

EU in the Era of ‘Strategic Competition’

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The world is facing unprecedented changes. The Brexit, the rise of populism in Europe and the United States, the unfolding competition between China and the United States, and the spread of Covid-19 altogether have brought increasing uncertainties to the world. As two important forces in the world, China-EU interactions to a great extent are shaping the world order in years and decades to come. Therefore, how to understand the trajectory of China-EU relations is becoming increasingly critical.

One of the most important issues regarding China-EU relations is how to define the bilateral relationship. In his dialogues with European leaders, Chinese President Xi Jinping has repeatedly stressed that China and the EU, as two important poles in a multipolar world, should adhere to the principle of independence and autonomy, the two sides are comprehensive strategic partnership and it is necessary to strengthen strategic communication, which is in the common interest of both sides. Chinese State Counselor and Foreign Minister Wang Yi also noted that we should examine China-EU relations from a strategic perspective, and cooperation is the general direction and main tone of China-EU relations; China has always regarded EU as a partner rather than a rival.

Meanwhile, the EU’s definition of China’s identity has undergone subtle changes. Since the end of the Cold War, the EU has adhered to the policy of "Engagement", emphasizing the importance of cooperation with China. However, since 2016, the EU’s policy toward China has increasingly shifted to a more hardline, competitive one. These changes are most clearly manifested in the 2019 “EU-China-A Strategic Outlook” policy document which depicts China as “a negotiating partner, an economic competitor, and a systemic rival”.

Clearly, there is growing divergence in China’s and EU’s definitions of their bilateral relations, China places as much emphasis as possible on the win-win strategic cooperative partnership with Europe, while Europe is increasingly moving toward an antagonistic view of China. Nevertheless, it is worth noting that economic and trade ties between China and the EU have been continuously growing since 2000. EU had become China’s largest trading partner for 16 consecutive years from 2004 to 2019. In 2020, when global trade fell sharply due to Covid-19 outbreak, trade between China and the EU bucked the trend, and China replaced the United States as the EU’s largest trading partner for the first time in history. In view of this, “decoupling” between China and the EU is not possible. Instead, “recoupling”, a term I first coined in my Foreign Affairs essay in April, or redouble coupling should be the way for China and EU to go.

Undoubtedly, EU’ unease and anxiety at China’s rise is an important reason why Europe is taking a strategic competition approach toward China. This competition trend is evident in the field of Communication Technology. After the Five Eyes Alliance meeting in July 2018, the United States decided to unite its key allies to impose an

intensive blockade on Huawei. The U.S. has been lobbying EU to stop buying Huawei products and ban Huawei 5G devices, claiming that Huawei's 5G program has security risks that could jeopardize the alliances' communications and collective security. As a major EU member and an important overseas market for Huawei, Germany has become the focus of U.S. lobbying and pressure. Although Germany has not yet fully banned Huawei from participating in its domestic 5G market, it has raised the technical threshold, requiring domestic companies to carefully select equipment suppliers and restrict the right of a single enterprise to build 5G. EU members have yet to form a unified position on restricting Huawei's 5G program, and there is still debate over whether or not to follow the U.S. in blocking Huawei's 5G program from entering member countries' markets.

Another important disagreement between China and the EU is about the WTO Reform. The EU's reform package proposes new rules on industrial subsidies, state-owned enterprises and market access, arguing that developing countries, especially China, enjoy preferential treatment under the existing WTO regime. Such positions are almost identical to those of the United States and Japan. The EU believes that China has not fulfilled its reform commitments and enjoy a "free-riding" after joining the WTO in 2001. However, in a joint study I did with a group of leading European and Chinese economists, we find that China and the EU still have common position in WTO trade dispute settlement mechanism, promoting effective operation of WTO, and especially in terms of opposition to the US unilaterally bypassing the WTO settlement mechanism. There is an edited volume that I co-edit with European and Chinese colleagues, and its title *Rebooting Multilateral Trade Cooperation: Perspectives from China and Europe*. The book was published in July this year.

