

Opinion – Europe and China's Growing Assertiveness

Written by Kareem Salem

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KAREEM SALEM, AUG 8 2020

Mounting tensions between the United States and China is increasingly testing Europe's resilience. Both powers are stepping up pressure on European countries on issues and policies they consider vital to their strategic interests. This is particularly noteworthy regarding the role of Chinese telecommunications giant Huawei in providing 5G networks to European countries. In July, US National Security Advisor Robert O'Brien, met with his European counterparts in Paris to urge the exclusion of Huawei from European 5G networks. Equally, the Chinese government has stepped up pressure on European countries, particularly Germany, not to exclude the Chinese operator from the development of the next generation of mobile internet. Earlier in the year, Chancellor Angela Merkel had resisted calls to exclude Huawei but is coming under increasing pressure within her cabinet to consider European suppliers.

The coronavirus pandemic has certainly accelerated and amplified tensions between the two powers. The emergence of the virus has seen Washington and Beijing engage in a frantic blame game over the origins of the pandemic. President Donald Trump has labelled COVID-19 the 'Chinese virus' while senior Chinese officials have argued that the US created the virus and planted it in China during the winter of 2019. The leader of the White House has gone even further withdrawing the US from the World Health Organisation in response to what he believes the WHO allegedly favours China. More recently, tensions have escalated further with both powers ordering the closure of their respective consulates.

For much of the last decade, relations between China and the European Union have become more extensive and intense. Over the last decade, bilateral trade in goods and services has increased by about 60% to more than half a trillion euros per year. Efforts have also been undertaken to promote broader and deeper cooperation, notably through the creation of high-level forums such as the High-Level Policy Dialogue, which aims to foster bilateral cooperation on global challenges affecting the international community.

Yet the unprecedented COVID-19 pandemic has undermined EU-China relations. China's attempts to divide Europe at the height of the health crisis by employing overtly hostile rhetoric about the capacity of Western democracy to respond effectively to the health emergency, served as a strong impetus that Europe must become more assertive with China when its interest and values are at stake.

This does not mean that Europe will pivot towards Trump's coercive position on China. Transatlantic relations have been strained on numerous occasions by the unilateralist and isolationist foreign policy of the current American President. Trump's withdrawal from the Open Skies Treaty and his decision to pull 12,000 American troops from Germany are recent cases in point. These actions have inevitably undermined US diplomatic relations with its closest allies, and puts into perspective the challenge facing the US President to effectively persuade European democracies that America is a reliable partner capable of providing them with viable alternatives to what China has to offer.

Europe would prefer to pursue a policy towards China that responds to their distinct interests, with an emphasis on cooperation and partnership with China, as well as vigorous competition and criticism. With Germany kickstarting its six month presidency of the Council of the European Union, Merkel will seek to especially converge with China over global issues pertaining to climate change, global governance and sustainable development, while confronting the Xi administration over its deepening authoritarianism in Hong Kong and in the province of Xinjiang. The upcoming EU-China virtual summit scheduled for 14 September will give Merkel and EU leaders the opportunity to address these

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concerns with President Xi Jinping. Already the EU has taken steps to limit exports of equipment which the Chinese Communist Party could use for repression – although at the same time Brussels has sought to expand bilateral trade cooperation with Beijing on agricultural products, underlining the EU's effort to continue to cooperate with China when its interests can be advanced.

European leaders agree, however, that Europe needs to strengthen its strategic autonomy in health, technology and industry to compete with China's growing leadership. In the wake of Trump's 2016 election, the term strategic autonomy was mostly associated with Europe's security and defence policy ambitions. The disruption of global supply chains at the height of the COVID-19 pandemic revealed the EU's strategic sectors dependence on China – underlining the importance of extending European autonomy to areas not directly associated with hard security.

While the immediate concern is to become more self-sufficient in medical and pharmaceutical production, European leaders are also set on strengthening European sovereignty in the production of computers, batteries, electric vehicles and wind turbines. Efforts are already developing, spearheaded by French President Emmanuel Macron, who announced in June a budget of 200 million euros to finance the relocation of French production of paracetamol. The Élysée has also pledged to spend 960 billion euros in an effort to relocate the production of automotive batteries, with the endeavour of becoming a production centre for electric and hybrid vehicles. Production taxes have also been significantly reduced by approximately 20 billion euros to achieve these strategic objectives.

Europe is also moving towards stricter rules on foreign investment across critical sectors. Chinese entities have long seen Europe as an opportunity to invest and acquire in order to enhance their international competitiveness. Major acquisitions of European firms by Chinese entities, notably Kuka, a German maker of industrial robots and Silex Microsystems, a Swedish microscopic manufacturer, have garnered substantial concern over Europe's ability to protect the critical technologies of European firms from Chinese investors. The acquisition of European high-tech companies has enabled China's leading entities to advance Beijing's quest to build China's technological leadership by acquiring human capital expertise, thereby increasing their technological know-how and ability to achieve industry leadership.

With growing impatience with Chinese investment practices and frustration in EU circles with China's failure to open its markets to European companies in key sectors, Brussels has established a new EU Foreign Direct Investment screening mechanism to be fully operational in October, designed to limit foreign threats to critical infrastructure and technology. Strategically, the mechanism is designed to remind Beijing that the EU can wield the stick when its interests are at stake.

The forthcoming G7 summit in Washington will test Europe's strategic position vis-à-vis China. If the pandemic subsides in the US, the multilateral conference will give Trump the opportunity to choreograph an alliance of democratic nations against China. As host of the summit, Donald Trump has sought to invite leaders who share his coercive position towards China, by inviting Australian Prime Minister Scott-Morrison and Indian Prime Minister Narendra Modi. The European G7 members – France, Germany and Italy – will not seek consensus on any agreement that could possibly lead to outright confrontation. European leaders naturally hope that the approaching US presidential election will result in a US presidency under Joe Biden, who served as vice president under the Obama administration, that sought to pursue strategic engagement with China. Time will tell whether Europe will continue to maintain its delicate foreign policy position.

About the author:

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