

EUROPE CHANGES ITS MIND ON CHINA

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EXECUTIVE SUMMARY

Over the past few years, the European Union and a handful of other European countries have reluctantly moved away from a China policy organized around economic engagement toward a policy of limiting China's influence in Europe for strategic and security reasons. This is a distinctly and uniquely European style of balancing, which involves marshaling Europe's internal power and working to build unity across member states. It has almost nothing to do with kinetic military power and is instead focused on technology, diplomacy, economics, and politics.

The driving force behind this shift is China's behavior — its refusal to end practices of intellectual property theft and forced technology transfers, its failure to enhance market openness for European companies, its use of coercive economic tools and political influence in Europe, and its illiberalism on the world stage. In some ways, the European shift is occurring despite American pressure, not because of it. If China were a responsible stakeholder, U.S. pressure would very likely lead to Europe hedging against the Trump administration and increasing engagement with Beijing. After all, most Europeans are profoundly worried by President Donald Trump, and China seemed well poised to take advantage of this with adroit diplomacy to weaken the trans-Atlantic bond. That it utterly failed to do so shows how badly Beijing has bungled its Europe policy.

With all of that said, Europe is far from united behind this strategic shift. There are Europe-wide divisions, differences between countries, and within them. German Chancellor Angela Merkel remains the most important figure on the pro-engagement side. But

unless China's behavior becomes more benign, Europe's evolution toward balancing looks set to continue.

2015-2019: EUROPE CHANGES ITS MIND

In the first half of the last decade, the dominant approach in Europe was to see China as a challenging economic partner with whom engagement would produce positive results. European policymakers rejected the American view of China as overly securitized and believed that China was well on its way to becoming a responsible stakeholder in the international order. Germany took the lead framing its relations with China as “a comprehensive strategic partnership” in 2014. U.K. Prime Minister David Cameron and his Chancellor of the Exchequer George Osborne declared the beginning of a “golden era” in Britain's relations with China when President Xi Jinping made a state visit to their country in 2015.¹ They wanted to make China Britain's second-largest trading partner after the EU by 2025 and rejected U.S. concerns that they were too close to Beijing. These goals shaped and restricted Europe's behavior.

When Trump became U.S. president, Europeans looked set to continue to engage Beijing, especially when Xi publicly positioned himself as a champion of multilateralism as the United States was turning against the international order.² The Trump administration would subsequently put considerable pressure on Europe to limit its engagement with China, particularly on sensitive matters like the role of Chinese telecoms giant Huawei in European 5G wireless infrastructure.

However, European governments, including the staunchly Atlanticist U.K., largely ignored this pressure, judging the economic benefits from engagement with China to outweigh the risks. The U.K. would press ahead with Huawei involvement in its 5G networks even as it sought a closer relationship with the Trump administration beyond Brexit. Italy's populist government, which included the right-wing, pro-Trump League, signed a memorandum of understanding with Beijing on the Belt and Road Initiative (BRI), becoming the first G-7 country to join the initiative.³ Czech President Miloš Zeman declared that the Czech Republic hoped to become "an unsinkable aircraft carrier of Chinese investment expansion" in Europe.⁴ In 2019, Greece joined China's "16+1" forum with Central and Eastern European nations — including 11 European Union member states and an additional five Balkan countries, and largely seen as divisive by the EU — turning it into the 17+1.⁵



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The primary driver of Europe's increased skepticism of China was economic. In Foreign Affairs, German Marshall Fund scholar Andrew Small summed it up as follows: "Europe has lost hope that China will reform its economy or allow greater access to its markets, and at the same time, China's state-backed and state-subsidized actors have advanced in sectors that Europe considers critical to its economic future."⁶ Beijing's "Made in China 2025" plan was particularly important in this regard. It proposed to use the power of the state, through subsidies, acquisitions, and other policies, to catch up and pass Western powers in key technologies such as 5G, advanced robotics, clean energy, and artificial intelligence.⁷ China would reduce its dependence on foreign technology and promote Chinese manufacturers internationally — achieving 70% independence by 2025 and being globally dominant by 2049, the 100th anniversary of the founding of the regime. Beijing then doubled down on this with an announcement of a six-year, \$1.4 trillion investment in technology to accelerate realization of those ambitions.⁸

European business demanded a response. In 2017, the European Union Chamber of Commerce in China called Made in China 2025 "highly problematic" and "suggests that Chinese policies will further skew the competitive landscape in favour of domestic companies."⁹ The German Federation of Industries (BDI) also grew skeptical of China. In a highly influential strategic paper in January 2019, the BDI warned a "competition is emerging between our system of a liberal, open and social market economy and China's state-dominated economy."¹⁰ It urged a united European response and for the EU to work with like-minded allies. Meanwhile, some Central and Eastern European countries — including Poland and the Czech Republic — that had engaged with China in the hopes of an economic reward also became disillusioned. The promised investment never arrived and they ended up with little to show for their cooperation with Beijing through the 17+1 and BRI.¹¹

