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Are the European Union's Expectations of China Realistic?

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China and the EU, a Tale of Two Diverse Political Entities

In the heart of the economic global stage, two giants and ancient civilizations stand prominently: China, home to 1.4 billion residents, and the European Union (EU), comprising 27 states and 450 million citizens. Beyond their size lies a profound divergence in political systems and cultures, fueling disparities in geopolitics, trade, or technological prowess.

China's centralized state pursues strategic goals with a clear vision, enabling swift, decisive action and influence, making it a formidable global power. Economically, China's verticality leverages state subsidies and expansive infrastructure projects like the Belt and Road Initiative (BRI) for market influence. Technologically, China invests heavily in AI and 5G to expedite growth.

In contrast, the EU's consensus-driven process frequently results in diluted and protracted decision-making, rendering it susceptible to vulnerabilities. Economically, the EU is a single market prioritizing free trade and fair competition, today distressing its industrial competitiveness. Technologically, Europe emphasizes regulation and ethical standards over development.

Militarily, China boasts one of the most formidable armies, whereas Europe lacks a common defense, relying security on the US-led North Atlantic Treaty Organization (NATO). Geopolitically, China's regional influence contrasts with the fact that Europe has limited geopolitical influence. Environmentally, China aims for carbon neutrality by 2060, while the EU ambitiously targets 2050. Governance-wise, China places great emphasis on stability, while Europe champions democracy, rule of law, and human rights.

These nuances reflect deeper political disparities, influencing their global roles and ambitions. Effective expectation management is crucial in such complex relationships, as mishandled prospects can lead to misunderstandings and conflict. Regrettably, over the past decade, Sino-European relations have cooled, unveiling convoluted dynamics and various contributing factors.

The Core Difference: Realist State vs. Liberal Organization

The fundamental difference between China and the EU lies in their distinct natures: China operates as a realist state in a realist world, while the EU functions as a liberal international organization in the same realist world.

China possesses a clear understanding of its identity and objectives. Put plainly, China knows precisely what it is, and what it wants. Under the leadership of the Communist Party of China, Beijing has a definitive sense of purpose, aiming to solidify its status as a key actor in contemporary global politics.

In contrast, Brussels grapples with an existential quest for the EU's identity and geopolitical standing. Former President of the European Commission Jacques Delors aptly described the EU as a "sort of unidentified political object." Unlike a Westphalian state or a traditional international organization, the EU enacts legislation on its 27 states yet lacks a unified military force and cohesive foreign policy. This structural ambiguity hinders ambitions to emerge as a geopolitical power.

Was 2019 the Year of Transformative Shifts?

The cornerstone of the Sino-EU relationship was laid with the Agreement on Trade and Economic Cooperation in 1985, further fortified by the Comprehensive Strategic Partnership in 2003.

After that, and largely driven by economic interdependence, the association worked relatively well for almost two decades. However, since 2013, Europe has claimed concerns about China's persistent *divide et impera* diplomatic strategy, which favors a "bilateral bypass approach" with individual states or sub-regional groups over engagement with EU institutions.

Despite China's attempts to alter this course with its third EU Policy Paper (2018), which emphasized positive rhetoric, within a year the EU approved the EU-China – A Strategic Outlook.¹ This Communication depicted China not just as a negotiating partner and economic competitor but also as a "systemic rival," leading to increased suspicion and differing perspectives, reshaping their interactions significantly.

Although initially framed to emphasize contrasting political systems, this reflected Europe's concerns about China prioritizing development and the impacts of its state-led economy. However, this redefinition also highlighted the complexities arising from China's rapid ascent. Indeed, many hurdles Europe encounters today stem from China's remarkable growth and vast influence, rather than purely political factors, affecting the EU's aspirations to assert itself as a major global power.

Less than a month after the Communication's publication, the China-EU Summit on April 9, 2019, resulted in a comprehensive Joint Statement,² indicating EU hesitancy regarding the next steps and revealing inconsistencies in the approach toward its key trading partner.

