

EU-China relations

Taking stock after the 2020 EU-China Summit

SUMMARY

The 22nd EU-China Summit, originally scheduled for March 2020, was postponed owing to the Covid-19 pandemic. While other summits were simply cancelled or postponed indefinitely, the EU and China decided to hold the summit by video-link, on 22 June 2020. This decision testifies to the importance both sides attach to taking their complex relationship forward in difficult times.

The 2020 summit offered the opportunity to take stock of progress made on past commitments and to re-calibrate EU-China relations, against the backdrop of the wide-ranging fallout from the coronavirus pandemic, growing United States-China strategic rivalry, rapid geopolitical power shifts and the erosion of multilateralism.

Looking at EU-China relations through the lens of the 2019 EU-China strategic outlook, China is seen as being at once a partner for cooperation and negotiation, an economic competitor and a systemic rival. China has been a cooperation and negotiating partner for the EU in several fields where interests have converged. Nonetheless, the different norms and values underlying the EU and Chinese political and economic systems have made cooperation challenging. Shared objectives do not necessarily lead to the same approaches to pursuing them. Economic competition has become fiercer in China, in the EU and in third markets. As the Chinese leadership shows growing assertiveness in disseminating alternative models of governance – at international, regional and bilateral levels, China is also acting as a systemic rival, on an increasing number of issues.

The coronavirus pandemic has amplified pre-existing political and economic challenges in EU-China relations. It has exposed the EU's over-reliance on China for the supply of strategic goods and also China's confrontational '[Wolf Warrior diplomacy](#)', which has involved the use of a wide range of tools, including disinformation campaigns, political influence and economic coercion, in an attempt to alter narratives critical of China's management of the crisis. It has also clearly demonstrated the need for a 'more robust' EU policy on China.



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Context of the 2020 EU-China Summit

In the midst of the coronavirus pandemic, the 22nd EU-China Summit scheduled for March 2020 was postponed until June 2020, and reformatted to take place by video link. In preparation for the summit, on 9 June 2020, the [10th EU-China high-level strategic dialogue](#), focusing on foreign and security policy, was held by video link between the High Representative/Vice-President of the Commission (HR/VP), Josep Borrell, and the Chinese State Councillor and Foreign Minister, [Wang Yi](#).

The 2020 EU-China Summit was an opportunity to take stock of the progress – or lack of progress – made on the vast number of commitments set out in the [EU-China 2020 strategic agenda for cooperation](#) and in the [Joint Statement](#) of the 2019 EU-China Summit both for bilateral relations and multilateral cooperation. Unlike in 2019, however, the Summit terminated without a Joint Statement, and with no joint press conference. Although the bilateral cooperation agenda comes to an end in 2020, no agreement was reached on an EU-China 2025 agenda for cooperation. In her press statement, European Commission President Ursula von der Leyen hinted at [Hong Kong](#), when [reiterating](#) that for the EU 'human rights and fundamental freedoms are non-negotiable'. She referred to unacceptable cyber-attacks and disinformation, emphasised that work on China's over-capacity must continue, and called on China 'to commit to climate neutrality as soon as possible after 2050'. She stressed that, 'it is time to accelerate on the very crucial areas of our relationship, to deliver on the important commitments from the last Summit and address our concerns on reciprocity and the level playing field. As the European Union, we are committed to making swift and substantial progress. We count on the Chinese leadership to match our level of ambition.'

Prior to the Summit, Josep Borrell called for a ['more robust'](#) policy for China' and [noted](#) that EU-China relations 'must be based on trust, transparency and reciprocity. This is not always the case today. We only have a chance if we deal with China with collective discipline'. This statement suggests a potential overhaul of the current EU policy: the 2016 [Elements for a new EU strategy on China](#) and the 2019 [EU-China – a strategic outlook](#). The latter has sought to reflect the EU's more realistic, assertive and multi-faceted approach to its relations with China. It signals a departure from the EU's decades-long-held expectation that China, as it increasingly built its presence in international organisations and the global economy, would ultimately turn into a market economy and also embrace Western-style democratic norms and values.

As a result of the EU's greater realism, the 2019 strategic outlook voices the EU's intention to exert more leverage to achieve its objectives and proposes a more differentiated conceptualisation of EU-China relations. It posits that China may simultaneously act as a **cooperation partner**, a **negotiating partner**, an **economic competitor** or a **systemic rival** depending on the issue or policy area involved.

The following sections seek to shed some light on how this conceptualisation has recently worked out in practice. The selection of issues and policy areas covered draws on past joint commitments and on the 10 EU actions set out in the EU-China strategic outlook.¹

China as cooperation partner

From an EU perspective, China is a cooperation partner with which to pursue 'effective multilateralism' and uphold the rules-based international order in areas where objectives are closely aligned. However, cooperation may be limited, as China [endorses](#) 'selective multilateralism' and frequently has a different understanding of the international order and how it should be re-shaped.

