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Written Statement:

Introduction

Chairman Bartholomew, Vice Chairman Wong, Commissioner Mann, Commissioner Friedberg, and other members of the commission, thank you for the opportunity to testify today. My written and spoken statements are my personal views and are not intended to represent my employers or affiliated institutions, past or present.

My prepared remarks today present my assessment of three main topics. The first is European views of China in a strategic context; the second is Europe's use of trade and investment restrictions to address Beijing's multiple challenges; and the final topic is Europe's approach to Taiwan. (I do not include the United Kingdom (UK) in this analysis but would be happy to provide my thoughts on the UK in response to your questions.)

1. Views of China

European views of China vary widely. There is disparity among the countries, as well as within each country. The same is true among the multilateral governance institutions that make up the European Union (EU). The Nordic countries have [grown](#) skeptical of China in recent years, owing to assessments of and disputes over telecom security and human rights. And having lived under the thumb of communism themselves, the former Soviet Bloc states of Central and Eastern Europe (CEE) grasp Beijing's intentions and [perceive](#) its threat vectors better than Western Europe. The effective disintegration of the 17+1 China-CEE countries framework in recent years is a symptom of: (1) China's [failure to deliver](#) on economic promises, (2) Beijing's outright [bullying](#) of Lithuania, and (3) Xi Jinping's diplomatic [support](#) for Vladimir Putin. One notable exception is Hungary, which welcomes People's Republic of China (PRC) investment to perpetuate clientelism and has often [acted](#) on China's behalf within the EU.

As in the United States, European lawmakers who are vocal about China take a hawkish view. This is evident in the European Parliament, where some members openly [urge](#) the European Commission to approach China on the basis of reciprocity, mutual respect, and respect for international law. However, as the various EU heads of state together provide political direction to the EU, it is difficult for the EU to articulate a singular strategic view. In 2019, the European Commission [characterized](#) China as simultaneously a cooperation and negotiation partner, an economic competitor, and a "systemic rival

promoting alternative models of governance.” The EU has maintained this expansive triptych of partner, competitor, and rival ever since.

While Lithuania, the Czech Republic, and others find themselves on one end of the spectrum, the EU’s largest economies and most dominant policy voices find themselves on the other. In 2019, after the United States declared China a “strategic competitor using predatory [economics](#)” and [highlighted](#) its many dangers, Italy joined the PRC’s Belt and Road Initiative, and is only now [reconsidering](#). In late 2020, with unprecedented unilateral U.S. tariffs on PRC imports still in place, Germany pressed for an EU-China bilateral investment agreement. And in April 2023, with U.S.-China diplomacy frozen after a PRC spy balloon traversed North America, French President Emmanuel Macron paid a state visit to China and [declared](#) that Europe would not become a U.S. “vassal.” In addition to signaling transatlantic disunity, Macron’s decision to separate France from the European Commission on CCP General Secretary Xi Jinping’s home turf [was a further victory](#) for Beijing’s divide-and-conquer strategy.

As evidenced at last month’s G7 summit, the United States and Europe are rhetorically [converging](#) on several aspects of the China challenge. There remains, however, a significant gap in substantive practical actions taken and under consideration. The U.S.-EU Trade and Technology Council, which U.S. national security officials hoped would coordinate joint actions to tackle China, has been hijacked by Russian aggression and U.S.-EU bilateral issues such as data privacy and protectionism. At the ministerial three weeks ago, European Commission Executive Vice President Margrethe Vestager said: “We don’t have a European approach to [China]. There’s no sort of European prism through which we can see the question of economic [security](#).” And in describing U.S.-EU convergence after the meetings, U.S. Commerce Secretary Gina Raimondo caveated: “Of course, the EU and the member-states will have to make their own decisions, as will the United States, as to what’s in their best interest.”

As early as [2017](#), in trilateral ministerial meetings with the United States and Japan, Brussels had already [agreed](#) to coordinate joint actions on China. Since then, the United States has sprinted ahead in taking real steps while Europe continues to lag. In reality, Macron was simply [voicing](#) a sentiment shared across much of the continent—that Europe has its own strategic interests that don’t always align with those of the United States.

