

Testimony before the U.S.-China Economic and Security Review Commission

*“The Chinese View of Strategic Competition with the United States”*

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For China, Europe has become the key battleground in the strategic competition with the United States for economic and technological supremacy. Access to Europe’s market and political cooperation with the economic bloc are crucial for realizing China’s expanding global ambitions. China’s approach to Europe is a challenge to internal cohesion within the European Union (EU) as well as for transatlantic relations. The EU and its member states are increasingly getting tougher on China on trade and more vocal in their demands for reciprocity. While this presents great potential for transatlantic cooperation, it does not automatically enhance its prospects.

*China’s relations with Europe*

For the last few decades, China has mainly focused on expanding its trade relations with Europe. Most member states of the EU –first and foremost Germany –benefitted greatly from close economic ties with Beijing.<sup>1</sup> Europe is a crucial market for Chinese products – second only to the United States – with an overall volume of roughly 400 billion USD of exports in goods. The EU runs a 180 billion USD trade deficit with China.<sup>2</sup> European companies are an important source of foreign direct investment in China, as well as a key source of technology transfer and know-how. After the global financial crisis of 2008, Europe also became a favored destination for Chinese investments, which peaked in 2016.<sup>3</sup>

In China’s economic relations with Europe, some countries matter much more than others in terms of strategic considerations. Chinese companies have, for example, sought economic opportunities in eastern Europe, they have pursued takeovers of port infrastructure in Southern Europe, and have found a promising investment climate in the Nordic countries. But in terms of overall political and economic ties, Germany remains the key player for Beijing within the EU.<sup>4</sup>

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<sup>1</sup> Over the past 15 years, exports from Germany to China, for example, have more than quadrupled from roughly 26 billion USD to 110 billion USD in 2018, the share of total of German exports rising to slightly more than 7% in 2018, up from under 3% in 2005. Data based on <https://wits.worldbank.org/CountryProfile/en/Country/DEU/Year/2018/TradeFlow/Import>.

<sup>2</sup> 362 billion EUR in imports and 164 billion EUR trade deficit, converted at December 2019 exchange rate, based on EU data, [https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics).

<sup>3</sup> Since 2017, Chinese investments into Europe have gradually decreased and as of recently their focus has shifted from the big European member states, especially the Nordic countries, see Kratz, Agatha et.al: Chinese FDI in Europe: 2019 Update, <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe-2019>.

<sup>4</sup> For a more detailed account of the development of the Germany-China relationship, see: Oertel, Janka: Redefining Germany's Relationship with China, 12 May 2020, <https://www.echo-wall.eu/knowledge-gaps/redefining-germanys-relationship-china>.

Europe's relations with China had already seen a significant course correction in 2019. In March of that year, the EU labelled China a 'negotiating partner, economic competitor, and systemic rival'<sup>5</sup> for the first time. The new assessment was preceded by a report of the German Federation of Industries (BDI) pushing the German government to adjust its approach towards China. Beyond anti-subsidy and investment control measures, it also called for ambitious steps in terms of industrial policy focused on innovation and high-quality standards for public procurement.<sup>6</sup> The report was informed by the realization that China's predatory economic behaviour around the globe, coupled with its continued restrictions on market-access and industrial strategies present an enormous challenge – especially to German companies which are no longer complementary to Chinese companies, but increasingly direct competitors – and would require a tougher response and clearer articulation of European interests to safeguard European prosperity and economic competitiveness.

This change was highly significant, especially since European countries were initially very receptive to Xi Jinping's signature Belt and Road Initiative (BRI), which promised a greater degree of connectivity and an increase in trade and investment with China. During his first state visit to Europe in 2014, Xi personally welcomed the arrival of a cargo train from Chongqing to the German city of Duisburg to underline not only the success of the initiative, but also the role of Europe within it. But across Europe enthusiasm for the BRI has since faded. European companies have only played a marginal role in BRI projects.<sup>7</sup> BRI investments in Europe remain at low levels, particularly in Central and Eastern Europe, where hopes for an expanded economic relationship with China were highest. Contrary to a common assumption, Beijing's economic relations with the countries of the 17+1 format are not particularly deep.<sup>8</sup> And concern about BRI extends beyond frustration over unfilled economic expectations. Engagement with China along the Belt and Road has been beneficial for some countries but has also left a trail of debt in Europe's Eastern neighborhood as well as in Africa, with significant implications for economic stability outside Europe's borders. Various African countries struggling with the implications of the coronavirus pandemic are dependent upon Chinese goodwill in debt renegotiations. Europe has a sincere interest in cooperating with China to find multilateral solutions to mitigate the economic fallout in the developing world, but Beijing is more inclined to negotiate most of the commitments bilaterally with its debtors.<sup>9</sup>