The parties committed to various objectives such as fostering fair competition, reaffirming the universality of human rights, and enhancing cooperation under the China-EU Cyber Taskforce. It also stressed collaboration on 5G networks, recognizing them as the "basic backbone for future economic and social development." Both sides were optimistic about the forthcoming Comprehensive Agreement on Investment (CAI) for 2020, aimed at resolving longstanding trade disputes. Additionally,

1 European Commission, *Joint Communication to the European Parliament, the European Council and the Council, EU-China – A Strategic Outlook*, March 12, 2019, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52019JC0005>.

2 People's Republic of China and the European Union, *China-EU Summit Joint Statement*, April 9, 2019, http://www.xinhuanet.com/english/2019-04/09/c_137963348.htm.

they addressed challenges such as steel overcapacity, advocated for peaceful resolutions in the South China Sea, and supported the full implementation of the Minsk agreements concerning Ukraine.

What Happened Since Then?

Despite these commitments, progress stalled, solidifying mutual distrust. The EU's denunciation of human rights violations, weaponization of technology with the exclusion of Chinese companies from 5G networks, and the CAI's failure due to external pressures and reciprocal sanctions disrupted all agreed objectives. The bloc initiated probes into Chinese industries for subsidies and overcapacity, while disputes over the war in Ukraine exacerbated tensions. Only cross-strait relations remained outside major discussions. All of these underlined their increasingly divergent bilateral perspectives.

This transition raises questions about Europe's motivations for this evolving stance, possibly driven by concerns about states being overly reliant on Chinese trade, ambitions to pursue federal strategies beyond actual EU competencies, adjustments to global power dynamics, efforts to reconcile trade relations amid ethical disparities, selective emphasis on cultural differences, and the desire to strengthen a "European identity."

While these elements collectively contribute to a complex setting, the situation may be less intricate than initially perceived. Unlike the US and some Asian nations, Europe does not perceive China as a military threat. However, since 2019, the EU has passed measures to integrate geopolitics into its China policy, accentuating political disparities seemingly without a discernible purpose – actions often supported, coordinated, or driven by Washington.

To begin with, the EU's classification of China as a "systemic rival" mirrors the US' portrayal of China as a "long-term strategic competitor,"³ indicating a departure from containment strategies. America reinforces this definition with the "China threat" concept, a path Europe has not followed. This debate has been particularly intense within NATO, with the US advocating for aligning the conceptualization of China with that of Russia. Conversely, European allies resist this notion, maintaining a more nuanced stance and seeking to balance cooperation with competition.

³ US Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America*, January 19, 2018, <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

China vehemently rejects the "systemic rival" label, citing historical, cultural, and normative reasons. As its global influence grows, Beijing has moved away from traditional concepts like "Tianxia" to emphasize ideas like "a community with a shared future for mankind" and win-win cooperation. Chinese Foreign Minister Wang Yi criticized the label in 2021, arguing for customized systemic choices based on individual country frameworks.⁴

However, the prevailing context has not permitted nuances or a return to normal relations. Since December 2019, following the inauguration of the self-proclaimed "geopolitical Commission,"⁵ the EU declared a wish to embrace the "language of power."⁶ Despite this assertion, significant changes had not materialized by 2024, and the measures implemented against China often resulted in self-inflicted setbacks. Essentially, the EU has not fully encompassed a geopolitical role and still needs to acknowledge its limitations in initiating such actions as effectively as the US. And when China retaliates, EU internal disagreements escalate, leading to ongoing skepticism and discord.

This transition was predisposed by longstanding US influence within EU institutions and the decline of Pax Americana. The COVID-19 pandemic exposed vulnerabilities, with Chinese supply chain disruptions causing shortages in Europe. China's growing global role, marked by increased military assertiveness and position on the Ukraine war, has heightened EU's concerns about its neutrality and ties to Moscow, prompting renewed cooperation with the US.

Subsequently, in 2023 the EU introduced a "de-risking" strategy to diminish reliance on China for critical assets, diversify trade partnerships, and bolster competitiveness in pivotal sectors, such as the "new three" (electric vehicles, lithium-ion batteries, and photovoltaic products). This initiative also targeted rare earths, semiconductors, and wind turbines. Economic security measures were sanctioned on Beijing's exports, alongside heightened scrutiny through anti-subsidy investigations.

