Topical Digest

EU-China relations

June 2023

Even before the outbreak of the pandemic in Europe in early 2020, China – with its growing political influence within the EU and on the global stage and its widespread efforts to promote authoritarian models of governance through economic statecraft, disinformation and the clampdown on pro-democracy forces in Hong Kong – had increasingly been perceived in the EU as a systemic competitor with a fundamentally different political model in terms of norms and values. In 2019 the EU published a joint communication, defining China as a cooperation partner with whom the EU had closely aligned objectives, a negotiating partner with whom the EU needed to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.

The EU-China comprehensive agreement on investment, CAI, which was agreed in principle in December 2020 was put on ice after China imposed sanctions targeting among others Members of the European Parliament in May 2021 for criticizing serious human rights violations against the Uyghurs in China. Parliament reacted by adopting a resolution listing conditions for giving its consent to the (CAI), linking it to China’s human rights record. This was followed up by a resolution on ‘a new EU-China strategy’ in September 2021 in which MEPs recommended that the EU should develop a more assertive, comprehensive and consistent EU-China strategy. Four out of the five resolutions on China adopted by Parliament in 2022 refer to human rights abuses by the Chinese regime, including violations of fundamental freedoms in Hong Kong and the human rights situation in Xinjiang as well as China’s actions against Taiwan.

Following the XXth Congress of China’s Communist Party XI Jinping’s new mandate is likely to be characterized by even higher priority being given to ‘security’ and the maintenance of so-called ‘stability’ at all costs which, experts argue, augurs badly in particular for the respect of human rights by the Chinese regime. China is also continuing to play an ambiguous role with regard to Russia’s war on Ukraine.

China-Russia relations: A quantum leap?

Briefing by Ulrich Jochheim, May 2023

The China-Russia relationship has seen major shifts since 1992. At the outset, China's population was greater than Russia's and the two countries had very similar levels of total gross domestic product (GDP). Now, thanks to China's exceptional growth and the impact of Russia's war on Ukraine, China's economy is estimated to be up to 10 times bigger than Russia's. Similarly, trade with Russia is not of major importance to China in terms of value. However, the high share of raw materials (including food) in Russian exports and the transfer of Russian military technology are of strategic importance to China. Since 2012 – when Xi was first made General-Secretary of the Chinese Communist Party (CCP) – the relationship has evolved into an informal alliance in the face of what both countries consider a rising threat from the West to their regimes. China’s response to Russia’s war on Ukraine – a balancing act sometimes referred to as ‘pro-Russia neutrality’ – has so far been much closer to Russia than it was in 2014 when Russia annexed Crimea. At the same time, developments since Russia’s invasion of Ukraine in February 2022 have increased Russia’s dependency on China, which some now qualify as a rising ‘vassalisation’ of Russia.

Chinese strategic interests in European ports

‘At a glance’ note by Karin Smit Jacobs, February 2023

China is increasingly investing in key European infrastructure, including ports. This is something that has drawn attention at both EU and Member State levels, in particular regarding strategic dependency on China and how it
affects the EU’s economic interests. This short briefing provides an initial overview of existing, publicly known Chinese interests in EU ports.

**EU-China 2030 – European expert consultation on future relations with China**

*Study by Kjeld van Wieringen, December 2022*

The EU’s relations with China are changing rapidly. What priorities, choices, challenges and opportunities might emerge for the EU in its dealings with China over the next decade? This study presents the results of an expert survey on the future of EU-China relations, involving 171 China observers drawn from among European think tanks, the EU institutions and a China-focused European youth network. A synthesis of the responses reflects the considerations, insights and advice of Europe’s China knowledge community on the EU’s approach to China looking ahead towards 2030.

