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The People’s Republic of China (PRC) once had a more ambitious set of objectives with Europe, seeing the prospect of an independent European pole emerging that could act as a soft-balancer to the United States. At the very least, Beijing had a toolkit and set of channels in place that could often undercut European efforts to mount a common front on issues of concern. Now its goals are more limited and its tools are no longer as effective, at times even counterproductive. The PRC wants to frustrate US coalition building efforts with Europe, maintain a level of European openness on commercial and technology access, and ensure that European states do not cross any of China’s red lines on Taiwan and other sensitive issues. But Beijing has also accepted that deepening its relationship with Russia amid war in Europe will come at a price, albeit one that it believes is worth paying in the context of its broader struggle with the United States. The PRC is also aware that it is dealing with an even closer transatlantic security partnership now than it was eighteen months ago, and that many of the measures pursued against Russia have clear read-across for China too. As a result, it is increasingly realistic about the fact that it is - as Xi Jinping noted - “Western countries”, not just the United States, that it sees “suppressing” China’s rise.¹

The Ukraine factor

The PRC’s relationship with Europe is now more heavily conditioned by dynamics with the United States and with Russia than at any time in the recent

¹ See reporting of Xi’s remarks by Xinhua, March 6, 2023, retrieved at: http://www.news.cn/politics/leaders/2023-03/06/c_1129417096.htm

past. The US factor has always weighed significantly in China's policy towards Europe, but now occupies a substantially more prominent role. The Russia factor, by contrast, has had a negligible influence on Sino-European ties in the last few decades but now looms over the entire relationship.

Russia's invasion of Ukraine has made it increasingly challenging for the PRC to reconcile its foreign policy objectives in Europe. On the one hand, ensuring that the transatlantic allies are unable to maintain an effective common front towards the PRC has become a central point of focus for Beijing, and the Chinese government has deployed a mix of pressure and inducements to try to complicate, slow down and raise the costs of US coalition-building efforts with Europe. On the other hand, in the wider struggle that Beijing sees itself engaged in with the United States - and with the West more broadly - there is no partner more important to the PRC than Russia.

Beijing has essentially decided to accept some level of collateral damage to its relationships in Europe as the price for deepening and elevating its ties with Moscow at a juncture when the continent is facing the largest scale conflict since World War II. The PRC is trying to limit the extent of that damage, and at times has even seen opportunities to parley its perceived leverage with Russia into concessions from European leaders who are desperate for any helpful influence that can be brought to bear on the war. But at each juncture when Xi Jinping has been faced with decisions on whether to position China in the carefully neutral way he did in 2014 after Russia's annexation of Crimea or to throw China's political weight behind Putin and bolster the Sino-Russian relationship, he has chosen the latter, in full knowledge of what the fallout will be.

This reflects a pessimism - or realism - about what kind of relationship Beijing can expect with Europe, given the political trajectory Xi has set for China, and the contours of the geo-strategic landscape it sees emerging. The PRC certainly sees Europe as the more benign and more tractable part of the West. Europe's limited security role in Asia inherently limits one element of the rivalry, in contrast to the United States, while the nature of Europe's political structures

affords opportunities for the PRC to undercut - or at least weaken - European efforts to adopt robust common positions on matters of concern.

Yet Xi Jinping's framing of the situation at the 2023 Two Sessions is indicative, with his statement that "Western countries – led by the US – have implemented all-round containment, encirclement and suppression against us"². The PRC still sees the Europeans as part of an ideologically-hostile western continuum, a category in which Beijing does not place most of its Asian neighbors. It sees the military alliance with the United States as providing the overarching framework for Europe's security choices, and Washington assuming even greater importance for European security in light of the Russian invasion. At the same time, for all the PRC's supposedly-ingenious divide-and-rule tactics and the supposedly-insurmountable European rifts, it sees the EU, NATO, and major European states continuing to agree on policies, language and positions that the PRC considers to be highly problematic.

