

Club of Three webinar – 14 October

"The road ahead for Europe and China: equal partnership or systemic rivalry?"

Meeting summary

In October, the Club of Three held a webinar on the current state of relations between Europe and China. This was the second in a series of webinars planned for the Autumn.

The coronavirus pandemic had laid bare Europe's vulnerabilities, prompting calls to make its economy more resilient and less dependent on China's manufacturing and technological capacity. At the same time, China had shown increased strength and self-confidence with recent displays of its power in Hong Kong and with India over its border dispute in the Himalayas.

Although the US seemed to be heading towards a decoupling with China, Europe had so far sought to strike a different balance between continuing economic partnership and a warier response to China's greater international activism. This had led to difficult decisions in particular on technological collaboration, especially with respect to 5G, but also with new constraints on Chinese investment in European industry.

Going forward, and expressing similar priorities on climate change and the importance of multilateralism, could Europe and China develop a relationship on an equal footing or should Europeans abandon all illusions of a trusted partnership and brace themselves for a new era of systemic rivalry?

The discussion that took place on 14 October, chaired by Club of Three Chairman Michael Maclay, was led by three speakers: Reinhard Bütikofer (Chair of the European Parliament's delegation for relations with China and Greens/EFA spokesman in the foreign affairs committee); Dr. Fang Xinghai (Vice-Chairman, China Securities Regulatory Commission and formerly senior advisor to President Xi Jinping on economic affairs); and François Godement (Senior Adviser for China, Institut Montaigne, and non-resident Senior Associate at the Carnegie Endowment for International Peace).

On the European side, it was pointed out that the way the relationship with China was perceived had evolved. It was now seen more in terms of a systemic rivalry than strategic partnership, as highlighted last year in the China strategy paper published by the Federation of German Industries and later fleshed out by the European Commission. Europeans had developed a more critical

understanding of the role China was playing in the world. This did not just come from the governing elite but was also reflected in popular sentiment. Chinese officials did not seem to have acknowledged this so far. The latest European Council conclusions had shown how united the EU was in its current assessment of China. Such unity had not been seen for a long time.

At the heart of this new European approach was the realisation that China was becoming increasingly more assertive vis-à-vis its neighbours and international partners. What the Europeans could not accept was a partnership on Chinese terms only. Inconsistencies were pointed out between the official pro-multilateralism rhetoric and attempts to establish a new, China-centric international system. In the economic field, China was emerging as an awkward competitor. This was particularly felt in Germany where the “Made in China 2025” strategy was seen as an attempt to undercut its advanced manufacturing capacity. China’s practice of seeking transactional deals with individual European companies also made it difficult to envisage an equal partnership.

As a result, commercial considerations in Germany were starting to lose ground on issues such as 5G. Huawei was likely eventually to be excluded from the next generation of 5G for security reasons. Another example of the tougher stance towards China was last July’s decision to suspend its extradition agreement with Hong Kong following the steps taken there by Beijing with its new security law.

The main underlying issue behind these European concerns was not so much the rise of China. It was essentially down to what was actually well set out on the Chinese side: a one-party state “with Chinese characteristics”. China was increasingly seen by Europeans as an authoritarian country tilting towards totalitarianism and seeking to impose its model on others.

From the Chinese side, there was a recognition that these concerns needed to be better understood. China simply sought to be an equal partner with Europe and the US, doing what it believed was right in order to tackle the huge internal and external challenges it faced. On some of the most contentious issues such as its handling of the dangers of extremism and even terrorism in the Xinjiang region and Hong Kong, the view from China was that the Communist leadership could simply not let the situation get out of control. Although it was doing things differently from the West, the goals were the same: to bring security and prosperity to its people. What were described as ‘concentration camps’ in Xinjiang were actually ‘re-training’ centres (a view strongly contested from the European side). For the Europeans, China’s

handling of these internal matters constituted a violation of human rights and in the case of Hong Kong international treaties.

On the issue of border conflicts with India and other neighbouring countries, it was pointed out to the Europeans that until 1949 China had no clearly marked frontiers with anyone given that it was an empire. World domination was not the ulterior motive.

As much as Europeans wanted a partnership, they acknowledged that relations with the US would always come first for China. The EU had been negotiating an investment treaty for the past seven years in order to give EU companies better access to the Chinese market and there was still hope that an agreement could be struck by the end of the year. The current German Presidency of the European Council was certainly aiming for this. But a change of US Administration following the November elections was likely to delay the EU-China Comprehensive Agreement on Investment, as China would then prioritise establishing a new relationship with a Biden Administration. However, if America continued to treat China harshly under a Trump second term it was likely that China would then invest a lot more energy in its relationship with Europe.

In other areas like climate change, China was an essential partner. President Xi's commitment to carbon neutrality by 2060 was welcome. But there again, there were doubts over China's real priorities. Its continuing emphasis on coal-fired power stations even alongside the significant investments in renewable energy and nuclear power was the opposite of what Europe was striving for.

Conclusion

There was a continued wish to find ways to co-operate on both sides but the divergences based on different values and expectations were growing. The sense that China could be a 'good stakeholder' in the international order set up after the Second World War was waning. Dialogue would be important and there was a clear willingness on the Chinese side to listen to European concerns. But there was a long way to go in restoring the trust which would be necessary to entrench a good partnership.