### *The 5G dimension*

Nothing illustrates the current dynamics more clearly than the 5G debate that has been raging in Europe now for more than a year. In early 2019, U.S. pressure forced allies across the At-

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<sup>5</sup> EU Commission, EU-China – A strategic outlook, 12 March 2019, <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>

<sup>6</sup> BDI China Paper, 10 January 2019, <https://english.bdi.eu/article/news/strengthen-the-european-union-to-better-compete-with-china/>.

<sup>7</sup> See the January 2020 report of the European Chamber of Commerce in Beijing, which highlights "the peripheral role currently played by European business in the BRI, as well as the competition-blunting effects that the Beijing-led scheme is having on business worldwide." [https://www.europeanchamber.com.cn/en/press-releases/3110/european\\_chamber\\_report\\_identifies\\_profound\\_lack\\_of\\_european\\_involvement\\_in\\_china\\_s\\_belt\\_and\\_road\\_initiative\\_and\\_the\\_scheme\\_s\\_dampening\\_effects\\_on\\_global\\_competition](https://www.europeanchamber.com.cn/en/press-releases/3110/european_chamber_report_identifies_profound_lack_of_european_involvement_in_china_s_belt_and_road_initiative_and_the_scheme_s_dampening_effects_on_global_competition)

<sup>8</sup> Karásková, Ivana et. al: Empty shell no more: China's growing footprint in Central and Eastern Europe, April 2020, [https://chinaobservers.eu/wp-content/uploads/2020/04/CHOICE\\_Empty-shell-no-more.pdf](https://chinaobservers.eu/wp-content/uploads/2020/04/CHOICE_Empty-shell-no-more.pdf).

<sup>9</sup> Acker, Kevin, Deborah Brautigam, and Yufan Huang, 2020, Debt Relief with Chinese Characteristics, Working Paper No. 2020/39. China Africa Research Initiative, School of Advanced International Studies, Johns Hopkins University, Washington, DC. Retrieved from <http://www.sais-cari.org/publications>.

lantic to revisit the national security implications of what up until then had been mainly regarded as commercial, private infrastructure among European governments. For many years, Chinese companies had been welcome competition in Europe's open telecommunications market. Chinese vendors Huawei and ZTE still occupy a prime position in the existing 3G/4G infrastructure, especially in the radio access network – often constituting more than 50 per cent of deployed networks, and up to 100 per cent in select EU member states. Competition among European telecommunications operators is fierce and the incentive to increase profit margins by purchasing from Chinese vendors, able to offer lower prices due to preferential conditions in their home market as well as direct and indirect subsidies, is high. Chinese companies have skillfully used this opportunity to gain market share, through active lobbying, veiled threats, good economic and political ties, an effective communication strategy that is willing to engage in misinformation, and at the expense of European indigenous champions Ericsson and Nokia.

For China's tech industry, gaining a strong foothold in the European market is not only economically attractive, but also vital in terms of increasing the global footprint of Chinese brands and standards. The United States government now increasingly views this effort as a threat to its economic and security interests, but European partners did not necessarily share this assessment at the outset. When the U.S. moved to constrain the use of Chinese vendors in the roll-out of 5G infrastructure domestically, but also to limit their ability to do so in other markets by imposing restrictions on their capacity to source from U.S. companies, it caught European policymakers off guard.

Telecommunications infrastructure and (cyber) security remain the prerogative of EU member states. While the U.S. was engaging in a coordinated diplomatic and bipartisan political campaign to win over European allies for its restrictive approach over the course of 2019 and early 2020, Beijing was likewise having extensive conversations with individual member states, making the case for Chinese vendors' presence. Chinese diplomatic engagement focuses on the bilateral level, which allows Beijing to exploit existing differences and fault lines between EU member states and exert pressure more surreptitiously. But in the 5G controversy, its success is so far at best mixed. That debate is far from finished and, in the next phase, it is going to be heavily influenced by a growing European disenchantment with China that has emerged from the corona crisis.

Final decisions on the role of high-risk vendors at the member state level are still rare. In those cases where national legislation has passed, as, for example, in France, Sweden, or Estonia, it mainly prescribes a case-by-case approach, with involvement of the security services throughout the process. All put significant restrictions on Chinese technology in their networks, but they also allow for a degree of strategic ambiguity.