The EU's response included pursuing complete energy decoupling from Russia and initial efforts to reduce dependence on NATO for defense. This renewed push involved advancing a common defense policy and aligning with the concept of "strategic autonomy" – the capacity to act independently. The goal was to position Europe as the

4 "System Difference 'not Ground for Antagonism, Confrontation': Chinese FM," *Xinhua*, March 7, 2021, http://www.xinhuanet.com/english/2021-03/07/c_139792463.htm.

5 Ursula von der Leyen, transcript of speech delivered in the European Parliament plenary session, Strasbourg, November 27, 2019, https://commission.europa.eu/document/download/92e3af02-8882-4e37-b073-120d47f3a011_en?filename=president-elect-speech-original.pdf.

6 Josep Borrell, "Europe Must Learn Quickly to Speak the Language of Power," interview by Joseph Weiler, October 29, 2020, https://www.eeas.europa.eu/eeas/several-outlets-europe-must-learn-quickly-speak-language-power_und_en.

"third superpower" alongside China and the US, striving to become a significant player in global power politics.

2024: Charting the Path Forward

In 2024, China's economy faces numerous challenges, while Europe grapples with the war in Ukraine and China-related economic issues, such as trade imbalances, market access disparities, and overcapacity concerns. Concurrently, the US promotes protectionism through initiatives like "America First," "Made in America," the CHIPS and Science Act, and the Inflation Reduction Act. If these interconnected factors remain unresolved, competition pressures are likely to escalate.

Over the past two years, leaders of China and EU have engaged in discussions to address these issues. However, recurring concerns voiced by the EU appear non-negotiable for China. While there is potential for agreement on secondary matters, the structural defies in their partnership remain unchanged, overshadowing any superficial consensus.

In response to this impasse, EU leaders are poised to deploy the latest economic security toolbox. However, China has swiftly retaliated with export curbs on critical raw materials essential for green initiatives like gallium, germanium, graphite, and key rare-earth technologies. This tit-for-tat underscores a growing cycle of retaliatory actions, complicating efforts to find common ground.

Despite these challenges, China-EU trade continues surprisingly unabated, with geopolitical disparities currently compartmentalized. Yet, the longevity of this arrangement remains precarious amid escalating global tensions.

The EU Urgently Needs a Logical China Policy.

The EU has demonstrated considerable progress in recent years, acting collectively to navigate defies such as the pandemic, launching ambitious NextGenerationEU projects, and addressing the complexities surrounding the war in Ukraine while decoupling from Russia.

However, its China policy reveals a darker side, exposing vulnerabilities and inconsistencies. For instance, initiatives like the Global Gateway, originally designed to counter China's BRI, have faltered, appearing more as a superficial branding exercise to encompass development efforts. This strategy is characterized by unclear political direction, inconsistent commitment to developing countries, absence of specific metrics, and ineffective implementation procedures.

Against this backdrop, a critical question emerges: Can Europe realistically confront China given their interdependence, and the necessity for both to prioritize cooperation over competition in addressing global issues that demand consensus?

The answer hinges on whether Europe's current approach to China will bring about meaningful policy changes or remain symbolic, ineffective, and self-damaging in the long run. Balancing economic interests with longstanding alliances and ideological principles is essential.

The new European Commission taking office in December 2024 will significantly shape Sino-EU relations. Pragmatic leaders could revive CAI negotiations, bypassing blockades, while hawkish ones might align with US sanctions or advocate economic decoupling. The incoming Commission must adopt a geopolitics-focused approach to China, moving beyond rhetoric and short-sighted measures to address critical issues effectively.

Overall, Europe needs a comprehensive China policy that transcends trade considerations, distinguishing between risk mitigation and diversification. While Europe bears responsibility, China must also acknowledge the need to reduce the EU's vast dependencies on critical assets. Europe should definitely assess if China's governance poses threats, and China should consider if European democracy is adversarial. Because the EU's complex political structure is often exploited by other global powers, strengthening ties with China could potentially sway the US toward a more equitable stance on protectionism.

Both sides must embrace a supportive ethos, deepening collaboration while respecting each other's engagements with other global powers. Now, more than ever, reasoned cooperation must eclipse systemic rivalry.

About this volume

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