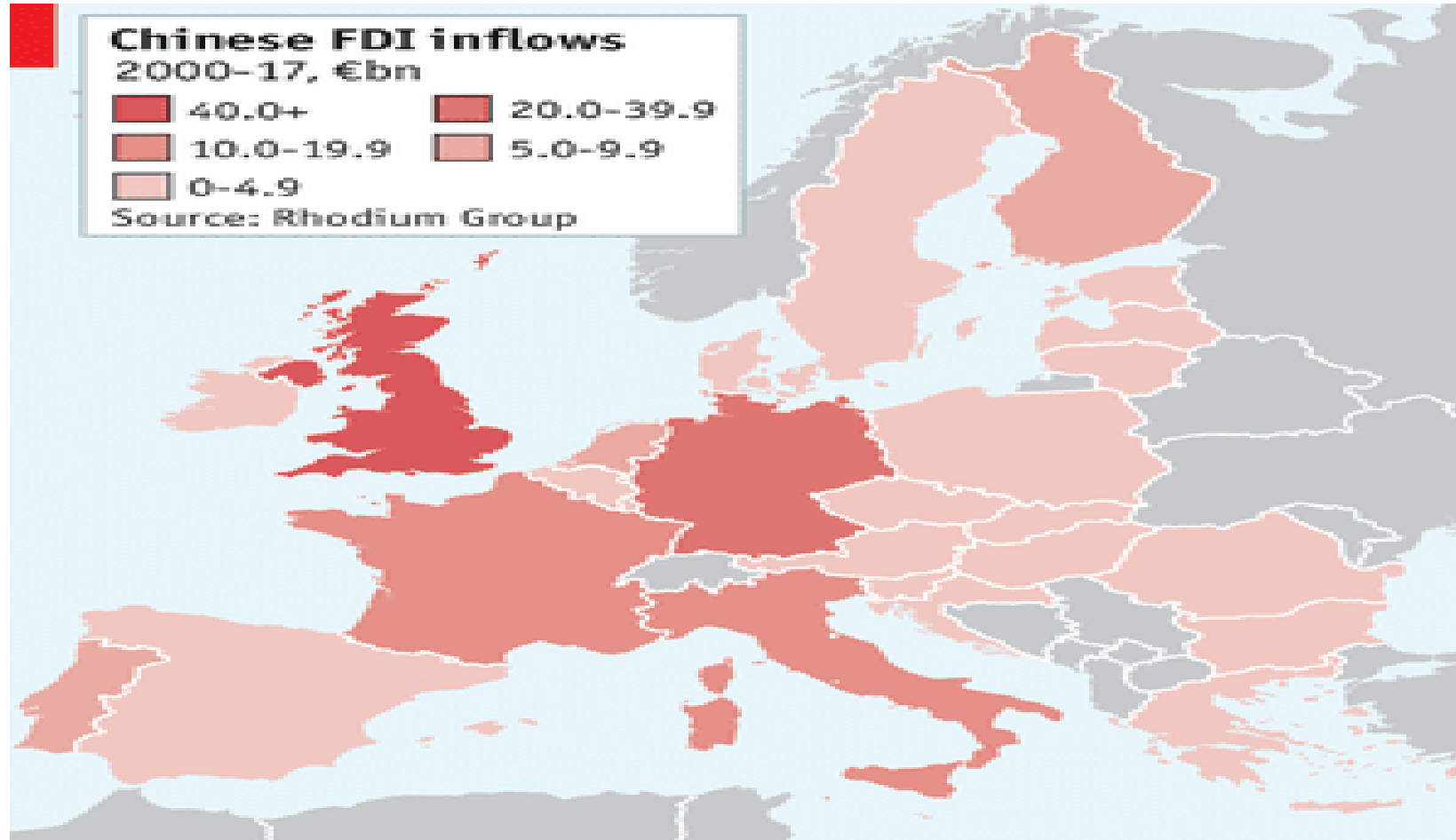
The region accounted for a quarter of China's FDI outflows in 2017



“Chinese investment in Europe is increasing,”  
*The Economist*,  
<https://www.economist.com/graphic-detail/2018/10/10/chinese-investment-in-europe-is-increasing>



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The Economist

“Chinese investment in Europe is increasing,” *The Economist*,  
<https://www.economist.com/graphic-detail/2018/10/10/chinese-investment-in-europe-is-increasing>

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### China's global outward FDI declined again in 2019

USD billion, percent share

- State Administration of Foreign Exchange: China's Global FDI Assets under the Balance of Payments
- Ministry of Commerce: China's Outbound FDI
- Value of Announced Global M&A Transactions by Chinese Companies
- Changes in China's Global FDI Assets under the Balance of Payments [right axis]



Sources: PRC Ministry of Commerce (MOFCOM), Bloomberg, State Administration of Foreign Exchange (SAFE).  
SAFE full-year 2019 data is preliminary.