Denmark is the latest to pursue a restrictive approach. Announcements aimed at excluding Chinese vendors have also been made, e.g. in Romania, the Czech Republic, Italy, or Poland. The EU itself, through its Toolbox on 5G Cybersecurity,<sup>10</sup> has elaborated a much-appreciated basis for member states to follow, but concerted EU-wide action regarding the future of 5G networks is still missing. This patchwork of approaches offers avenues for Beijing to exert pressure on individual countries and use national dependencies on China as leverage.

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<sup>10</sup> See 'Cybersecurity of 5G networks EU Toolbox of risk mitigating measures', January 2020, [https://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=64468](https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=64468).

The key country for the outcome of the discussion remains Germany. The size of its telecom market, which is the largest in Europe, its special relationship with Beijing, and the strong presence of Huawei and ZTE in existing infrastructure all mean that Germany's decision will reverberate through the rest of Europe. It has already triggered an intense debate about industrial policy and "digital sovereignty" in Germany and Europe more broadly, which will have implications far beyond 5G, e.g. for European indigenous cloud ambitions, an effort actively promoted by Berlin that is also intended to reduce reliance on U.S. technology in the long-term.<sup>11</sup> The 5G debate in Berlin has been fierce and the government has been split on how to respond to the challenge – though interestingly not along party lines. Rather, it pits those focused on foreign, security and cyber issues against those mainly dealing with economic and trade issues. 'Trustworthiness of the supplier' has become a key phrase in the German debate. And trust has really become an issue when it comes to China, particularly since the coronavirus crisis.

### *The Corona-Factor*

Beijing's efforts to withhold information about the outbreak of the novel coronavirus and its initial management of the disease have received widespread criticism. The assertive attempts to shape the global narrative about the pandemic, through so-called 'mask diplomacy' or intimidation, demonstrate that the Communist leadership has limited patience for playing nice with Europe. The Chinese focus is on solving domestic economic problems that the pandemic has created, particularly massive job losses, through increased spending at home. The impact of the pandemic on China's image in the world will be lasting, but even more importantly, it will focus Chinese economic attention inwards and will make reciprocal policies even less likely than before. Beijing's assertive approach during the pandemic and its concerted disinformation campaigns to control the narrative of the coronavirus crisis in Europe have prompted a strong response from the EU, which called out China's activities as "targeted influence operations".<sup>12</sup> Beijing's heavy-handed approach to diplomatic relations with Europe has severely irritated Europeans in the national administrations, the media and the wider public.<sup>13</sup>

The debates surrounding the changing role of China in Europe by the various national governments and the EU level have prompted a stronger engagement especially from parliaments. In Germany, it was the role of the Bundestag that was crucial in changing the momentum in the 5G debate. In the Netherlands and in Sweden, parliaments demanded their governments to draw up explicit China strategies. China has recently become a major domestic policy issue in a wide range of European countries.<sup>14</sup> The coronavirus crisis has enhanced this dynamic. Across Europe there is a reassessment of defensive measures against Chinese assertiveness, including the effects of market-distorting state-capitalism.

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<sup>11</sup> See project "Gaia-X" <https://www.bmwi.de/Redaktion/EN/Publikationen/Digitale-Welt/das-projekt-gaia-x-executive-summary.html>.

<sup>12</sup> The Guardian, 10 June 2020, <https://www.theguardian.com/world/2020/jun/10/eu-says-china-behind-huge-wave-covid-19-disinformation-campaign>, for more on EU action, see: [https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/fighting-disinformation/tackling-coronavirus-disinformation\\_en](https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/fighting-disinformation/tackling-coronavirus-disinformation_en).

<sup>13</sup> Oertel, Janka: What's Behind China's New Behavior in Europe, Politico, 7 May 2020, <https://www.politico.com/news/magazine/2020/05/07/whats-behind-chinas-new-behavior-in-europe-242529>.

<sup>14</sup> For a comprehensive account of Europe's post-pandemic China debate see Small, Andrew: The meaning of systemic rivalry: Europe and China beyond the pandemic, ECFR Policy Brief, 13 May 2020, [https://www.ecfr.eu/publications/summary/the\\_meaning\\_of\\_systemic\\_rivalry\\_europe\\_and\\_china\\_beyond\\_the\\_pandemic](https://www.ecfr.eu/publications/summary/the_meaning_of_systemic_rivalry_europe_and_china_beyond_the_pandemic).