Peace and security

In the area of peace and security, fundamental ideological differences between the EU and China, the NATO membership of most EU Member States, the EU [arms embargo](#) against China since the Tiananmen Square massacre in 1989, EU [dual-use](#) and [arms export controls](#), and differing [threat perceptions](#) and policy preferences and priorities for responses to them are factors limiting closer

EU security cooperation with China, despite a shared commitment to uphold international peace and security. Compared with EU-China economic cooperation, cooperation on peace and security is lagging behind, although it is institutionalised through a regular high-level strategic dialogue.

In the area of nuclear non-proliferation EU and Chinese interests are closely aligned. EU-China security cooperation on Iran has been successful, while for various reasons it has not visibly materialised on North Korea. In 2020, the EU and China have [continued](#) efforts to ease US-Iran [tensions](#) and to [uphold](#) the implementation of the Joint Comprehensive Plan of Action ([JCPOA](#)) as a key element in the global nuclear non-proliferation architecture.

The EU and China share an [interest](#) in Afghanistan's stability, notably once the withdrawal of United States (US) forces is complete. China has a porous border with Afghanistan and has significantly expanded its [interests](#) and presence in the country. Although the EU and China are not key players, they have pursued their engagement in Afghanistan's [fragile](#) peace process.

EU-China operational cooperation has been limited to UN-authorized peacekeeping in Africa and the anti-piracy operation off the Horn of Africa. In parallel, China's [security footprint](#) in Africa has expanded through regional and bilateral formats which lend themselves to expanding China's sphere of influence and to boosting its strategic, political and economic ties with African countries, including through China's Belt and Road Initiative (BRI). Both China and the EU support the African Union, but tend to provide financial support through different channels, with China attaching increasing importance to the visibility of its provision. Despite converging objectives, [trilateral](#) cooperation in Africa has faced [challenges](#) owing to different historical relations and different normative approaches.

The EU shares US concerns about China's selective compliance with international law, e.g. China's non-compliance with the 2016 international [arbitration](#) ruling in favour of the Philippines and its [expansive policies](#) to assert its claims to contested maritime features in the East and South China Seas. Nevertheless, the EU has not taken part in freedom of navigation operations but has limited itself to calls for a peaceful resolution of conflicting maritime claims. In the South China Sea this would be based on a Code of Conduct still under [negotiation](#) between China and the Association of Southeast Asian Nations (ASEAN). The EU has kept a [low profile](#) regarding hard security concerns in the Asia-Pacific region, where geopolitical tensions are growing, including in the [Taiwan Straits](#).

Examples of unsuccessful EU-China security cooperation on the United Nations (UN) Security Council in 2019 owing to conflicting views include two [draft resolutions](#) on Syria sponsored by Belgium, Germany and Kuwait and a US-sponsored draft [resolution](#) on Venezuela. These led China to use its [veto](#) (with Russia) and confirmed traditional voting patterns on sensitive issues.

As the EU and China seek to cooperate on transport infrastructure connecting the EU and Asia, the security dimensions of connectivity projects are likely to be given closer attention in the future.

Climate change

The EU and China have been [cooperating](#) on [climate change](#) since 2005. A [comprehensive commitment](#) to the implementation of the Paris Agreement on Climate Change was made at the 2018 EU-China Summit, and reaffirmed in 2019. Although the 2019 [UN emissions gap report](#) expects China to overachieve on its nationally determined contribution (NDC) targets, including capping CO₂ emissions by around 2030 and making an effort to cap them earlier ([estimated](#) at between five and nine years earlier), [analysts](#) have noted worrying trends in Chinese climate change policies that the coronavirus pandemic could exacerbate. These include an increase in domestic [coal consumption](#) and in the capacity of planned [coal-fired](#) power plants after a ban on new coal-fired power plant construction was lifted. They also include a '[clean energy decline](#)', i.e. the phasing out of subsidy schemes for renewable energies. Moreover, Chinese-funded coal-fired plants along the BRI have a significant adverse impact and [undermine](#) the achievement of global climate targets.

The [roll-out](#) of China's national emissions trading system (ETS) modelled on the EU ETS has been delayed and may not achieve the expected impact on CO₂ emissions. The impact of the coronavirus

pandemic on China's long-term decarbonisation strategy and its commitments for the [postponed](#) UN Climate Change Conference COP26 in 2021 are [likely](#) to become known only once China has published its 14th Five-Year Plan (2021-2025) for National Economic and Social Development.

The EU's [Green Deal](#) and the potential introduction of a carbon border adjustment tax, which is likely to increase the price of Chinese imports into the EU, have raised concern with the Chinese side, which [argues](#) that this would run counter the Paris Agreement's principle of common but differentiated responsibilities for cutting emissions.