Rather than converging, a more apt depiction may be one in which European allies are trailing behind in diagnosing the China challenge, even as the United States takes prescriptive actions to counter the threats from Beijing. EU policy actions will lag alongside France and Germany, especially given the emphasis on consensus in Europe. Europe’s current mindset is akin to Washington around 2016 or 2017. Western Europe is gradually conceding that the China dream is over, but it remains relatively frozen in action—unable to implement a meaningful change in policy direction.

To be fair, the French military establishment has long recognized China as a threat but cannot convince the economic ministries or political leadership to acknowledge the risks—the same dynamic, of course, was true in Washington less than a decade ago. And in Germany, the coalition government includes the Green party, which has long been skeptical of Beijing. Two months ago, Green leader and Foreign Minister Annalena Baerbock delivered a direct public rebuke to Beijing on Chinese soil, warning that “a unilateral and violent change in the status quo would not be [acceptable](#).” In addition, China’s popular

image in Europe is on the decline. Public polling [shows](#) plummeting favorability ratings in recent years. But ultimately, Germany's outsized corporate dependence on China, along with France's Gaullist ambitions to lead a strategically autonomous Europe, will continue to limit Europe's approach to China going forward.

2. Restricting trade or investment with China

Import Restrictions. The CCP's perpetration of genocide and crimes against humanity against ethnic minorities is contributing to Europeans' worsening views of China. Just as the United States made that determination in January 2021, Germany had affianced the EU to China through a new investment agreement which would have further deepened economic integration. However, the EU [sanctioned](#) four PRC officials and one entity two months later for human rights violations. And when Beijing issued retaliatory sanctions on sitting members of the European Parliament, opposition finally [coalesced](#), resulting in the suspension of the investment deal in May 2021. A year later, Germany's Economy Ministry [announced](#) it would no longer offer investment guarantees for new commercial projects in Xinjiang due to human rights abuses.

In January 2023, the German Supply Chain Due Diligence Act [came](#) into force, requiring large companies in Germany to investigate their supply chains for environmental and human rights risks. And in 2025, the EU plans to have a law in place prohibiting the importation of goods produced with forced labor. This will bring the EU largely in line with U.S. law [passed](#) in 2015, which eliminated an exception to the Tariff Act and effectively prohibited bringing such goods into the United States. Since then, the United States has [blocked](#) shipments of tainted PRC products such as apparel, hair products, seafood, agriculture, and polysilicon.

In all likelihood, the new EU provisions will not be effectively enforced unless and until investigative reporters, think tanks, or NGO researchers uncover malfeasance by PRC-based suppliers. Unfortunately, Beijing is now further restricting foreign access to PRC supply chain information by hindering on-the-ground due diligence work and outside access to PRC economic data. This will make it more difficult for civil society to expose forced labor violations and for government agencies to collect the information needed to validate trade restrictions. To incentivize transparency, the EU could change the presumption and shift the onus onto the importer to show innocence, rather than burdening the government with proving guilt. This is the approach mandated by the Uyghur Forced Labor Prevention Act (UFLPA), which applies to goods and inputs from Xinjiang bound for the United States. In the first year of UFLPA implementation, U.S. law enforcement [detained](#) shipments valued at more than a billion U.S. dollars.

Export Restrictions. European countries participate individually in technology export controls through the Wassenaar Arrangement, which is non-binding and remains functionally aimed at preventing proliferation of dual-use items to rogue states and terrorists. Wassenaar is a consensus-based organization that counts Russia as a member; it is not an effective platform to coordinate controls against strategic competitors.

While the European Commission has repeatedly [expressed](#) rhetorical support for EU-level export controls to counter China's military-civil fusion strategy, the EU has yet to move forward with actual

restrictions. Last month, the European Commission floated the idea of limiting trade with countries, including China, that are allowing circumvention of the comprehensive Western export controls on Russia. Sensitive to any restrictions affecting the China market, Germany and Italy immediately [pushed](#) back on the proposal, ultimately [watering](#) it down. Given individual member states' varying interests and Europe's consensus-oriented culture, any future EU regime would likely be non-binding, toothless, or both.