**Question time: Protecting strategic infrastructure against China’s influence**

*‘At a glance’ note by Gisela Grieger, Sebastian Clapp, Mar Negreiro, Guillaume Ragonaud and Marcin Szczepanski, February 2023*

China’s full or partial ownership of a large number of strategic infrastructure assets in the EU has significantly increased the EU’s exposure to a non-EU country with a track record of weaponising its growing global economic footprint to achieve political objectives. Moreover, a series of recent cyber-attacks associated with Chinese hackers have put the EU’s critical infrastructure at risk of compromise or espionage. Both developments highlight the need to protect the EU’s strategic infrastructure against physical and digital threats. The European Parliament will use its oversight powers to question the European Commission on the issue during the December plenary session.

**China’s economic coercion – Evolution, characteristics and countermeasures**

*Briefing by Marcin Szczepanski, November 2022*

Non-military coercion, which means using economic means to achieve political goals, has become an increasingly serious problem for EU governments and businesses. Experts believe that China, traditionally an opponent of economic sanctions, has been deploying coercive economic practices with growing intensity and scope, particularly since the reappointment of Xi Jinping as the country’s president in 2018. The EU is currently expanding its toolkit against such practices. One novel tool is the anti-coercion instrument currently under consideration by the European Parliament and the Council. Experts also suggest other measures, such as creating a dedicated EU resilience office or an export bank, and boosting cooperation with like-minded countries facing the same problems.

**China’s climate change policies – State of play ahead of COP27**

*Briefing by Gregor Erbach and Ulrich Jochheim, October 2022*

China was responsible for more than a quarter of global greenhouse gas emissions in 2019. China’s per-capita emissions of 9 tonnes CO2 equivalent in 2019 were well above EU levels and far above the global average. This is one of a series of EPRS briefings on major economies outside the European Union, looking at their climate policies in the run-up to the COP27 United Nations climate change conference of parties being held in November 2022.

**China’s 20th Party Congress**

*Briefing by Ulrich Jochheim, October 2022*

The 20th Congress of the Chinese Communist Party (CCP) opened in Beijing on 16 October 2022. Its main task is, in theory, to decide on the composition of the Central Committee, which in the legal fiction in turn decides, immediately following the Congress, whether to grant current General Secretary Xi a third mandate, and determines the composition of the Standing Committee of the Politburo (SCPB). In his report, Xi highlighted his accomplishments since the 18th Congress in 2012, which installed him as CCP General Secretary, and placed himself on the same level as founder of the People’s Republic of China, Mao Zedong, and Deng Xiaoping, who
launched China’s very successful economic reforms in 1978. On economic policies, Xi promised on the one hand to foster a ‘world-class business environment’ that is market-oriented and law-based, while at the same time insisting on the need for stronger CCP influence including in mixed-ownership and non-public enterprises. He promised that China would continue to promote trade and investment liberalisation, while simultaneously demanding greater self-reliance. On foreign policies Xi insisted that China respect the sovereignty and territorial integrity of all countries, but did not mention Russia’s invasion of Ukraine. He also stressed that reunification with Taiwan was China’s affair and concerns the Chinese alone, while repeating the usual lines on Taiwan, including the right to use non-peaceful means. XI also referred to the ‘strengthening of mechanisms for countering foreign sanctions, interference and long-arm jurisdiction’ as part of his national security improvement agenda.

**China’s strategic interests in the Western Balkans**

*Briefing by Branislav Stanicek with Simona Tarpova, June 2022*

The six Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo,* Montenegro, North Macedonia and Serbia) are all countries with substantial economic catch-up potential. The EU-led Berlin Process estimated an annual investment need of some €7.7 billion, which would provide the region with an additional 1 % GDP growth and a positive employment effect of up to 200 000 people. However, quality investments are scarce, or often attached to political, environmental and social conditionalities; China took the initiative to benefit from this opportunity. According to the Balkan Investigative Reporting Network (BIRN), China invested €32 billion in the region in 2009-2021. In Serbia alone, Chinese investment reached €10.3 billion. However, despite inflows of Chinese capital, the EU remains the leading economic partner, with 70 % of total foreign direct investment and 81 % of exports. China has endeavoured to portray itself as a strategic investor that does not intervene in internal political affairs and is willing to close its eyes to some aspects such as State aid, corruption or labour laws. An early focus on transport infrastructure (through Piraeus and Belgrade to reach Duisburg) has expanded to industry, energy and digital communications. The Belt and Road Initiative (BRI) serves as the main framework for expanding China’s economic presence in the region and enables it to access key land and maritime routes. Loans and investments in undertakings further enhance China’s position and create dependencies, even debt traps, for the six Western Balkan states. An increasing number of Balkan countries now perceive the limits of China’s presence, and are concerned regarding public procurement, environmental protection, human rights violations, and promotion of the authoritarian model, which all limit cooperation and impact EU accession prospects.