This backlash poses a challenge for Beijing: It requires engagement beyond the government level and forces Beijing to navigate the intricacies of European domestic politics. But it can also be an opportunity for Chinese efforts, depending upon the receptiveness of the national audience and parties as well as the skill of Chinese public outreach. So far China has exhibited limited ability to sustainably navigate the nuances of European domestic politics. European views of China have worsened due to the coronavirus crisis.<sup>15</sup>

At the same time, disinformation activities and Chinese cyber-attacks have been clearly called out at the latest EU-China Summit.<sup>16</sup> The meeting between President of the European Commission Ursula von der Leyen, President of the European Council Charles Michel, President Xi Jinping and Premier Li Keqiang took place in a virtual format on 22 June 2020. While Chinese new agencies attempted to paint a rosier picture of the overall cooperative spirit and the prospects of the relationship, “which will provide Europe with a new round of cooperation opportunities and development space”, while downplaying the fundamental divergencies, the clear message from the EU side was that Europe is getting tougher and will stand up for its interests.

This more assertive stance of the EU is particularly visible in the trade and industrial policy realm. Recent months have seen the introduction of a comprehensive investment screening mechanism on the EU-level that complements national measures in member states. It allows for a comprehensive assessment of the national security implications of foreign investment in the EU. The EU is also extending the scope of its measures: Just recently, it targeted China’s distortive state support beyond China’s borders by introducing tariffs to a company based in Egypt.<sup>17</sup> Brussels is addressing the question of the long-term effects of Chinese subsidies on fair competition with a new White Paper on levelling the playing field on foreign subsidies,<sup>18</sup> and is trying to push Beijing towards actual economic reciprocity and greater market-access for European companies, which should manifest itself eventually in an EU-China Comprehensive Agreement on Investment. Both sides had originally envisioned a conclusion of that negotiation in 2020, but that now seems unlikely. It was supposed to be one of the deliverables at a summit between the 27 heads of state and government, the EU leadership, and Xi Jinping, which was planned for September in Leipzig, Germany. The meeting has now been postponed. Without clear commitments by China on matters of European concern, the event could have served as a major strategic win for the Chinese leadership.<sup>19</sup> There was a degree of relief in capitals across Europe that by postponing the meeting some time was gained to assess the changes of the recent months and re-calibrate policies accordingly.

Europe wants to remain open for business with China, and it does not want to give up on the Chinese market, but Beijing sees limited reason to give in to European demands for real reciprocity and a level-playing field. To the contrary, keeping the playing field as unlevel as possible currently has a stabilizing effect on a Chinese economy that is under heavy stress. For

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<sup>15</sup> See, for example, for Germany: [https://www.koerber-stiftung.de/fileadmin/user\\_upload/koerber-stiftung/redaktion/the-berlin-pulse/pdf/2020/Koerber\\_TheBerlinPulse\\_Sonderausgabe\\_Doppelseiten\\_20200518.pdf](https://www.koerber-stiftung.de/fileadmin/user_upload/koerber-stiftung/redaktion/the-berlin-pulse/pdf/2020/Koerber_TheBerlinPulse_Sonderausgabe_Doppelseiten_20200518.pdf), also upcoming data on <https://www.ecfr.eu/europeanpower/unlock>.

<sup>16</sup> Cerulus, Laurens: Von der Leyen calls out China for hitting hospitals with cyberattacks <https://www.politico.eu/article/eu-calls-out-china-for-hitting-hospitals-with-cyberattacks/> 22 June 2020.

<sup>17</sup> Stearn, Jonathan: EU Challenges China’s Trade Expansion With Landmark Tariff, 15 June 2020, <https://www.bloomberg.com/news/articles/2020-06-15/europe-challenges-china-s-trade-expansion-with-landmark-tariff>.

<sup>18</sup> [https://ec.europa.eu/competition/international/overview/foreign\\_subsidies\\_white\\_paper.pdf](https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf).

<sup>19</sup> <https://www.euractiv.com/section/eu-china/news/china-eu-summit-in-germany-postponed-due-to-coronavirus/>

Europe, on the other hand, defending itself against China's state capitalist economy is key in securing Europe's future competitiveness and prosperity.

The pace of change in the EU-China relationship is indicative of the size of the challenge Europeans face. Europe's post-pandemic economic outlook is bleak. The shutdown of the economy has amply demonstrated dependencies in terms of medical supplies and deficiencies in the overall digitalization of even Europe's leading economies. Europe's recovery plan will see billions of Euros invested in greater resilience, reduced reliance on single suppliers in critical infrastructure and goods while boosting European competitiveness and progress on its ambitious climate agenda.<sup>20</sup> But the situation remains volatile and trade with China will be important in achieving Europe's goal of speedy recovery from the crisis.