European governments began to tighten investment controls and sought strength through unity, although that proved to be difficult given the adroitness of China's economic power. China's efforts to divide Europe through the 17+1 and other bilateral engagements worried EU leaders, including Merkel. The problems were not just economic. China began to flex its muscles, trying to extend its powers of censorship to Europe by imposing a political or economic cost for any criticism of the regime by governments, organizations, or individuals. China was also associated with hacking efforts to steal industrial and political secrets. Beijing's treatment of Uighur Muslims in Xinjiang and its response to the pro-democracy protests in Hong Kong drew condemnation from European leaders.¹²

This shift dramatically manifested itself in 2019, when the EU published the document "The EU and China: A Strategy Outlook". This stated:

"China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, 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."¹³

French President Emmanuel Macron declared, “The time of European naïveté is ended. For many years we had an uncoordinated approach and China took advantage of our divisions.”¹⁴

Nevertheless, Europe remained divided and conflicted. On the critical issue of 5G, European governments seemed determined to press forward with allowing Huawei to build their infrastructure. Merkel still spoke of the need to engage China. But the balance had shifted.

THE COVID-19 CRISIS

In the early days of the COVID-19 crisis it appeared as if the deterioration in Europe’s relations with China might be slowed down or even reversed. Europe refrained from criticizing China and quietly sent aid. Macron reportedly said that Chinese officials would remember Europe’s support in the future. The arrival of the virus in Europe coincided with an ebbing of the crisis in China. China saw an opportunity to score a diplomatic win by positioning itself as the provider of assistance and expertise, based on its “success” in containing COVID-19. China set up a call between their medical experts and European nations, starting with the 17+1 format on March 13 and then moving on to the rest of Europe a week later.¹⁵ There was little European solidarity or coordination in the first month of the crisis in Europe and some national officials, most notably Italian Foreign Minister Luigi Di Maio, praised China’s role.¹⁶

However, Beijing quickly moved to a more overt and controversial strategic approach. A study by the European Think-tank Network on China (ETNC) of EU-China relations during the pandemic identified four “key messages” in China’s differentiated approaches across Europe. The messages were:

“1) highlighting solidarity and aid; 2) calling for international unity; 3) promoting China’s fight against Covid-19 as a success story, and in some cases (for instance in France) blaming Western democracies for their poor management or even responsibility in the spread of the pandemic; 4) countering narratives critical of China, including through sowing doubt about the origins of Covid-19. While China’s increasingly proactive public diplomacy is widespread, and there appears

to be a relative degree of consistency in messaging, there is a diversity in method that ranges from low key (see Latvia or Romania) to charm offensive (see Poland, Portugal, Italy or Spain) to provocative or aggressive (see Sweden, Germany or France).”¹⁷

From March on, Chinese diplomacy became more assertive in parts of Europe. It was quickly labeled “Wolf Warrior diplomacy” after a popular Chinese action movie. For example:

- China’s Ambassador to France Lu Shaye tweeted conspiracy theories suggesting that the virus originated in the United States rather than in Wuhan.¹⁸ The Chinese Embassy in France published five anonymous articles on its website titled “Observations of a Chinese diplomat stationed in Paris.” These articles accused French politicians of racism, propagated the conspiracy theories about the virus originating in America, and blamed nursing home staff in Europe for “abandoning their positions overnight, deserting collectively, and leaving their residents to die of hunger and disease.”¹⁹ French Foreign Minister Jean-Yves Le Drian summoned Lu on April 14 to reprimand him for these statements.²⁰
- A confidential German Foreign Ministry document warned of Chinese efforts to encourage German government officials to positively address China’s handling of the coronavirus crisis and called for vigilance and countermeasures in response.²¹
- The Global Times, a newspaper controlled by the Chinese Communist Party (CCP), published an editorial criticizing Sweden for its decision to remain largely open during the pandemic. It said, “The international community, especially the European Union, should severely condemn Sweden’s surrender to the virus.” Swedish Defense Minister Peter Hultqvist, in response, said the editorial was part of a Chinese disinformation campaign.²²
- China downgraded its presence at an EU-led forum on international cooperation on a vaccine and made no financial pledges.

There were worrying signs that the EU was buckling under Chinese pressure. In early May, ambassadors to China from all 27 EU member states published an op-ed in *China Daily*, another CCP-controlled newspaper, calling for cooperation between the EU and China. The op-ed was overwhelmingly positive, with little criticism of Beijing on any front. However, it was soon alleged that the Chinese government had only agreed to let the article be published after it deleted text on its handling of COVID-19. It also refused to let the article be published in Mandarin.²³ A week earlier, EU High Representative for Foreign Affairs and Security Policy Josep Borrell faced charges that his department had watered down a report on China by removing references to its disinformation campaign and to the Chinese Embassy in Paris's comments that the French had neglected the elderly in nursing homes.²⁴