In the PRC's broader struggle against western hegemony in the global order, and its concern that "western values" and "western hostile forces" will subvert CPC rule, Europe is an adversary³. This is often to the surprise of European leaders themselves, who have only recently and incompletely come to understand themselves as part of the "systemic rivalry" in which the PRC has long seen itself embroiled. Language that was once mostly restricted to internal CPC documents and private meetings with friendly leaders is now used more openly in Xi's speeches, PRC information activities, and joint statements. Elements of this represent tactical positioning - China sees advantage in mobilizing anti-western sentiment in the developing world as a means of reinforcing its own position, and still draws certain distinctions between Europe and the United States. But the decision to instrumentalize Europe for the sake of advantage in the PRC's wider ideological and geo-strategic struggle is evidently

² Ibid.

³ Chris Buckley, "China Takes Aim at Western Ideas," New York Times, 20 Aug. 2013, <https://www.nytimes.com/2013/08/20/world/asia/chinas-new-leadership-takes-hard-line-in-secret-memo.html>

still problematic for Europeans. And Xi's initiatives - the Global Security Initiative, the Global Development Initiative, and the Global Civilization - very clearly exclude or are counterposed to Europe, and are rather framed as a pitch to the non-western developing world. The more overtly politically-hostile stance taken by the PRC in recent years, from the major Sino-Russian joint statements to the propaganda activities during the COVID-19 pandemic against the failings of European democracies, have chipped away the once-prevalent notion in Europe that the PRC is simply a pragmatic actor that will act in the interests of stabilizing the international system at times of strain.

PRC articulations of ideological hostility are nonetheless tempered by the goal of limiting the extent of the rupture with Europe in critical areas, and China is still seeking to stabilize the relationship amid these tensions. In particular, since the tightening of US technology controls on the PRC - most notably the US export controls of October 2022 - Europe is seen as an even more important conduit for continued access to advanced technologies, in areas where China itself still lags behind. The European focus on "economic security" is a matter of significant concern - the securitization of Europe's commercial and technology interactions would shut down a vital channel. Beijing also wants to ensure that Europe continues to operate within the prior constraints of its One China policy, and has been increasingly troubled by the dynamics in Europe-Taiwan relations. One Chinese interlocutor described the issue to a European audience as "the reddest of red lines and the core of our core interests"⁴. Warnings from European political leaders about the consequences if the PRC provides lethal aid to Russia are therefore weighed seriously. Beijing is well aware that the relationship with Europe has the potential to deteriorate far further and faster. Hence, while bolstering the Russian position in many of the areas that Moscow has considered to be of greatest importance - the large-scale provision of dual-use goods, financial support, and political backing - Beijing has been careful not to take steps that would position itself as an outright co-belligerent.

⁴ Private meeting, 2022

However, insofar as the PRC does not expect to be able to achieve a maximalist set of objectives - such as a non-aligned Europe - it is not willing to put major inducements on the table either. While the PRC has extended targeted and specific benefits to certain European firms, and made market access offers during major visits, the current "charm offensive" with Europe is relatively limited in scope. Even mooted steps such as the removal of the suite of retaliatory sanctions imposed in 2021 on parliamentarians, officials, and think tanks after the deliberately modest European Xinjiang-related sanctions would only represent the undoing of an act of political damage. The sanctions themselves were indicative of the PRC's approach - offering Europe an investment agreement as a means of undergirding the relationship and undercutting the Biden administration's coalition-building efforts before it had even taken office seemed at least to be a successful tactical move. But it was considered less important to ensure that the agreement was ratified than to retaliate against EU sanctions, especially those pursued jointly with the United States.

The PRC has made it clear that it is unwilling to make compromises to its relationship with Russia - certainly not through exerting any meaningful form of bilateral pressure regarding the war or its conduct, but not even through the sort of careful political distancing that it has exhibited in the past. Neither is there any pretense that Beijing has any intention on the sorts of domestic reform moves that might rebalance the terms of the economic relationship with Europe, quite the opposite. As such, the deteriorating relationship with Europe is to some extent understood to be a regrettable but inevitable consequence of other decisions that Xi Jinping has taken, will continue to take, and that are simply of higher importance to PRC domestic and wider strategic interests.

"A certain country"

This does not stop Beijing from attributing virtually every adverse development in European policy to the malign influence of the United States. In diplomatic exchanges, Chinese officials complain lengthily about Washington's

behavior, and make it explicitly clear that joint actions pursued with the United States will be treated more harshly than measures taken by Europe alone. The stress that Chinese leaders, officials and experts now place on Europe's "strategic autonomy" is entirely focused on acts of differentiation from the United States - favorable European actions are "strategically autonomous" while critical positions represent the Europeans doing the US bidding. Since the Russian invasion of Ukraine is itself attributed by China to the United States "pushing a big country to the wall", PRC interlocutors suggest in their exchanges with European counterparts that the Europeans are unwitting fools being lured into vassalization by US strategic designs⁵. The United States is the "winner" of the war in Ukraine, they stress, while Europe - and European hopes of strategic autonomy - pays the price.