«Chinese FDI in Europe: 2019,» *Merics*  
Update <https://merics.org/en/report/chinese-fdi-europe-2019-update>

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# A Turning Point in EU-China Relations: 2019 in Review

- **Federation of German Industries (BDI)** policy paper on EU-China economic relations:
  - **China: “systemic competitor”**
  - **EU needs to compete with China**
- **German businessmen:** Chinese harmful market distorting practices
- **Recommendation:** Tougher political measures (Germany)
- Major German multinational corporations (e.g. Siemens, Volkswagen) → **China:** major export market, but, challenges increasing between both markets

**Market distortion:** Any practices outside the ‘natural’ forces of supply and demand.

**States:** often involved with market distortion

**Market distortion examples:** taxes, tariffs, subsidies, state regulations



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- Towards A More Assertive EU Strategy?
- (March 12, 2019):
- European Commission President Jean-Claude Juncker
- German Chancellor Angela Merkel
- French President Emmanuel Macron propelled the **European Commission** and the **European External Action Service** to jointly **publish a paper**
- **Goal:** To clarify EU's approach toward China





# A Turning Point in EU-China Relations: 2019 in Review

- **China:** “a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership and a systemic rival promoting alternative models of governance.”
- Why use the term “**systemic rival**”?
- Chinese reluctance to open its markets to European companies in key sectors **EU getting impatient**
- **Policy prescription:** more flexibility and pragmatism; greater European access to the Chinese market



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- Ten policy prescriptions (European Council)
- Soft EU position is no longer guaranteed (US approach also influential)
- The European Commission recommendations on 5G security concerns:
  - national 5G security risk assessment for each member state
  - coordinated European-level assessment
  - common approach to engage with explicit risks





# A Turning Point in EU-China Relations: 2019 in Review

## EU Investment Screening Implementation and Tougher Export Controls (2020)

- (April 10, 2019) Investment screening mechanism:
- **Goal: Identify and raise awareness** about Chinese foreign direct investment (FDI) in critical assets
- **The new rules on foreign investments in several critical sectors—**
  - **Energy**
  - **Ports and airports**
  - **Communications**
  - **Data**
  - **Space**
  - **Financial industries**

Supporters: Germany, the Netherlands, the Baltics and Scandinavia

# A Turning Point in EU-China Relations: 2019 in Review

- Screening FDI investment subset of export control
  - *(current EU authority over export control is limited)*
- EU's Dilemma: An EU member's FDI/tech transfer can affect the security of another member/EU in general
- Challenge:
  - Can EU manage to harmonize FDI screening within its borders?
  - Can EU manage to increase with third countries on the issue? (e.g. USA, Japan)
- EU lags behind other international actors (e.g. **US Foreign Investment Risk Review Modernization Act**)— see the explanation on the following slide





# US Foreign Investment Risk Review Modernization Act

## US Foreign Investment Risk Review Modernization Act) FIRRMA

Committee for Foreign Investment in the United States (CFIUS)

**(Effective on 13 February 2020) FIRRMA:** CFIUS gains extensive rights to monitor trade deals where **national security is considered to be at risk** in fields involving **“sensitive personal data, critical infrastructure or critical technology”**

**Goal:** Protect big data, AI, nanotechnology and biotechnology, and real estate transactions

**Exempted countries:** e.g. Australia, Canada, the U.K.

They already exchange intelligence extensively and integrate their industries

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- **EU Investment Screening Mechanism**

- Enables the Commission
  - to request information
  - issue a **nonbinding opinion** on a specific foreign investment in a member country

**Expected result:** *Greater coordination and information sharing* between the Commission and member states

**Currently, about half the member states have some type of national screening legislation in place, but they differ substantively**

(see the next slide)



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Figure 2 – Formal FDI screening mechanisms in the EU (as of April 2019)



Source: EPRS update of information provided by the [European Commission](#) in 2017.

“EU framework for FDI screening,”  
[https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614667/EPRS\\_BRI\(2018\)614667\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614667/EPRS_BRI(2018)614667_EN.pdf)

# A Turning Point in EU-China Relations: 2019 in Review

## EU-China Summit (2019) EU Successes

- **(April 9, 2019)** The EU investment screening mechanism preceded the annual EU-China summit
- No joint EU-China joint statements in **2016** and **2017**
- **EU-China Summit Joint Statement (2019)**
  - China abides by the World Trade Organization (WTO)'s plurilateral **Agreement on Government Procurement**
  - China promises to work on **forced technology transfers** and **industrial subsidies**
  - China agrees to finalize an **EU-China Comprehensive Investment Agreement (CAI)** by **2020** (not signed/effective yet)