### *What role does NATO play?*

From a European perspective, NATO was until recently not regarded as the right place to discuss China. Yet again it was the 5G debate, which changed this. By making military interoperability and NATO communications part of the debate on 5G infrastructure, the U.S. government combined the geo-economic and geo-political challenge that China poses and presented it to the Alliance. Especially for Eastern European members, the link to national security and NATO readiness changed the meaning of the choice that they had previously seen as primarily economic in nature.

As a result, even though threat perceptions within the Alliance vary greatly, the December 2019 Leaders' Meeting in London called out China for the first time as a challenge to NATO. Beijing brushed the statement off as a minor development, stating that "within NATO, there are objective and rational voices saying China is not an enemy". In a thinly veiled attempt to play to potential divergences within the alliance, the Chinese also declared that "there is no immunity even for US allies" as "the greatest threat and challenge the world faces is unilateralism and bullying practices."<sup>21</sup>

Finding a strategic response to the new geopolitical environment is essential to NATO's continued relevance. NATO leaders have collectively recognized that they can no longer ignore the implications of Chinese assertiveness. There will continue to be hesitation on the side of various European members of the alliance to fully engage on the question of China, but NATO's relations with and posture towards a rising China will be a key theme for NATO in the coming decades.<sup>22</sup>

This will not be limited to questions of communications infrastructure and interoperability, or intelligence sharing. NATO Secretary Jens Stoltenberg underlined in a recent interview with a German newspaper that China is gradually encroaching upon Europe's doorstep: Beijing, he argued, is a regular presence in the Arctic, in Africa, and in the Mediterranean and firmly established as a power in cyber space. At the same time, Stoltenberg states, China invests heavily

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<sup>20</sup> [https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe\\_en](https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en)

<sup>21</sup> Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on 5 December 2019 <http://newyork.china-consulate.org/eng/fyrth/t1721889.htm>.

<sup>22</sup> Oertel, Janka: V. NATO's China Challenge, Whitehall Papers, 95:1, 67-80, 2019, DOI: 10.1080/02681307.2019.1731211.

in nuclear modernization and long-distance missiles, which put Europe within striking range.<sup>23</sup> His remarks prompted an immediate response by the Chinese Foreign Ministry. It noted that Stoltenberg had not declared China an outright rival to the alliance and that there was expectation that the alliance will “continue viewing China in the correct way” and that NATO will engage with China on the basis of mutual respect.<sup>24</sup>

From Beijing’s perspective, divisions between NATO members on China remain clear and so it believes that an assertive NATO posture toward China is unlikely. However, NATO has the potential, especially in the cyber domain, to create capabilities that the EU level cannot generate at this point. Enhanced cooperation of EU countries especially with the U.S. and Great Britain within the NATO framework will not necessarily prevent any attack on one or all members of the alliance, but it would at least make it potentially more costly for an adversary. European states increasingly view Chinese strategic intentions outside the Asia-Pacific region and in cyber space with unease. While many would stop short of calling China an actual threat to European security, some have: Latvia<sup>25</sup> called out China as a cyber and espionage threat in its recent security assessment, Estonia<sup>26</sup> labelled Chinese investments and potential “technological dependency” as a threat to its security.

### *Consequences for transatlantic relations*

At the EU level and in the capitals of virtually all member states, there is a willingness to find a cooperative agenda with Beijing on matters of concern to European voters, first and foremost climate change and the rules-based multilateral order. But beyond the diplomatic façade, frustration with China looms large. Europe currently lacks a clear strategic vision for the future of its relations with China beyond the trade agenda – and a clear indication from Beijing that it is actually willing to cooperate beyond lofty language. Especially on climate and emissions reductions, China is currently not pursuing a more ambitious stance. The question remains whether Europe will continue along its current course or start pushing more forcefully for its interests through the introduction of a carbon border adjustment tax or other economic measures.