There was a visceral reaction to China's assertiveness. Norbert Röttgen — the chair of the German parliament's Foreign Affairs Committee and a candidate for the leadership of Merkel's party, the Christian Democratic Union — tweeted about the censorship of the *China Daily* op-ed, "I am shocked not once but twice: First the #EU ambassadors generously adopt #Chinese narratives & then the EU representation on top accepts Chinese censorship of the joint op-ed. Speaking with one voice is important, but it has to reflect our shared European values and interests!"²⁵ In a revealing interview, Borrell said, "We Europeans support effective multilateralism with the United Nations at the center... China, on the other hand, has a selective multilateralism that wants, and is based on, a different understanding of the international order."²⁶ In the U.K., the chair of the House of Commons Select Defense Committee, Tobias Elwood, said the government was experiencing a "mindset change" toward China "not least because of the attitude, the conduct of China throughout COVID-19."²⁷ Prime Minister Boris Johnson's government indicated a shift away from allowing Huawei to develop a share of the U.K.'s 5G infrastructure. The EU and individual member states have also taken steps to limit Chinese influence in its economies as they seek to recover from the economic fallout of the pandemic.²⁸

2020 was supposed to see the first ever summit, in Leipzig, Germany, between Xi and the heads of government of all 27 EU member states, with negotiations on a comprehensive EU-China investment

agreement at its heart. The summit was postponed, probably until December, officially because of COVID-19, but it was clear there were additional problems — little progress was made on the core issues and Germany worried about the optics of a summit between the Hong Kong legislative elections and the U.S. presidential election.²⁹



Europe is still divided on China and policy coordination on a balancing effort will be extremely difficult.

Europe is still divided on China and policy coordination on a balancing effort will be extremely difficult. There is a significant caucus in favor of the old policy of engagement, led by Merkel and her government, but this view is no longer dominant as it once was. There is also still an east-west divide but Chinese investment in Central and Eastern Europe is small compared to the economic dependency of those countries on (the rest of) the EU. And China has been unable to deliver what it has promised economically. It is not so simple for one or two countries to veto a measure or policy that the rest of the EU agrees with. Parliaments are also beginning to play a greater role in oversight and are putting pressure on governments that may be more cautious. All in all, we can expect lots of twists and turns but there is real movement toward a policy of limiting China's influence instead of engaging unconditionally with it.

ANALYZING EUROPE'S ROLE IN THE U.S.-CHINA COMPETITION

It is hard to see how the trajectory toward greater tension in Europe-China relations fundamentally changes. It would require a major change in the Chinese government's behavior. Beijing would need to abandon its Made in China 2025 ambitions and embrace a policy that was fair to European industry. It would mean ceasing efforts to coerce and censor European governments, companies, organizations, and individuals. And, it would also mean easing up on efforts to undermine liberal norms internationally. If a global pandemic could not set this shift in motion — instead, it accelerated the pre-existing trend — it is hard to see what could.

European skepticism of China has grown at a time when the EU is increasingly estranged from the United States. A number of European leaders proposed that the EU and the United States work together on China but were rebuffed by Trump, who reportedly said “the EU is worse than China only smaller.” American heavy-handedness on 5G also aggravated EU governments and the U.K., which sought a middle road. Nevertheless, the EU and the U.K. continued along the path of skepticism because of Chinese behavior, and to some degree in spite of U.S. pressure.



European nations will undoubtedly have significant differences with the United States on military matters and on the substantive details of their balancing strategy, but their strategy’s net effect will be to complement U.S. efforts.

The European response will likely have several elements over time: 1) investment controls and other economic measures to protect European companies and intellectual property from predatory Chinese behavior, 2) greater unity among the EU-27 and NATO to better resist Chinese coercive power, and 3) working with like-minded democracies to uphold liberal norms globally, including within international institutions like the World Health Organization. This is a form of balancing, albeit of a non-military variety. European nations will not have the ability or will to materially affect the balance of power in East Asia but they will play a crucial role in countering China’s power and influence globally. European nations will undoubtedly have significant differences with the United States on military matters and on the substantive details of their balancing strategy, but their strategy’s net effect will be to complement U.S. efforts. It is also more durable than a compromise reached with U.S. officials because it is rooted in Europe’s own interests and experience.

The United States should help facilitate the continuation of this process in the coming years with a light touch and by preserving an open trans-Atlantic economy so as to reduce the attractiveness of an economic partnership with China. Washington should be very selective about where it exerts pressure on Europe to more fully align with American policy. There are occasions — like 5G — where it is justified and effective but on other occasions it could be counterproductive. The United States should launch a formal dialogue with the EU on China and make sure that there are mechanisms to include the U.K., possible in a trilateral arrangement or overlapping with the G-7 or the D-10 (adding Australia, India, South Korea to the former group) that London proposed.³⁰ This dialogue should foster greater complementarity between U.S. and European policies even if it falls short of full alignment. Ultimately, if Europe becomes more strategically autonomous on China it will work in favor of the United States because a EU policy based on its broad interests is much preferably to one based exclusively on the narrower lure of economic gain.

The EU case is particularly important because it constitutes a natural experiment of sorts of how China reacts when dealing with a major power that is inclined to engage and work with it. The evidence from the past five years strongly suggests that China does not respond in kind by making difficult compromises and increasing the net levels of cooperation on shared challenges. Instead, Beijing hardened its economic policy and sought to take advantages of divisions and weaknesses inside the EU, pushing it into a tougher position. These lessons are likely to have wider ramifications outside of the EU-China relationship.

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