### Agreement on Government Procurement (GPA):

- **plurilateral** agreement led by the World Trade Organization (**WTO**)
- obtaining goods and services based on the principles of **openness, transparency** and **non-discrimination**



## A Turning Point in EU-China Relations: 2019 in Review

- (April 10-12, 2019) China-CEEC (Central and Eastern European Countries) annual forum
- **16+1 forum**: 11 Central and Eastern European EU member states + 5 non-EU Balkan countries (2019 Greece became a full member) → forum became the **17+1**
- (2018) China-CEEC forum **preceded** the EU-China summit (**received criticism**)
- (2019) **17+1 forum took place after the summit**
- Concerns about China acting as a divisive force



Chinese Premier Li Keqiang (L9) attends the eighth summit of China and Central and Eastern European countries (CEECs) in Dubrovnik, Croatia, April 12, 2019. /Xinhua



## A Turning Point in EU-China Relations: 2019 in Review

- European views of the Belt and Road Initiative: mixed
- BRI projects in vulnerable Balkan countries under suspect
- ~1/2 of the EU members (e.g. Greece, Hungary, Italy, and Portugal) endorse the BRI
- (2019) China and Italy (first G7 nation) signed a memorandum of understanding on the Belt and Road Initiative (BRI)

### China's One Belt, One Road



STRAITS TIMES GRAPHICS

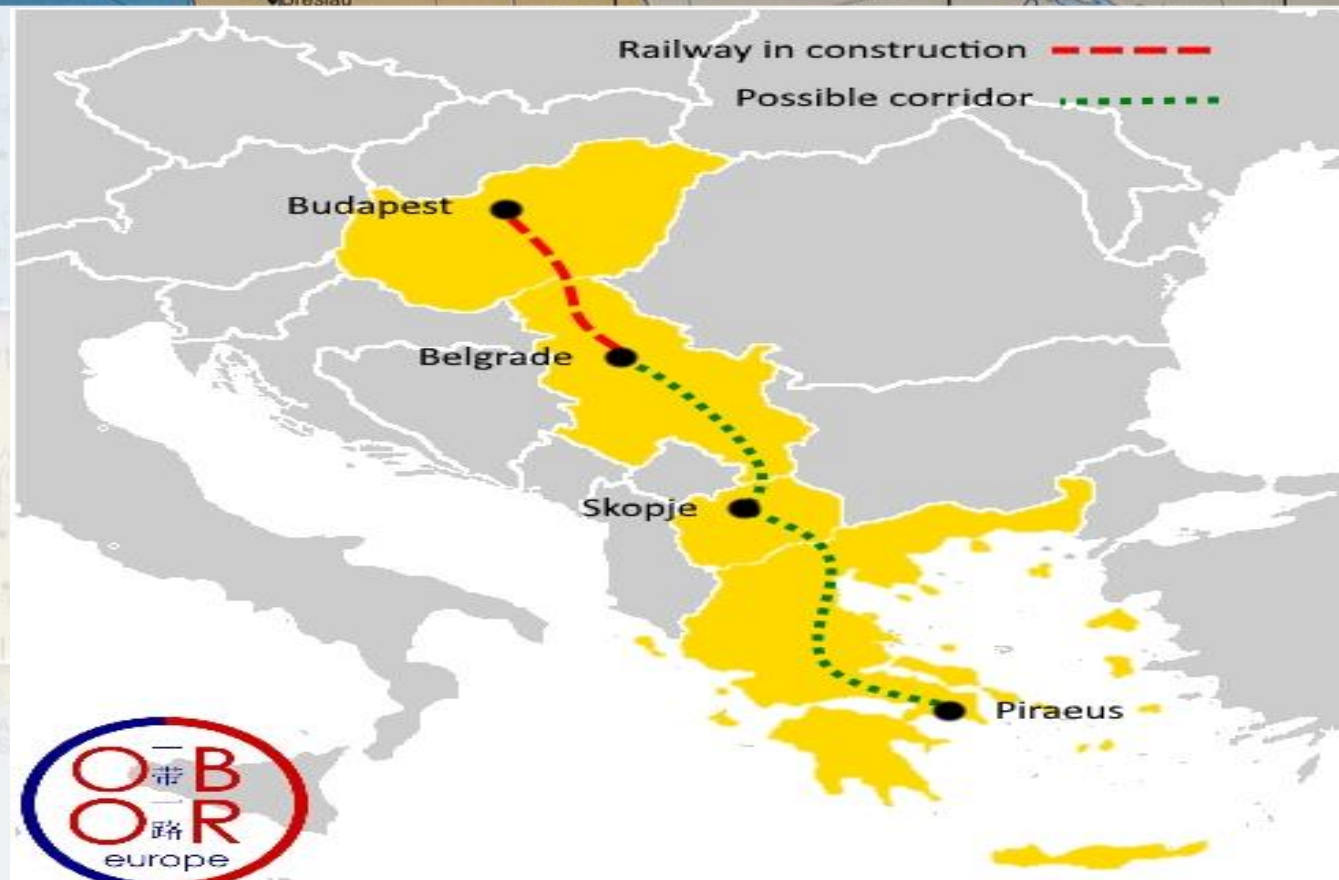
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## **A Turning Point in EU-China Relations: 2019 in Review**