Sustainable fishing and ocean governance

[China](#) and the EU both are important global fisheries players. Their cooperation in the World Trade Organization (WTO) [negotiations](#) on fisheries subsidies could be an opportunity to fight overfishing and promote sustainable fisheries ([sustainable development goal \(SDG\) 14.6](#)). However, despite sharing an overarching objective, China and the EU diverge on how subsidy cuts should be performed across WTO members, notably between developing and developed countries. The EU has [worked](#) on proposals within the developed countries' camp, including Japan, South Korea and Taiwan. China, like India, [aims](#) to secure carve-outs under the special and differential treatment for developing countries, which is [opposed](#) by the US. China's 2017 [proposal](#) for [curbing](#) fisheries subsidies, had it been retained, would have exempted developing countries and disputed maritime areas (including the South China Sea, where China has [conflicting claims](#) notably with [Vietnam](#) and the Philippines). A 2019 [study](#) estimates China's total fisheries subsidies at US\$7.2 billion, followed by the EU, the US, Korea and Japan. Large parts of Chinese subsidies are capacity-enhancing subsidies, including fuel, and only a small part can be considered as beneficial subsidies, including research and development (R&D). The former is one of the harmful subsidies the EU seeks to curb. Multilateral cooperation has worked better in respect to the [Arctic](#). In 2017, the five Arctic coastal states, [China](#), the EU, Iceland, Japan and South Korea reached a historic international agreement, a legally binding [moratorium](#) on commercial fishing in the Central Arctic Ocean to safeguard Arctic fish stocks.

Fisheries-related bilateral cooperation under the EU-China [Blue Partnership for Oceans](#) is [focused](#) on action to reinforce implementation of the existing multilateral legal framework, including [ratifying](#) the Port State Measures Agreement, enhancing the performance of regional fisheries management organisations ([RFMO](#)), strengthening the fight against illegal, unreported and unregulated (IUU) fishing and enhancing fisheries data transparency. Recent [research](#) shows that gaps in Chinese fisheries legislation, implementation, and supervision and control hamper the fight against IUU fishing. A [revision](#) of China's Fisheries Law is ongoing. The prospects for EU-China cooperation at multilateral level on ocean plastic pollution appear good, since China has already acted under [domestic legislation](#) and a critical mass of countries have legislation in place too.

Cooperation on development in Africa

Although the EU and China are equally committed to achieving the 2030 SDGs and to helping Africa to reach them, their different norms and values and [China's preference](#) for south-south cooperation and [UN involvement](#) have made [trilateral cooperation](#) challenging. In practice, the [EU](#) and [China](#) have at times supported the same initiatives, such as the Africa Renewable Energy Initiative (AREI), but separately. The new [EU-Africa Strategy](#) of March 2020 mentions China only once, noting that the EU's investment stock in Africa of €222 billion overshadows China's stock of €38 billion. Recently, the HR/VP, Josep Borrell, [mentioned](#) debt relief, support for the health sector and economic development as issues for Africa-related EU-China cooperation in the context of the pandemic.

China as an economic competitor

China's industrial policies as a competitive challenge

As China has moved up the value-added ladder, the areas where the EU competes with China have become more numerous. Since the mid-2000s, China has pursued an ambitious [indigenous](#)

[innovation policy](#) coupled with an import substitution policy that the pandemic and US decoupling are accelerating. China's industrial strategy of becoming a global leader in advanced technologies is currently laid out until 2049 – the year of the 100th anniversary of the People's Republic of China. A first phase covering 2015-2025 is being rolled out under the [Made in China 2025 strategy](#), which sets specific performance targets for 10 advanced industries in relation to indigenous content. It has marked a [departure](#) from the Chinese leadership's pledge in 2013 to give the market 'a [decisive role](#)' towards [more state intervention](#), including through the allocation of [bank credits](#) to the state sector.

China's industrial policy is strongly underpinned by the constant rise in its R&D investment as a share of gross domestic product (GDP) (in 2018 this was [2.18 %](#), or US\$293 billion). China is catching up at [three times](#) the EU's innovation performance growth rate. China has made big strides in developing its manufacturing capabilities during the last decade. A 2019 [report](#) shows that China increased its share in global manufacturing value chains from 6 % to 19 % between 2000 and 2014, through competitiveness gains and demand factors in areas such as new energy vehicles, wind and solar technologies and artificial intelligence, while the EU's share dropped from 27 % to 16 %.

A 2020 [study](#) stresses two major related trends. First, there has been an asymmetric strengthening of the EU's integration into Chinese value chains at the expense of declining integration of the EU's regional value chains. This is reflected in a decrease in China's imports of EU intermediate goods and an increase in China's exports of intermediate goods to the EU for re-export. Hence, the EU depends more on Chinese inputs for its exports than China relies on EU inputs for its exports. In 2019, China [accounted](#) for 9 % of EU exports after the US and the UK, but for 19 % of EU imports followed by the US and the UK. Second, the EU share of domestic value-added exports on global markets is shrinking more quickly than the respective US and Asian shares.

Lack of reciprocity in market access and level playing field in China

Since its 2001 WTO accession, China's rapid economic rise has benefited from asymmetries of market access that result from greater openness of the markets of China's trading partners, including the EU, for Chinese firms and the comparative closeness of the Chinese market for its foreign economic partners. In 2019, China was again the EU's most trade-restrictive [partner](#) in terms of border and behind-the-border barriers to trade in goods. By removing these barriers, the high volume of the trade in goods between the EU and China, which amounted to [€560 billion](#) in 2019, with the EU running a deficit of [€163 billion](#) with China, could be boosted even further.

The 2019 Joint Statement contains commitments relating to the removal of non-tariff barriers to EU-China trade in agri-food products, including the application of international standards, such as the [zoning principle](#) of the World Organisation for Animal Health (OIE). However, the European Commission's market access database indicates that China does [not](#) recognise the EU's regionalisation principle and non-tariff barriers such as [approval procedures](#) for agri-food products curtail EU firms' export prospects. In 2019, China was the third-largest export market for EU agri-food, accounting for [€14.5 billion](#) worth of EU exports.