The Belt and Road Initiative is another arena of controversy between China and EU. After China's BRI was launched, its growing reception in Europe has alerted Europe's elites. In south-eastern Europe, China has signed the Belt and Road Memorandums with Portugal, Hungary, Greece and Italy, raising concerns in France and Germany. After China launched the "16+1" dialogue mechanism with Central and Eastern European countries in 2012, German Foreign Minister Sigmar Gabriel called on the EU to remain united, calling on China to "not divide Europe" and directly pointing the finger at the "16+1 cooperation". At the same time, some European officials worry that China's infrastructure projects in Central and Eastern Europe will violate EU regulations on public procurement, environmental impact assessment and technical standards, and even that such a move could undermine the business interests of other EU members in central and eastern Europe.

After the global outbreak of COVID-19 in 2020, despite the consensus between China and the EU on joint response to the epidemic, nevertheless negative perceptions of China continue to deepen in many European countries. Voices critical of China's epidemic responses are on the rise in Europe. And China's assistance to Italy and other southeast European countries is criticized by some European officials as "politics of generosity" aiming at dividing the EU.

More seriously, EU has taken a confrontational approach regard China in so-called value issues, which significantly hinders the further development of China-EU relations.

The EU has imposed sanctions on China in the name of so-called human rights in Hong Kong and Xinjiang, and China responded with sanction on selected EU personnel and entities; the European Parliament then responded by freezing the *China-EU Comprehensive Agreement on Investment*. Clearly, the escalating spiral risks putting China-EU relations to the biggest test in decades.

With the unfolding of strategic competition between Beijing and Washington, Europe is now facing the pressure of choosing sides between the two great powers. During the Trump era, the trans-Atlantic alliance was seriously undermined by a series of America's unilateral acts, such as imposing tariffs on steel and aluminum, withdrawing from the Paris Agreement on climate change, scrapping the Iran Nuclear Deal, walking out of the TTIP negotiations, etc. After the multilateralism-trumpeting Biden took office, Europe hoped to mend the fence with the U.S., only to find the gaps were again widening up partly due to the Biden's unilateral withdrawal of troops out of Afghanistan, as well as the establishment of AUKUS, a new tripartite strategic defense alliance between Australia, the UK and US (I'd say not as nice as the Triple Alliance we are having here, because AUKUS is actually reviving the legacies of Anglo-Saxonism). After all, the first step of AUKUS is a stab in the back of France: the U.S. and Britain supported Australia to acquire nuclear-powered submarine technology, invalidating the 90 billion Australian dollars submarine purchase agreement previously reached between Paris and Canberra. Feeling greatly humiliated, France instantly withdrew its diplomatic envoys from the United States and Australia, which was unseen since WWII. As other EU countries sided with France, the cohesion of NATO was put into question, which may further strengthen EU's resolve to pursue its strategic autonomy and reduce EU's willingness to follow the lead of the US to develop a coordinated response toward China.

Lastly, it is worth noting that general elections in Germany and France may reshuffle the two key EU members' overall foreign policy. In the German election which just ended, the Social Democratic Party has defeated the Union by a narrow margin, indicating the end of "German stability" led by the long-term dominant ruler, the Christian Democratic Union (CDU) and Christian Social Union (CSU). However, since no party has a support rate of over 30%, it is likely that the new coalition government will consist of three parties. This may increase the uncertainty of German foreign policy in the future. In France, although the incumbent president Emmanuel Macron has an approval rating of 24%, the two far-right politicians also win fairly high approval rates. Eric Zemmour, far-right's new face known as the "French Trump", gains as high as 17%, even higher than the 15% of the senior far-right politician, Marine Le Pen. Should Zemmour prevail in the upcoming French election, there will be great uncertainty as to whether France can still adhere to an independent foreign policy and maintain EU's unity and stability, or it may adopt a more hardline policy toward China.

To sum up, the relationship among China, United States and Europe has entered an age with mounting uncertainties, where competitions in security and economy between China and the US is the major driving force. Europe's China-policy displays more competitive features on account of the rise of China and the confrontation of values. In addition, because of the changes in political powers in major European

countries, there is also a considerable degree of uncertainty in Europe's policy toward China. How to navigate through these uncertainties, and anchor China-EU relations on a stable, mutually beneficial basis is a great challenge facing us. And I hope today's conversation will help in a small way in terms of brainstorming.