- Europe: Remains Skeptical toward BRI
- (January 2020) European Chamber of Commerce in China: the BRI is not open
- Bidding processes: not transparent
  - Chinese state-owned enterprises dominate and gain most from the projects
  - No business gains for Europe
  - Some politicians in South/East Europe ask for EU to **take a clear stance**





## **A Turning Point in EU-China Relations: 2019 in Review**

**EU position:** China needs to make BRI more advantageous for EU

**EU strategy:** increase connections with the rest of the world

**Focus:** promote sizeable infrastructure projects in Western Balkans for development



BRI—A branding problem?  
*South China Morning Post* 3 May 2019

“Time for Europe to Step Up its China Game,”  
*Japan Times*, 2018



- **Technology transfers:**
  - Long run impact on security, economy
  - Involve material and non-material (knowledge)
- **ASML:** Leading Dutch semiconductor company on lithography (a chip-producing process) gets officially permitted to sell its latest-technology machine to China (USA, S.Korea, Taiwan)
- **(2018)** USA put pressure on the Netherlands to stop transferring their chip manufacturing technology to China
- **Goal:** Prevent China from receiving the technology that would allow them to manufacture the **fastest microprocessors in the world**
- **US pressure was successful**



# A Turning Point in EU-China Relations: 2019 in Review

## Potential Chinese Backlash on 5G Decisions

- European countries need to decide on a supplier to construct their 5G networks in the near future
- **Each country is responsible for its final decision**
- **(January 2020)** EU Commission came up with recommendations → aids states to unify their approach for security reasons





# A Turning Point in EU-China Relations: 2019 in Review

- **EU recommendations contain technical and nontechnical details**
- **Provide diplomatic support for member states**
  - to avoid Huawei/reduce its power
  - to avoid the Chinese threat of retaliation (Germany, carmakers, Chinese market)
- **Not all European countries are equally concerned** (e.g. the UK under Johnson government on noncore elements of 5G)
- **Germany's position will be decisive for the smaller European countries**



# A Turning Point in EU-China Relations: 2019 in Review

## Potential Chinese Backlash on 5G Decisions

**EU members:** sovereignty over final decisions of 5G license and national security

Efforts to promote a common European approach toward continue

**5G security risks are noteworthy**

**(January 29, 2020)** the Commission list of recommendations to help member states deal with the conundrum



# A Turning Point in EU-China Relations: 2019 in Review

**EU's next steps in the economic field: avoiding landmines?**

Following themes expected to gain prominence:

- procurement
- subsidies

**EU has one of the biggest open procurement markets in the world**

**(2012)** France asked the EU Commission to form an international procurement instrument (IPI)

**(2016)** Introduction of a revised proposal

**(March 2019):** EU needs to embrace more **strategic outlook** for its procurement framework.

# A Turning Point in EU-China Relations: 2019 in Review

## What does this statement mean?

Countries creating difficulties for European firms → Limited entry to the EU procurement market

**Currently supported by Germany (earlier, not so much)**

- Goal:
  - Increase bargaining/negotiation tools
  - Increase equal give and take
  - Combat protectionist tendencies
  - Open venues for European firms in other countries (**e.g. China**)
- **China's response:** New measures can work against European firms





# A Turning Point in EU-China Relations: 2019 in Review

- EU: Focus on state subsidies in trade relations
  - **The Netherlands:** Seeks to change the EU competition laws to prevent foreign state-controlled companies to buy European firms
  - Request for more **transparency** regarding the **operation methods of foreign companies**
- **The EU wants China's support on WTO reforms, on state subsidies**
- **(January 2020)** EU works with USA and Japan for introduce new rules in the WTO to prevent **market-distorting subsidies**





# A Turning Point in EU-China Relations: 2019 in Review

**How will China respond?**

**The Values Dimension (Human Rights, Democracy)**

- Earlier years, EU made relevant statements; China remained silent
- **This is changing**
  - **European External Action Service:** vocal about protests in **Hong Kong**
  - **Macron (Fr) and Merkel (Ger):** human rights issues in meetings with Chinese statesmen
  - Chinese responses: getting vocal
  - **(December 2019) Sakharov Prize for Freedom of Thought (European Parliament)** goes to **Ilham Tohti (Uighur activist)**
  - Swedish media and academics criticized for publishing things disapproved by China





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[Cartoon: China Daily]