China's distinct political economy discriminates against foreign competitors in a range of policy areas. In the trade area, gaps in international trade law, notably in the field of [industrial subsidies](#), have worked to the advantage of Chinese firms, with implications for EU firms not only in China but also in the EU and in third markets. The competitive landscape is skewed in favour of Chinese companies in the area of investment too. Many sectors of the Chinese economy are [restricted](#) for foreign companies or subject to equity caps and joint venture requirements, opening the door to forced technology transfer (FTT). Although the EU launched a FTT-related WTO complaint against China ([DS549](#)) in 2018, no panel has been composed. There is no evidence that the Joint EU-China working group on WTO reform, created by the 2018 [Joint Statement](#), has led to tangible results on this issue.

In 2018, China ranked as the [sixth](#) most closed economy to foreign direct investment (FDI) on the OECD FDI restrictedness index. Despite [selective](#) unilateral market openings by China and the adoption of a new [foreign investment law](#) that prohibits FTT, a 2020 [business confidence survey](#)

among EU firms operating in China emphasises that progress on China's market access reform promises lags behind expectations.

As Chinese firms' interest in filling technological gaps by [buying out](#) EU firms has increased in recent years, despite a recent [drop](#) in the volume - of Chinese FDI flows to the EU, the EU's interest in [protecting](#) its strategic industries has grown. Since the pandemic has created [new risks](#) for EU companies, notably in the health sector, some EU Member States have recently [upgraded](#) their FDI screening legislation. In March 2020, the European Commission published its pandemic-related [guidance](#). On the issue of state-subsidised foreign takeovers, the Commission adopted a [white paper](#) on levelling the playing field as regards foreign subsidies on 17 June 2020.

Chinese [competition](#) and [antitrust](#) policies do [not endorse](#) the OECD concept of '[competitive neutrality](#)', as that would be at odds with the special status of state-owned enterprises (SOEs) in the Chinese 'socialist market economy'. In recent years, exceptions for SOEs have led to a string of [megamergers](#) driven by industrial policy objectives. The mergers further entrench pre-existing [vertically integrated](#) monopolistic structures in [strategic sectors](#).

This trend challenges EU competition rules, since the distortive effects of the price-undercutting capabilities of Chinese state-subsidised SOEs are felt not only on the Chinese market but also on the EU market and in third countries. Since China's political economy blurs the lines between the public and private sectors, state influence extends into the private sector as well, where the Chinese Communist Party exerts control through mandatory party cells; most chief executive officers (CEOs), like Alibaba founder and former CEO [Jack Ma](#), are party members.

In the area of intellectual property rights (IPR), the playing field in China is also tilted in favour of domestic firms. Although China's institutional and legal IPR governance system has undergone recent reforms – three specialised IPR courts have been set up in big Chinese cities and Western firms nowadays tend to [win](#) more IPR cases – enforcement of IPR rules remains a [big issue](#), notably in the field of [trade secrets](#) and FTT. In 2018, China accounted for [60 %](#) (including Hong Kong) of counterfeit goods detected by EU customs authorities.

In the field of [government procurement](#), China benefits from the open EU market but it does not apply the principle of reciprocity to the benefit of EU firms in China. The European Commission has proposed an [international procurement instrument](#) (IPI) to re-balance this situation, but the file has stalled in the legislative process. China is not a member of the WTO plurilateral Agreement on Government Procurement (GPA), although it pledged to join back in 2001. China submitted its [sixth revised market access offer](#) in October 2019; it is currently being examined by the GPA parties.

Chinese security laws as a competitive challenge

China's [cyber-security law mandates](#) data localisation for businesses in China and emphasises its [concept](#) of surveillance-based cyber-sovereignty. It [enables](#) the Chinese government to access big data and exploit their use for economic and military gain. Recent implementing rules [raise](#) data protection concerns as regards sensitive business information and trade secrets, as they may find their way to Chinese competitors. Moreover, China's [national intelligence law creates](#) obligations for individuals and firms to cooperate with the Chinese government on intelligence gathering.

Challenges for cooperation on research and innovation

China's unique ecosystem also poses challenges for EU [cooperation](#) with [China](#) on [research](#) and innovation, including in terms of reciprocity. A recent [study](#) stresses that China 'remains one of the least open science systems in the world' and while EU researchers are most likely to collaborate with foreign colleagues, Chinese researchers tend to remain comparatively closed to international cooperation. Moreover, EU researchers have [raised](#) the alarm about potential knowledge leaks through exchange programmes or bilateral research programmes at European universities [sponsored](#) by the Chinese government or its proxies, such as the [supposedly private](#) Chinese

telecom champion Huawei. In response to these concerns, the UK [reportedly](#) intends to include 'academic partnerships' and research projects in new FDI screening rules.

Lack of transparency may hamper EU research cooperation with China in the context of the coronavirus pandemic. Research cooperation on health issues with China may be overshadowed by recent increased [government controls](#) over coronavirus-related research results, a move that appears to offset [recognition](#) by China's health authorities of [shortcomings](#) in its response to the virus.