While there are pockets in Europe where this lands on fertile ground, it is generally received poorly, reflecting a tone-deafness to Europe's immediate security concerns, as Wang Yi's reception at the 2023 Munich Security Conference indicated⁶. The PRC's approach is designed, however, to help fulfill a narrower set of objectives, which focus less on wooing Europeans and more on deterring closer alignment. The collective effect of the anti-US barrage from China is indeed to induce caution among European actors about how collectively the transatlantic allies should operate on China-related matters. As one German official put it in an interview:

"We don't know what the tipping point is with Beijing— which provocation is it where they'll decide that they no longer see a difference between us and Washington? So even when we agree in substance, we are still hesitant ... We need to be able to present whatever we do as "European sovereignty" in order to deal with the costs that these actions have with the Chinese." ⁷

⁵ For "pushing a big country to the wall", see Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on February 23, 2022

⁶ See: "Wang Yi Attends the 59th Munich Security Conference and Delivers a Keynote Speech: Everything China has Done is for Peace" February 18, 2023

⁷ Quoted in "No Limits: the Inside Story of China's War with the West", Andrew Small,

Statements of this sort are precisely why Beijing sees its more limited set of objectives as potentially achievable: creating friction for US coalition-building efforts in Europe; maintaining a higher level of economic and technological openness and cooperation in Europe than will be the case for the United States; and preventing Europeans from crossing red lines on Taiwan and other sensitive issues. These are the goals against which we should judge the success of the PRC's approach rather than seeing actions that damage Sino-European ties as "mistakes" that rather reflect the fact that the PRC has more important first-order objectives, and is willing to live with the costs.

The European pole

Seen over a longer arc, this is certainly a defining down of what China had hoped to achieve with Europe. Twenty years earlier, China's ambitions were greater. The combination of transatlantic differences over the Iraq war, the new impetus behind the EU following the launch of the euro, and the momentum behind a European constitution, saw China investing additional energy in building the relationship, with heightened emphasis on the EU's emerging institutions. Influential Europeanists in Chinese foreign policy at the time made a case for upgrading the then-relatively-neglected European ties, and the apparent opportunity the shifting political context presented. The early years of the new millennium saw what both sides dubbed a "honeymoon period", with the Sino-European relationship even described by one of its leading experts as an "emerging axis".⁸ At the time, the PRC embarked on a push for two specific objectives - the lifting of the EU's arms embargo and the early award of "market economy status". While it failed to achieve them, it was a near-run thing in both cases. The loss of the EU constitutional referendums and the growing trend towards re-nationalization of power in the EU from Brussels, which was further accentuated during the eurozone crisis, saw Beijing rebalance its approach and

p197, Melville House, November 2022

⁸ David Shambaugh, "China and Europe: The Emerging Axis", 'China and Europe: the emerging axis', Current History, September: 243–8

place even greater premium on transacting through member-state capitals. But the PRC's aspirations during this early period encapsulated important elements of how Beijing looked at Europe.

Despite the close overlap of the EU's membership with that of NATO, the EU and its principal member states have been seen by China as an emerging pole distinct from the cluster of the very closest US allies, such as the "Five Eyes", or Asian allies whose power differential with the United States was wider. Europe's collective economic weight has given it greater scope than any actor other than the United States itself to chart its own path in trade and regulatory matters. In cases of political divergence from the United States, European states have also been willing openly to defend their positions under U.S. pressure, whether that be on the WTO, Iran, or climate change, and to rally others behind their approach. Moreover, although Europe is perceived as a source of ideological threat - being far more vocal on human rights issues than any U.S. partners in Asia - the relative importance of these factors in European policy had been seen by Beijing as diminishing since the 1990s as market opportunities grew and the relationship with China broadened. Moreover, China has seen Europe's law-bound, multilateral, and "open" approach as an area of potential convergence, given the virtually ideological attachment to these principles in Europe, particularly at junctures when the United States' commitment to multilateralism was in question.