**Stresses and contradictions in the Chinese economy in the early 2020s**

*In-depth analysis by Jacob Funk Kirkegaard, May 2022*

EPRS invites leading experts and commentators to share their thinking and insights on important topics of relevance to debate in the European institutions. In this paper, Jacob Funk Kirkegaard, Senior Fellow at the Peterson Institute for International Economics and the German Marshall Fund of the United States, looks at the current state of the Chinese economy, and at the various factors likely to influence its evolution in the coming years. He argues that Chinese growth will slow to below the levels of the past decades, but that a devastating financial crisis is unlikely. Nevertheless, the changing pressures felt domestically will also influence China’s foreign economic policy vis-à-vis other major economies, including the EU.

**US Congress and trade policy tackling China**

*‘At a glance’ note by Gisela Grieger, March 2022*

In the first year of the 117th US Congress (2021-2022), members of both the House and the Senate saw an urgent need both for a trade policy offensive specifically for the Indo-Pacific region to maintain US leadership in setting international standards and norms, and for an upgrade of defensive trade policy tools to address China’s unfair trade practices. Congressional initiatives have coincided with debates in the European Parliament on the EU’s Indo-Pacific strategy and on legislative proposals set to expand the EU’s toolbox of autonomous trade measures.
US Congress approach to US-Taiwan relations
'At a glance' note by Gisela Grieger, March 2022
The first year of the 117th US Congress (2021-2022) under a ‘unified government’, where President Biden’s party holds a majority of Democrats in the House of Representatives and the Senate, saw strong bipartisan support for shaping closer security, economic and political ties with Taiwan. Perceived as a vibrant democracy, worth protecting to secure peace and security in the Indo-Pacific region, the Biden administration invited Taiwan to the 2021 US Summit for Democracy, defining shared values rather than statehood as the criterion for participation. However, like the Trump executive, Biden’s administration has not delivered on Congress’s call to start talks with Taiwan on a free trade agreement, but has embraced an alternative framework for engagement.

US approach to research cooperation with China
'At a glance' note by Gisela Grieger, March 2022
China’s meteoric economic and military rise, authoritarian political system and non-market economic model, and growing US-China strategic competition, have had a significant impact on how bilateral research ties are perceived in the US, and on how the US Congress and the Trump and Biden administrations have shaped the US research ecosystem in response to China’s ‘Thousand Talents’ programme.

Further reading

What Think Tanks are thinking – EU-China ties and Russia’s war on Ukraine
Briefing by Marcin Grajewski, March 2022

Xi Jinping’s third mandate: What next for China?
Online Policy Round Table, EPRS, 10 November 2022

Is China’s economy in decline? Long-term trends, vulnerabilities, reform agenda
Online Policy Round Table, EPRS, 18 July 2022

Global disorder: Can the G 20 rise to the challenge?
Online Policy Round Table, EPRS, 24 October 2022

China’s demographic challenge
EPRS Chronicles, with Ulrich Jochheim, 12 July 2022

China: Urban elite v rural workers
EPRS Chronicles, with Ulrich Jochheim, 19 July 2022

China: Europe-East Asia interaction
EPRS Chronicles, with Ulrich Jochheim, 26 July 2022

China: Economic indicators and trade with the EU
Globalstat infographic by Gyorgyi Macsai (EPRS) and Igor Tkalec (EUI), October 2022
EU trade with China

Main trade partners (2021)
Trade in goods, exports plus imports

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