China as negotiating partner

Deliveries and outstanding issues on the EU-China agenda

In 2019, two long-standing items on the EU-China negotiation agenda were concluded and can be considered concrete deliveries on the 2019 EU-China Joint Statement. The first was the EU-China Civil Aviation Safety Agreement and Agreement on Certain Aspects of Air Services, [signed](#) in May 2019. The [European Parliament](#) gave its [consent](#) in June 2020. The second delivery was an EU-China Agreement on [geographical indications](#) (GIs) that aims to protect 100 EU GIs in China and 100 Chinese GIs in the EU against imitations and usurpation. Talks were [concluded](#) in November 2019. After the agreement's signature Parliament will be asked for [consent](#) in the coming months.

In outstanding issues, the 2019 Joint Statement calls for the swift conclusion of the parallel negotiations on the EU-China agreements on visa facilitation and on cooperation in combating illegal migration.

Re-balancing EU-China investment relations

Although the above deliveries are part of the EU's efforts to achieve a more balanced and reciprocal economic relationship with China, they are marginal compared with the centrality of the still pending negotiations on a comprehensive agreement on investment (CAI). The CAI [negotiations](#), launched in 2013, are the EU's most important tool when it comes to re-balancing its economic ties with China. The CAI is a stand-alone agreement that does not cover trade but goes beyond a traditional bilateral investment treaty (BIT) by also including market access provisions. Controversial [issues](#) include the removal of asymmetric market access barriers in China, the treatment of SOEs and transparency of state subsidies, and, finally, investment-related sustainable development provisions, which are at their [most challenging](#) in the area of labour rights. Moreover, China is not on the same page as the EU when it comes to adherence to core conventions of the International Labour Organization (ILO), of which China has not ratified [four](#), including the one on freedom of association.

Since re-balancing EU-China investment ties would mean China making more concessions to the EU than vice versa (the EU market is already open to Chinese investors) and since the EU stance is that '[substance prevails over speed](#)', talks have moved '[at a snail's pace](#)'. The pandemic could generate new momentum, if China shifted more of its attention away from China-US strategic rivalry towards the CAI talks. However, the fundamental role of Chinese SOEs in the economic recovery is likely to curb China's preparedness to deprive itself of a valuable tool to ensure social stability in China.

Converging / diverging connectivity visions

The EU and China have diverging views on the principles to be applied to building physical and digital connectivity. Since 2015, both sides have explored potential synergies between the trans-European transport networks (TEN-T) and the China-led BRI, in the context of the transport sector-focused [EU-China connectivity platform](#). The 2019 joint [action plan](#) contains time-bound targets, including on a joint study for the creation of a new EU-China transport corridor via the Balkan Peninsula. Moreover, [terms of reference](#) were agreed for a joint study on sustainable railway-based comprehensive transport corridors covering the territory between Europe and China. Transport infrastructure [project lists](#) have been repeatedly published, but it is unclear whether these projects have ultimately benefited from mutual participation.

In its 2018 paper [Connecting Europe and Asia – Building blocks for an EU Strategy](#) the EU spelled out its concept of sustainable and rules-based connectivity, including transparency, adherence to international standards, and a level playing field required for cooperation on connectivity. China has signed up to the [connectivity definition](#) endorsed at the 2018 Asia-Europe [Meeting](#) (ASEM), which reflects the EU's sustainability criteria, and has published a non-mandatory [debt sustainability framework](#) for BRI projects following criticism about China's alleged [debt trap diplomacy](#). However, China appears to [advance](#) with infrastructure projects without integrated strategic planning and does not seem to [embrace 'the EU way'](#) in practice.

China as a systemic rival

The 2019 EU-China strategic outlook refers to China as a 'systemic rival promoting alternative models of governance'. China has [repeatedly](#) voiced its discontent with this [term](#), and has a strong preference for being portrayed as a 'comprehensive strategic partner'.

Promotion of China's governance system and the 'China solution'

While China no longer exports revolutions, it instead markets the '[China solution](#)' to global governance problems, as an [alternative](#) to the solutions of Western liberal governance systems, which China sees as being in decline in relation to its own system. Since the 19th Congress of the Chinese Communist Party in 2017, when President Xi Jinping took China's growing assertiveness in foreign policy to a new level by proposing [Chinese wisdom](#) as the remedy for the challenges of the 21st century, and as a model notably for developing countries, the Chinese leadership has massively ramped up its efforts to disseminate this wisdom at international, regional and bilateral levels.

Reshaping norms and values at the UN

China has doubled down on introducing President Xi's [signature phrase](#) of a 'community of shared future of mankind', designed to [transform](#) global governance so as to accommodate China's - Leninist governance system more easily within the UN. Since 2017, the phrase has appeared in UN Security Council [debates](#) and [resolutions](#), in resolutions of the UN Economic and Social [Council](#), the UN General [Assembly](#) and the UN Human [Rights Council](#). China has notably introduced language that reflects the priority it believes should be given to economic development over respect for individual civil and political rights.