If China's vision for Europe in its dealings with the United States was of an independent pole that would potentially help counterbalance the disquieting elements of US power, its vision for Europe in dealings with Beijing was of a continent whose aspirations to act collectively could readily be undermined. Ensuring successful dynamics with leading member states - Germany in particular - has always been decisive to the underpinnings of the relationship between China and Europe, most notably on long-term economic and technology matters. Beijing has only ever been able to achieve more limited outcomes at the European level, such as watering down joint statements, through its dealings with member states that are more peripheral to EU decision-making, such as

Greece or Hungary. With Berlin, it was able to address core concerns and unravel even cases where collective consensus had been built. To take one of the most prominent examples, when the EU moved to bring exemplary China-related trade cases, Beijing successfully unraveled majorities in favor of stronger European action on solar panels and on Huawei's subsidies (in 2013 and 2014 respectively), primarily through Berlin's intervention⁹. This was more consequential than the emphasis that has often been placed on Beijing's "dividing Europe" through peeling off one or two member states to prevent unanimity on foreign policy issues of Chinese concern.

Nonetheless, Beijing utilized every opportunity that presented itself to work with countries and actors that were disaffected with existing European power structures, particularly those emerging from the crises that roiled Europe from the late 2000s. Southern European governments unhappy with Berlin and Brussels' handling of the eurozone crisis; Central and Eastern European governments unhappy with Western European states' handling of the refugee crisis, as well as the dominance of China-policymaking by Berlin, Paris and London; and surging populist forces across Europe unhappy with some combination of migration and austerity; all were utilized as avenues of influence by China when its levers in the German chancellery did not yield the right results. For European business during this period, although complaints had already started accumulating in the years after WTO accession, China was, thanks to its domestic stimulus, the growth market where others were in the doldrums. It was during this period that China became or was on track to become the most important market for certain major European companies, becoming the world's largest car market in 2009, for instance.

Many of the tactics that China would later threaten to use more indiscriminately it then used in a targeted way, focused on Taiwan, Tibet and human rights - whether political freezes, boycotts of specific firms, or other

⁹ See e.g. Erik Kirschbaum, "Merkel, Li Call for End to EU-China Solar Trade Row," Reuters, 26 May 2013, <https://www.reuters.com/article/cbusiness-us-china-eu-trade-merkel-idCABRE94P0CD20130526>

technical obstacles to trade. In many cases, they worked. The Dalai Lama's meetings in Europe were pared down from an expected routine for major European heads of government to a diminishing group of bolder small states. European leaders who did conduct meetings would then go through the sheepish diplomatic choreography involved in emerging from Beijing's deep freeze. Unsurprisingly, the PRC's belief was that the same tactics could be deployed again to even greater effect once power had shifted further in its favor.

Firing blanks

The factors driving the dramatic shift in Europe's approach in the period from 2018 on are addressed in other testimony in this hearing. Most notable for the purposes of this analysis, however, is the fact that each of the constituencies that China has relied on no longer serves Chinese interests to the same extent as it did for the prior decade.

The European business community - and particularly the German business community - has become far more critical and concerned about China's trajectory, with the BDI indeed being the first to label the PRC a "systemic" competitor.¹⁰ The liberal free-traders in Europe no longer see the paradigm of European "openness" as the best way of sustaining a fair global trading order, and have grown concerned about both the security and economic risks of maintaining that openness to an actor of China's nature. The disaffected southern European states were granted far greater fiscal space during and beyond the COVID-19 pandemic, and northern European states understood far better the political costs of repeating the experience of the sovereign debt crisis, meaning that China would no longer have the status of a lifeline. A combination of factors have seen the 17+1 fall apart, and Central and Eastern European states (with the exception of Hungary) have become China's biggest critics in the EU. Populists in the EU have seen less tactical advantage in playing the China card against Brussels, with the illustrative and stark contrast between Giorgia Meloni's China-

¹⁰ "China – a partner and systemic competitor", BDI, January 2019

critical government in Italy, and the Lega / Five Star government that saw Italy becoming the first and only G7 member to sign a Belt and Road Initiative MOU in 2019.