As long as Europe remains relatively passive, U.S. business concerns about offshoring are justified. If U.S. companies cannot ship certain technologies to China, then foreign competitors will gain an uncontested market and multinationals will be incentivized to shift development and production outside U.S. jurisdiction to serve the China market, possibly weakening the U.S. technology industrial base over time. For advanced technologies, Europe, Japan, and the UK are the primary jurisdictions that could benefit in such a situation. Of those, Europe is least aligned with U.S. national security concerns about China and therefore most likely to exploit regulatory advantages for economic gain.

In 2019 and 2020, the U.S. government privately coordinated with the Netherlands and Japan to prevent the delivery of the most advanced semiconductor manufacturing equipment, including extreme ultraviolet lithography machines, to China. In October 2022, Washington went even further, expanding the thresholds for logic chipmaking and adding comparable restrictions for memory and storage chipmaking. The Japanese recently matched U.S. controls and the Dutch will soon too. German equipment manufacturers, particularly in optics, also produce critical unique tools used in the manufacturing of advanced semiconductors—but at present Germany has not indicated that it will impose export controls to align with those of the other allies.

In October 2022, the United States also imposed extraterritorial controls on advanced computing and artificial intelligence chips, supercomputer inputs, and specific end users involved in developing advanced computing capabilities for military applications. This type of extraterritorial control, first deployed against Huawei 5G telecoms in 2020, restricts companies worldwide if they use certain U.S. technology in their processes. However, current U.S. licensing decisions [favor](#) certain U.S. companies while restricting foreign competitors. This severely undermines U.S. credibility among allies and partners, as these favored U.S. companies effectively gained a U.S. government-enforced monopoly to provide China with sensitive technologies.

Investment Restrictions. While the EU did pause its pursuit of a market-opening investment agreement with China, it has not reversed course. Last month, despite U.S. efforts, G7 leaders did not agree to prevent sensitive technology transfer to (or development by) Beijing by curbing certain technology investments in China. Here again, the European Commission [leans](#) farther forward with words than European countries are willing to fulfill with deeds. While attending the summit, German Chancellor Olaf Scholz instead [committed](#) to continuing large investments in, supply chains through, and exports to China.

One bright spot, however, is inbound investment. Europe appears to be catching up to the United States in blocking risky PRC investments. This follows many years of U.S. encouragement and engagement across various European capitals. The EU adopted its Foreign Direct Investment Regulation

in 2019 and operationalized it in 2020, creating a framework for member states to share information and align their screening mechanisms. The overwhelming majority of member states [have](#) or will soon have regimes to review inbound investment that may affect critical infrastructure or supply chains, sensitive technologies, personal data, or the media. In the past year, Italy has [reversed](#) and Germany has [reduced](#) PRC port investments and both countries have [blocked](#) PRC semiconductor industry investments.

3. Approach to Taiwan

U.S. diplomatic efforts have awakened allies to the fact that a Taiwan contingency would plunge the world economy into depression, due to Taiwan's criticality to global electronics supply chains. One study [predicts](#) an annualized global loss of more than two trillion U.S. dollars. To say that Europe has a stake in preserving peace across the Taiwan Strait is a gross understatement.

In July 2020, the U.S. and Australian foreign and defense ministers issued a joint statement that included familiar U.S. ripostes about Taiwan—but quite novel coming jointly with another country. For example, the statement [called](#) for a peaceful resolution of cross-strait differences, without threats or coercion. The next year, shortly following U.S. presidential joint statements with Japan and South Korea [stressing](#) the “importance of peace and stability across the Taiwan Strait,” the G7 summit [underscored](#) the same, along with a few other pointed criticisms of Beijing. This message is now routinized in joint statements among close allies.