In recent UN Security Council debates China has for instance been eager to export its '[critical guidance](#)' on counterterrorism and extremism in Africa 'with no strings attached'. It has voiced strong [opposition](#) to imposing peacebuilding models 'from the outside' and has insisted that transitional justice processes must be consistent with countries' 'own national conditions'. By emphasising the non-interference principle China is reasserting the foreign policy principle it relies on whenever it is criticised for its domestic policies, establishing this strategy as a model for others to follow. While most Chinese positions are not new, they are now being promoted actively and assertively.

The challenge for the EU and other liberal democracies derives from China's increasing [clout](#) in UN institutions. In recent years, China has secured [high-level positions](#) in various UN bodies, increasing its political influence. China is gradually [filling](#) the power vacuum in global governance left by the

Diverging views on human rights

At multilateral level, in 2019, China's policy on Xinjiang triggered [conflicting positions](#) from two different camps on the UN Human Rights Council. Although the EU had sought cooperation with China on the Rohingya, a 2019 [UN General Assembly resolution](#) on the [Rohingya](#) reveals a deep [divergence](#) of views.

At bilateral level, in 2019 the EU-China Human Rights [dialogue](#) took place, but it appears to have had little impact in practice. In 2020, for instance Hong Kong book-seller Gui Minhai was [sentenced](#) to 10 years in prison. China voiced a strong [response](#) to Parliament's 2019 [Sakharov Prize award](#) to renowned Uyghur professor Ilham Tohti. During the coronavirus outbreak, China cracked down on [whistle-blowers](#) and [citizen journalists](#). China has not yet ratified the [International Covenant on Civil and Political Rights \(ICCPR\)](#).

retreating US. As traditional coalitions within an increasingly fragmented UN crumble, the EU's multilateral agenda is facing [challenges](#).

China's network of regional forums and alternative institutions

China has also promoted the 'China solution' at regional level in its large network of regional cooperation forums with [Africa](#) ([Forum on China-Africa Cooperation](#)), the Middle East ([China-Arab States Cooperation Forum](#)), Central Asia, India, Pakistan and Russia ([Shanghai Cooperation Organisation](#)), [Latin America](#) ([China-CELAC Forum](#)) and [Europe](#) (16+1 [cooperation format](#), since 2019 including Greece), and at bilateral level.

[Parallel structures](#) are meanwhile helping China to shape the regional and international order, some complementing, others competing with existing international bodies. China began establishing alternative institutions in 2001 with the creation of the [Shanghai Cooperation Organisation](#) (SCO) to design a regional security architecture in Asia. It has been referred to as 'anti-NATO' and specialises in the fight against extremism, terrorism and separatism. The SCO complements the Russia-led Collective Security Treaty Organisation ([CSTO](#)) and the ASEAN Regional Forum ([ARF](#)). In 2006, China launched the (Beijing) [Xiangshan Forum](#) for the Asia-Pacific, [modelled](#) on the annual [Shangri-La Dialogue](#), a regional security forum convened annually in Singapore by the London-based International Institute for Strategic Studies ([IISS](#)).

In [2001](#), China founded the Bo'ao Forum for Asia ([BFA](#)) as an annual forum gathering policy-makers, business, and academia with a regional focus on Asia modelled on the World Economic Forum in Davos. In 2013, China proposed the creation of the Asian Infrastructure Investment Bank ([AIIB](#)), which opened for business in 2016. It was considered a [game-changer](#) in the traditional financial architecture and notably for the Japan-led Asian Development Bank ([ADB](#)). Although expected to become a major source of financing for the BRI, this has not so far materialised, as China's [policy banks](#) and special funds (the [Silk Road Fund](#) and China's [sovereign wealth fund](#) among others) still [dwarf](#) the AIIB's lending volume for BRI projects in scale and global reach.

Taken together these regional fora and parallel structures reflect China's ambition to institutionalise its regional and global leadership position and provide plenty opportunities for normative power diffusion in support of a more Sino-centric world.

China as an alternative lender and development aid donor

China has only [partly integrated](#) into the traditional global lending system which makes it difficult to assess China's global lending volume. China has for instance not become a member of the Club of Rome, which has high transparency requirements. Supported by its state-controlled banking sector, China promotes a development aid model that differs from that of the EU. China's importance as a global lender has [surpassed](#) traditional lenders such as the World Bank in the last decade. Meanwhile, as a development partner that gives prestigious infrastructure [gifts](#) to enhance its soft power credentials, China is boosting its political and economic relations with borrowing countries and tending to weaken the EU's relations with them.

China is challenging the EU as a development partner in Africa by offering an alternative to the EU's good governance policies. Burundi appears to be a case in point. As China [buys](#) nearly [90 %](#) of Burundi's [rare-earth](#) exports, the EU has fewer opportunities to [diversify](#) its sourcing of critical raw materials. This further entrenches the EU's [dependence](#) on China's [raw material](#) supply chain.

Internet governance and international standardisation

While the 2019 Joint Statement commits to the work of the EU-China Cyber Taskforce 'aimed at upholding an open, secure, stable, accessible and peaceful information and communications technology (ICT) environment', different approaches to internet governance create challenges.