The departure from the scene of Angela Merkel not only cost China a "friend" who was still significantly wedded to the old framework of Europe-China relations, it left a successor who - even when minded to continue elements of her policies - cannot carry Europe in the same way. Power dynamics in Europe since the Russian invasion of Ukraine have also left France and Germany with less political space to drive the collective agenda. The elevation of discussion on China to the highest political levels in Europe - where it is now a matter regularly addressed together by heads of government - has also undercut the capacity of actors such as Hungary to run interference for China discreetly. Blocking a joint statement drafted by ambassadors is one thing; blocking a consensus among European leaders requires political capital to be spent, and is not something that the so-called spoilers - including Orban - have generally been willing to do on Beijing's behalf.

The PRC's heightened use of economic coercion has also started to elicit active resistance rather than compliance. Carefully-targeted measures directed at individual states over their meetings with, for instance, the Dalai Lama were in some sense treated as fair game in the past. But the expansion of these threats to include demands that European governments should accept Chinese companies in their telecoms infrastructure, or, in Lithuania's case, the PRC's decision to go after not only Lithuanian companies but Lithuania's role in European supply chains, is not seen in the same terms. Instead, Europe has moved ahead with plans to establish an "anti-coercion" instrument, as well as pushing back and refusing to change position in response to Beijing's threats. The 5G decisions have not, despite those threats, resulted in any punitive measures.

None of this is to argue that these channels no longer work at all. The PRC has, for instance, made an even-more-concerted effort to mobilize European corporate voices to act on their behalf - the publicly known case of the Ericsson

CEO petitioning the Swedish government to overturn the Huawei and ZTE exclusions, and the counter-revolution from German industry figures arguing against the political tide on China has in some ways rolled back BDI efforts to sharpen the industry association and German government's approach¹¹. There is anecdotal evidence of Chinese offers and pressures on European firms to play a heightened political role of this nature that is qualitatively different from past practices and bears close monitoring.

Moreover, the PRC has also sought to find ways to placate Europe on areas of concern, as long as it doesn't give anything substantial away in the process. Europeans are certainly among the intended target audience for China's special envoy for Eurasian affairs, for Xi Jinping's belated phone-call with Zelensky, and Beijing's 12-point position paper. China knows it matters to be seen to be doing something to address the conflict and it derives value from being treated as an interlocutor by all parties, which gives it both intelligence and a potential influence over the outcomes. Xi's visit to Moscow made clear though, despite the briefings by Chinese officials ahead of time, that he did not see the trip as a "peace mission", but rather another opportunity to deepen ties with Russia and engage in comprehensive exchanges with the Russian leadership, including on military cooperation.

But despite modest efforts to mitigate the slide in relations, and the refreshing of some prior techniques, the overall landscape for the PRC in Europe has become substantially more challenging, including for many reasons that this testimony did not touch on, such as the adverse shifts in the political and public opinion climate, the greater European focus on China's influence and information activities, and closer media scrutiny. This has not only complicated China's capacity to achieve its objectives, it has made some of the tools that Beijing had used in the past actively counterproductive.

¹¹ Ericsson CEO Lobbied to Overturn Sweden's Huawei Ban, Bloomberg, January 2, 2021

Conclusion

When European leaders meet Xi Jinping nowadays, it is clear that he is both concerned and in some instances frustrated by developments, particularly by the European insistence on linking China to Russia's invasion of Ukraine. Rather than a full-blown "charm offensive", there is a re-engagement with Europe, and a testing process underway to determine where the Europeans will land on several critical issues. There still appears to be a clear sense on the PRC side that it should be possible to maintain a Sino-European relationship that does not resemble the current dynamic with the United States. China would certainly like to prevent that. Beijing has long understood the strategic salience of Europe in a context where economic, technological, and even discourse power is of critical importance. It continues to see areas of potential traction with Europe, despite adverse developments in recent years. But it is clear that there are few consequential decisions that Beijing is willing to take in order to help salvage the relationship. And there are a number of consequential decisions that Beijing is taking that are having a detrimental impact on Sino-European ties, none of which it intends to resile from. The test for the PRC in the coming period is whether it can achieve its damage limitation goals, and see whether exogenous factors - the next US election, a major evolution in Ukraine, a yet-unforeseen global crisis - will present a different set of opportunities. But there is an incipient sense that Xi is already steeling China for a confrontation not just with the United States and its Asian allies, but the West as a whole.