Following in the footsteps of the United States and Japan, Germany is promising EU subsidies to entice Taiwanese chipmaker TSMC to build a foundry there. Despite CCP propaganda, this is not an effort to “hollow out” Taiwan's semiconductor industry. In fact, the opposite is true. Cross-border investment ties, especially in the complex semiconductor industry, enhance deterrence through increased interdependence. TSMC's overseas fabs will not function without an ongoing exchange of talent, supplies, and information with counterparts in Taiwan. By adding more strands to the web of Taiwan's international connections, Berlin will have more skin in the cross-strait game, and Beijing will perceive more costs for acting out violently.

Since House Speaker Nancy Pelosi visited Taiwan in August 2022, more than a dozen European countries have dispatched high level officials or parliamentarians to Taipei, countering Beijing's campaign of diplomatic isolation. The North Atlantic Treaty Organization is also [increasing](#) its engagement with Taiwan and presence in the region. While difficult to quantify, these visits enhance deterrence by reminding Beijing that aggression will elicit responses well beyond Washington and Tokyo.

On the security front, in April 2023, the European Commission's Foreign Minister Josep Borrell urged “European navies to patrol the Taiwan Strait to signify Europe's commitment to freedom of navigation in this absolutely crucial area” because Taiwan “concerns us economically, commercially, and [technologically](#).” After Beijing had successfully suppressed European arms sales to Taiwan for a quarter century, [France](#) approved a weapons deal with Taipei in 2020, followed this year by the [UK](#), [Norway](#), and the [Czech Republic](#), with possibly [Sweden](#) and others to follow soon.

Still, Washington cannot ignore Macron’s recent comments about a Taiwan crisis: “the worst thing would be to think that we Europeans must become followers on this topic and take our cue from the U.S. agenda and a Chinese [overreaction](#).” Looking past the tactlessness, one finds honest pragmatism in his words. The United States has [contributed](#) more total assistance (military, humanitarian, and financial) to Ukraine than all EU institutions and countries combined—and that’s for a war in Europe. If a conflict in the Pacific should break out, European countries could possibly impose some sanctions, but they are unlikely to have the will or capacity to send forces to the front lines, especially as the United States would be shifting assets away from the European theater.

Conclusions and recommendations

1. **U.S.-Europe convergence has its limits.** U.S. officials warn of conflict this decade and the president intends to send U.S. troops if Taiwan is attacked. Europe feels neither the same urgency nor responsibility. As such, the imperative to cut business ties involving dual-use technologies is stronger in Washington than European capitals. And despite Europe’s rhetoric on human rights, commercial interests dominate economic policymaking at the country level. Regardless of converging rhetoric about China, Europe’s actions will continue to lag in time and rigor. To protect vital U.S. interests, including the preservation of U.S. military advantages, Washington should not hesitate to employ unilateral and extraterritorial economic tools when necessary.
2. **The United States should lead by example in de-risking from China.** By moving first on human rights-related import restrictions, advanced technology export restrictions, and national security inbound investment restrictions, the United States demonstrated political resolve and set regulatory precedents. Europe is following months, if not years, later and with lesser breadth of action—but it is moving in the right direction. For outbound investment restrictions, bold U.S. steps could likewise catalyze allies. The U.S. private sector should invest in the United States, allies, and partners, strengthening them rather than a potential adversary.
3. **The United States should elevate Taiwan’s engagement with Europe.** Beijing likely believes the United States and Japan will respond militarily and impose sanctions on China in the event of PRC cross-strait aggression. If China concludes one day that it can deny intervention during and sustain its economy after an invasion, as Vladimir Putin believed in 2014 and 2022, Xi Jinping will likewise not be deterred. Therefore, European signals previewing firm and substantive responses could complicate Xi’s decision-making. This is more credibly conveyed if European countries increase interconnectivity with Taiwan—diplomatically, economically, and militarily—showing that they too have direct interests in preserving peace. Given Beijing’s sensitivities to Taipei’s international engagement, Washington must lead by example, creating space in its wake for allies to follow.

This concludes my testimony; I look forward to your questions.