At the same time, there is a significant weariness with U.S. policies as well: actions such as withdrawal from the Paris Climate Accord, the Iran nuclear deal, and various arms control treaties as well as hostile rhetoric regarding multilateral cooperation and the looming threat of additional trade measures and tariffs, have alienated European policy makers and publics alike. Coercive economic measures that have targeted European allies have led to irritation and hedging impulses. Equidistance between the U.S. and China remains neither feasible nor desirable for Europe, but under the current conditions of reduced transatlantic trust the potential for joint action regarding China seems more limited. Given that the U.S. and Europe align on a wide variety of challenges that China presents, from trade to human rights, this is clearly a lost opportunity in terms of shaping the future of the rules-based international order according to the norms and values that underpin the transatlantic partnership. The very recent suggestion by EU High Representative Josep Borrell “to launch a distinct bilateral dialogue focusing on China

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<sup>23</sup> Schiltz, Christoph B.; „China kommt immer näher vor die Haustür Europas“, 13 June 2020, <https://www.welt.de/politik/ausland/article209473417/Nato-Chef-Jens-Stoltenberg-China-kommt-immer-naeher-vor-die-Haustuer-Europas.html>.

<sup>24</sup> Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference 10 June 2020, [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/t1787688.shtml](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1787688.shtml).

<sup>25</sup> <https://www.lrt.lt/en/news-in-english/19/1177615/latvian-intelligence-names-china-russia-a-threat>

<sup>26</sup> <https://www.valisluureamet.ee/pdf/raport-2020-en.pdf>

and the challenges its actions and ambitions mean for us” in his call with U.S. Secretary of State Mike Pompeo is thus a welcome initiative to improve transatlantic exchange on China.<sup>27</sup>

From Beijing’s perspective, transatlantic divergence is a highly preferable outcome. Despite its overly assertive stance around the coronavirus narrative, Beijing remains poised to win over enough European member states by paying lip service to the climate agenda and its own understanding of multilateralism to avoid the emergence of a united European or transatlantic policy and an overall tougher European stance across the entire range of policy areas, including on Beijing’s human rights record, the situation in Hong Kong and Xinjiang or its posture in the South China Sea or with regard to Taiwan. It still has economic carrots to offer and Europe will also increasingly be subject to coercive economic sticks.<sup>28</sup>

In a climate of overall geopolitical uncertainty and while facing probably the most severe economic crisis since the Great Depression, European governments are in many cases hesitant to fundamentally change their underlying commitment to cooperation with China. But beyond the national governmental level new coalitions are emerging. Members of the European Parliament have urged<sup>29</sup> the European External Action Service to speed up the process of establishing an EU global sanctions regime to address human rights violations, the EU equivalent of the ‘Magnitsky Act’, and the European Parliament has introduced a strongly worded resolution on Hong Kong.<sup>30</sup>

As indicated above, growing numbers of initiatives are now coming from parliaments rather than executives. The recently announced *Interparliamentary Alliance on China* is a particularly interesting example. The bipartisan initiative that describes itself as a “cross-party group of legislators working towards reform on how democratic countries approach China”.<sup>31</sup> Founded in June 2020 with co-chairs from eight European countries plus the European parliament together with colleagues from Australia, Canada, Japan and the United States, it has more than 100 members. It is drawing increasing attention and ire from Beijing,<sup>32</sup> in part because it brings together the entire democratic spectrum of Europeans with their democratic partners from North America and Asia-Pacific.

### *Recommendations for Congressional Action*

- Set up a joint transatlantic commission with European lawmakers to investigate Chinese trade practices and explore legal mechanisms that comply with established norms to safeguard an open, rules-based, inclusive international economic system and provide a basis for joint transatlantic action.
- Instruct the relevant U.S. authorities to discuss setting up a coordination mechanism with the European Union, to create a process for sharing information and enhancing the effectiveness of human rights sanctions through transatlantic coordination.

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<sup>27</sup> <https://www.scmp.com/news/china/politics/article/3089178/eu-plans-dialogue-us-deal-chinas-growing-assertiveness>

<sup>28</sup> <https://www.globaltimes.cn/content/1187254.shtml>

<sup>29</sup> <https://twitter.com/guyverhofstadt/status/1243602389699039236>

<sup>30</sup> <https://twitter.com/bueti/status/1274068879904518151?s=20>;

<https://www.scmp.com/news/china/diplomacy/article/3088697/eu-parliament-mulling-un-court-action-against-chinas-national>

<sup>31</sup> See <https://www.ipac.global/> for additional information about the Alliance.

<sup>32</sup> <https://www.globaltimes.cn/content/1190732.shtml>



- Mandate that the justification for all future U.S. government trade enforcement actions aimed at China contain an assessment about how the that action will negatively or positively affect China’s global political and economic position, including through assessing the impact on European companies and economies.
- Establish new funding mechanisms for joint US-European research on the economic and political challenges China poses in the context of the new dimension of “systemic rivalry” with Beijing.