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Europe needs a China strategy

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The attention of Europe's foreign and defence policy establishment is rightly focused on Russia's aggression against Ukraine. But it should not lose sight of the immense challenge that China poses.

In 2019, the EU described China as "a co-operation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance" – an analysis echoed by the 2022 EU Strategic Compass. In the last three years, however, the balance between partnership, competition and rivalry has shifted. Systemic rivalry is now at the core of Europe's interactions with China.

For many years, European countries – including the UK – and the EU have based their China policy on one correct and two false assumptions. The accurate assessment is that China is an economic juggernaut: its share of world GDP has risen in 40 years from less than 2 per cent to almost 18 per cent. The false assumptions are, first, that despite its economic importance, China is not politically influential in Europe; and second, that China is a distant country, far removed from European security issues. In fact, as China's support for Russia in its war against Ukraine has shown, Beijing has become an important actor in Europe's political and security landscape.

The EU was right to see China as a systemic rival in 2019, but slow to understand that Beijing saw Europe, and not just the US, in the same light.

Unlike the US, European governments do not view the rise of China per se as a threat: it is only Beijing's behaviour in specific instances. For the Chinese Communist Party (CCP), however, liberal democracy is a deadly threat to its own model of governance. While Europe treats areas for co-operation, such as the fight against climate change, and areas for competition, such as technological innovation, on their own merits, China's leaders see these spheres through the lens of systemic rivalry. Efforts to reduce carbon emissions, for example, also offer opportunities to master technologies such as those needed for photo-voltaic cells, and then to acquire leverage by dominating the global market for them. Europe is belatedly realising that it is competing for influence with China over the future of the international order and of democracy in Europe and third countries.

Whatever the difficulties, there are some areas in which European objectives can only be achieved if China co-operates. It accounts for about 30 per cent of global CO_2 emissions – twice America's share and close to three times Europe's. If the world is to be saved from catastrophic climate change, all three need to work together. Beijing has taken some positive steps, but needs to do more and do it faster.

When it comes to economic competition, China has become an essential part of transnational

supply chains and the number one trading partner of most countries in the world. European firms have seen it both as a market and as a source of manufactured goods. Beijing's efforts to reduce the role of foreign firms in its domestic economy, its increasing authoritarianism and its zero-COVID policy are making it a less attractive partner, however. Unlike European advocates of economic interdependence, the CCP leadership sees the wealth that globalisation has brought China primarily as a means to legitimise the Party's power, rather than to maximise the Chinese people's well-being.

Since Deng Xiaoping began to open China up to the world in 1978, it has become one of the main beneficiaries of the multilateral order built by the West after World War Two. Now China is seeking to dominate or replace the institutions that maintain that order, including (but not limited to) those that set technical standards for the world. At the same time, Beijing is increasing its military power, including its stocks of nuclear weapons. China is not seeking to overturn the international system entirely (unlike Russia), but its efforts to re-order it still threaten fundamental European interests.

European states and the EU must do everything possible to make Europe more resilient and to protect its identity as a continent of democracy, the welfare state, the rule of law, multilateralism and sustainable development. They must strengthen partnerships with democracies and like-minded countries elsewhere. And they must defend the institutions that have enabled globalisation and supported good governance and the rule of law internationally.

An effective strategy for dealing with China needs five strands. First, Europe needs to reduce and manage its vulnerabilities vis-à-vis Beijing. It must be able to protect itself and its democratic institutions against information operations and cyber-attacks. Europe must also be able to compete with China's economic influence on its own territory and in third countries, and to resist economic coercion when necessary. Without resorting to protectionism, the EU and European governments should help companies to identify supply chain vulnerabilities and support diversification away from dependency on Chinese suppliers. Europeans should make it harder for China to acquire their intellectual property, whether legally or illegally. They should scrutinise Chinese investments more closely and work with educational and research establishments to block state-sponsored technology acquisition efforts.

Second, Europe needs to enhance its leverage in its dealings with China, based on a deeper understanding of the sources of European power – above all, its ability to regulate its huge market (including third countries that broadly follow EU rules and standards). The EU needs to prevent single member-states from blocking foreign and security policy decisions, and to co-ordinate policy with European non-members, including the UK. And it needs to show that its own models of democratic governance and the free market produce better outcomes than China's authoritarian system. The EU needs to develop its Global Gateway programme into an attractive alternative to China's Belt and Road Initiative, among other things as a means for third countries to finance sustainable, high-quality infrastructure investments.

Third, Europe needs to strengthen the United Nations and other international organisations against Chinese efforts to re-purpose them. China has successfully increased its influence in international bodies by ensuring the appointment of Chinese nationals or China-friendly individuals to senior posts, while democratic countries have often struggled to rally around a single alternative candidate. Europe should also be alert to Beijing's efforts to push through its own technical standards in specialised international agencies such as the International Telecommunication Union.

Fourth, Europe should continue to engage with China for mutual benefit and the promotion of global public goods – but only on the basis of strict reciprocity and respect for agreed norms of international behaviour. Europe should remain open to greater economic engagement with China, as long as China offers European firms a level playing field.

Finally, Europe needs to know much more about China. It needs a comprehensive picture of Chinese influence operations in Europe, and it needs to understand the links between ostensibly private Chinese companies and the policy objectives of the Chinese Communist Party. As Sun Tzu said, "If you know your enemy and you know yourself, you need not fear the outcome of a hundred battles". Europe today is a long way from that level of confidence.

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