Internet governance is an area where a Western-led liberal multi-stakeholder bloc involving a range of actors – governments, business, technical specialists and civil society – engaged in a bottom-up policy process is opposed to a [sovereignty-oriented](#) state-centred bloc, which includes China. The latter emphasises the role of international organisations in which governments play the primary role. China is pushing back on the international standardisation promoted by the stakeholder-based UN Internet Governance Forum ([IGF](#)), while [trying](#) to take forward its interests under the umbrella of inter-governmental fora such as the International Telecommunication Union ([ITU](#)). Recently, China [submitted](#) a proposal for new protocols for internet governance that would determine how data passes through the internet. China's concept of cyber-sovereignty with strict [state control](#) is another [example](#) of Chinese wisdom, this time informing its '[Digital Silk Road](#)'.

Technical standardisation is another area where China has emerged as an economic competitor that challenges the status quo. With its state-led approach China is [reshaping](#) an area that in the EU has traditionally been industry-driven. Chinese technical standards promoted in BRI countries enhance economic dependence and can lock out competitors that use different standards.

Impact of Sino-US rivalry on EU-China ties

Not only have the contentious areas of [Sino-US strategic rivalry](#) expanded from trade via advanced technologies (5G) to health, peace and security and finance, they have also spilled from bilateral level to various multilateral organisations affecting their functioning. Fragmented, reduced multilateralism is a serious challenge for the EU, which casts itself as the '[guardian of multilateralism](#)'.

Fallout from fragmented and reduced multilateralism

The US has shifted from multilateralism to bilateralism and taken an increasingly protectionist and isolationist stance. Examples include the current US administration's announcement in 2017 of its decision to [leave](#) the Paris Agreement for Climate Change. US failure to honour its NDC commitment is [expected](#) to reduce carbon emission space and increase carbon prices and GDP loss for China and the EU, while doing the reverse for the US.

As for trade, in recent years the US has been relying on domestic trade law and a WTO [national security exception](#) to 'manage' its trade relations with increasing disregard for the WTO rulebook and adjudication, thus undermining the rules-based international trading system in which EU trade policy is grounded. In November 2019, the WTO's Appellate Body came to a standstill after the US blocked the nomination of new judges to the body for several years on grounds of judicial overreach. China has joined an EU-initiated [interim appeal arrangement](#) replacing the blocked Appellate Body to provide a second instance for the WTO dispute settlement mechanism. This stop-gap solution has attracted only a sub-set of the 164 WTO members and notably excludes the US. When it comes to other items on the WTO reform agenda, [such as](#) tightening WTO disciplines on industrial subsidies and FTT, and reform of the self-determined special and differentiated [treatment](#) of developing countries, China's entrenched [status quo position](#), recently [reaffirmed](#) by the Chinese ambassador to the WTO, is at odds with the [reform initiatives](#) led by the EU, Japan and the US.

Multilateral cooperation had been a long-standing pillar of the transatlantic relationship, asserting Western liberal norms and values. The UN Human Rights Council has been the most prominent forum for such endeavours. Following the [US departure](#) from it, the weight of the EU and its like-minded partners on the Council has shrunk significantly to the advantage of the rising clout of authoritarian powers. China's [sub-regional cooperation](#) with 11 eastern and central European countries and five western Balkan countries has compounded the impact of the US departure, as [objections](#) to the EU position from some participating EU Member States have at times prevented the EU from speaking out with one voice against China's dire human rights [record](#).

Since the outbreak of the pandemic the World Health Organization ([WHO](#)) has become another battlefield for rivalry, with the US and China making [downward](#) and [upward](#) changes to their respective WHO contributions as leverage to further their interests in either [clarifying](#) or covering

up what happened, before the US finally [left](#) the organisation at the end of May 2020. Despite China's [resistance](#), the WHO agreed to an EU- and India-[brokered](#) 'soft' review of the origin of the virus that stops short of the fully independent inquiry supported by Australia and the US. Amid these tensions, a [multilateral fund raising](#) initiative led by EU Commission President Ursula von der Leyen in May 2020 raised €7.4 billion for a vaccine 'available, accessible and affordable to all' in the absence of the US and with the Chinese ambassador to the EU [limiting](#) himself to a statement.

US-China rivalry has also had a negative effect on UN decision-making on peace and security. As the US-China blame game for the pandemic continued, on 9 May 2020 the UN Security Council failed to pass a resolution calling for a truce in global armed conflicts in order to tackle the coronavirus more effectively, as it was [blocked](#) by the US insisting on associating China with the initial outbreak.

US-China de-coupling and re-balancing of EU-China economic ties

Coronavirus-induced disruptions to supply chains have [accelerated](#) the US-China [de-coupling](#) that began in 2018 following the start of the US-China trade war. Since 2018, US firms have [moved](#) production from China to Mexico, Taiwan and other Asian countries. The pandemic has accelerated this process, with the range of [countries](#) going ahead with on-shoring and near-shoring their supply chains broadening. This trend will lead to global fragmentation and to distinct Chinese and US economic, technological and security spheres, with players like the EU placed in between.

Analysts argue that this wider trend is likely to require EU companies to [strike a balance](#) between supply chain efficiency and resilience, reducing their overreliance on China for essential products such as [pharmaceutical products](#) and personal protective equipment. It may also mean taking strategic decisions in the light of several factors. These include the EU's long-term dependence on China for imports of [critical raw materials](#), limited options for diversification, China constituting a lucrative export market, and slow progress on re-balancing of EU-China economic ties. In May 2020, HR/VP Josep Borrell [reflected](#) on the EU's need to shorten supply chains, bring them closer to the place of consumption and consider giving Africa a greater place in regional supply chains.

The current US administration's shift away from its predecessor's [negotiation](#) of a US-China BIT towards a transactional approach to trade and investment relations with China appears to have negative implications for EU-China negotiations on the CAI. Had the US continued negotiations with China in parallel to the EU, synergies could have been generated by a shared agenda. The US-China Economic and Trade Agreement (ETA) or 'Phase One Deal', [concluded](#) in January 2020, by contrast, is expected to have negative [trade diversion effects](#) for the EU. As it does [not](#) remove numerous trade war-induced high tariffs between China and the US, positive effects could also arise for the EU.

US-China rivalry for technological leadership framed in a security context has exposed the EU and its Member States to unprecedented political and economic [pressure](#) from both sides aimed at pushing the EU towards picking sides on the [5G issue](#). It has triggered a highly politicised debate about whether the involvement of Chinese tech champions Huawei or ZTE in the roll out of 5G networks in EU Member States could pose a risk for national security. [Reporting](#) on Chinese [industrial espionage](#) has had an impact on the EU debate. To rationalise this debate, the European Commission has issued a [recommendation](#) and a [5G tool box](#). While China [flexes](#) its diplomatic and economic muscles to boost the interests of its national champions Huawei and ZTE in the EU, in 2020, in a two-phased award of 5G licences in China, European 5G suppliers have recorded disappointing results. [Nokia](#) lost out completely and Ericsson won 17.9% (35.9% went to Huawei, 35.9% to ZTE, 10.3% to Chinese Datang). HR/VP Josep Borrell has [noted](#) that EU firms' 2020 scores compared poorly with their 25% share for 4G in China and that meanwhile Huawei already had a 30% share of Europe's 5G market. 5G appears to be yet another area of EU-China relations where the reciprocity principle does not apply and the Chinese side unilaterally decides where the balance of the 'win-win' situation lies.

US restrictions on US exports of high tech components for Huawei have spurred the firm's efforts to explore [alternative](#) supply chains in order to reduce dependence on US technology, with the result

that only [1 %](#) of the components in Huawei's flagship model Mate 30 are from the US. The more the US locks China out of its market, the more China is likely to ramp up its strategic attempts to acquire EU high-tech companies to fill gaps at a time when the pandemic has made distressed EU firms an [easy target](#) for state-subsidised acquisitions by Chinese companies.

Outlook

The pandemic has sparked a [battle of narratives](#) about Chinese and EU crisis management. This suggests that competition between the two fundamentally different governance systems is increasingly straining EU-China relations. Pre-existing [systemic challenges](#) in EU-China economic relations have been amplified, exposing the EU Member States' [contrasting](#) perceptions of and [positions](#) on China. It has [created](#) the [need](#) to [respond](#) to China's [political influencing, intimidation, economic coercion](#), and [disinformation campaigns](#). China's [economic coercion and alleged cyber-attacks](#) against [Australia](#) for its call for an independent review of the origin of the virus could serve as a cautionary tale for the EU. It remains to be seen whether a '[more robust policy for China](#)' and a '[more united, resilient and sovereign](#)' EU, as called for by HR/VP Josep Borrell, will help to bring about the conclusion of the CAI by the end of 2020 and more tangible results at the next EU-China Summit than at the June 2020 video-conference Summit.

FURTHER READING

[Friends and Enemies: A Framework for Understanding Chinese Political Interference in Democratic Countries](#), Matt Schrader, Alliance for Securing Democracy, 22 April 2020.

ENDNOTE

¹ Rasmussen Global consultancy published a report titled [China-EU: Living up to the Ten Actions?](#) in May 2020.

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European Parliament position on China

On the eve of the 2020 EU-China Summit, Parliament adopted a [resolution](#) on Hong Kong, considering mainland China's [national security law](#) for Hong Kong 'a comprehensive assault on the city's autonomy, rule of law, and fundamental freedoms', seriously threatening 'the integrity of 'One Country, Two Systems'' concept. It would be seen as a breach of China's commitments and obligations under international law and 'threatens to severely damage the relationship of trust between China and the EU, and affect future cooperation'. It calls on the EU 'to use its economic leverage to challenge China's crackdown on human rights by economic means' in the context of the CAI talks. It announces that it will consider the human rights situation in China, including in Hong Kong, when asked to endorse the CAI or future trade deals with China. Parliament has regularly expressed concern about the human rights situation of [religious and ethnic minorities](#) in China, including the [Uyghurs](#), and [individual cases](#). It awarded its [2019 Sakharov Prize](#) to Uyghur professor Ilham Tohti, jailed in China since 2014. In a Covid-19 related [resolution](#) it called on the EU to ask China 'to shed full light on this pandemic, the timing of its emergence and its real human toll'.

