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Commentary

Can China Replace the U.S. in Europe?

A ChinaFile Conversation

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The ChinaFile Conversation is a weekly, real-time discussion of China news, from a group of the world's leading China experts.

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The G7 debacle reminded Europeans the problems with relying on a fraying transatlantic partnership. Meanwhile, China has been playing a larger role on the continent, [increasing](#) its investment and its political influence. On July 6-7, Bulgaria held the 16+1 summit, a meeting between China and 16 Central and Eastern European nations. And on July 16-17, Beijing will host the annual EU-China summit. Should China play a bigger role for Europe? And how does that help or hurt European countries' national interests, and the interest of Europe as a whole? —*The Editors*

Comments

Thursday, July 12, 2018 - 12:20pm



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As the transatlantic relationship has reached new lows in the modern era, and as China and the United States are bogged down in a trade war, Beijing has launched a charm offensive towards Europe. The first half of July saw an unprecedented density of high-level Sino-European interactions. Beijing held its annual 16+1 Summit with Eastern European countries in Sofia on July 7, but toned it down to calm suspicions of alleged Chinese attempts to divide the EU. At the Sino-German government consultations in Berlin on July 9, Prime Minister Li Keqiang flattered German Chancellor Angela Merkel and his government made a symbolic concession by letting Liu Xia, the widow of Nobel Peace laureate Liu Xiaobo who died in Chinese detention, emigrate to Germany.

The annual EU-China Summit will take place on July 17 and 18 in Beijing. On the heels of the sobering G7 and NATO summits, at which European leaders clashed with U.S. President Donald Trump, China will continue courting European countries as partners in [defending](#) the global “rules-based order.”

However, while European leaders seem eager to close ranks with other countries against the Trump administration’s “America First” approach, China would be a difficult partner. Despite Xi’s posturing as a defender of the liberal economic order, senior European officials [agree](#) with Washington that China’s commitment to WTO rules has been patchy. They are also aware that China would be no good match to discuss any potential post-WTO arrangement. Although the [release](#) of new and—at first sight—less restrictive investment negative lists by China has contributed to greater good will among European business communities, calls for genuine reciprocity of market access for European and other foreign investors will continue to go unheard in Beijing. Rather tellingly, on her last visit to China in May, Merkel [threatened](#) new investment “constraints” for China in Europe unless it increasingly opens up its domestic market. In Brussels, there have been [renewed efforts](#) to create a EU-wide investment screening mechanism.

In the meantime, China’s blueprint for global economic integration, the Belt and Road Initiative (BRI), might have been received with initial enthusiasm by some European governments, and major European companies [like ABB or Siemens](#), but the tide is turning. From an EU [perspective](#), BRI continues to suffer from a lack of transparency, rules, and governance structures, as well as from a lack of opportunities for European businesses.

More importantly, many EU member states are concerned about China’s BRI-related engagement with Central and Eastern European (CEE) countries through the 16+1 format. China’s growing presence on NATO’s eastern flank might offer room for cooperation with the

United States. The Trump administration's [recently presented](#) strategy for Europe emphasizes the need to compete for positive influence in CEE.

Countries like France or Germany might be able to find some common ground with the United States in dealing with China. But on the bigger picture of upholding the rules-based global order, Europe seems better advised to chart a course of greater strategic autonomy.

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Thursday, July 12, 2018 - 12:21pm



Isabel Hilton

Both the EU and China struggle to deal with the phenomenon of a U.S. administration apparently intent on destroying alliances and undermining the global trading order. This is a greater risk to the EU than to China, since European security, as well as prosperity, rests on a strong NATO and a united Europe. The financial crisis, continuing migration pressure, Donald Trump's behavior, and an assertive Russia are undermining both. Trump's breakfast rant to his NATO allies, with its string of untruths and inaccuracies, was just one more bizarre episode.

In some respects, this offers China an opportunity: Xi Jinping's January 2017 Davos speech presented China as a reliable ally in a troubled world. But since then perceptions of China's policy in Europe have been less positive.

18 months later, the European Chamber of Commerce in Beijing [called](#) on China to implement its overdue reforms and detailed the continuing barriers to trade, including "SOE domination, unfair technology transfers and a burdensome regulatory environment." These are not the words of contented allies, and although few

applaud Trump's approach, the Europeans also need China to reform to be considered a good partner.

What does China want from Europe? Until Trump, China's ambition was fixed on the U.S. The Kissinger question, "Who do I call to speak to Europe?" was frequently invoked. China seemed to find the EU too confusing to be a power, and, at the same time, a soft target for Chinese influence.

Hitherto, China has played divide-and-rule in the EU, as elsewhere: create a disruptive sphere of influence (16+1) and small-country dependency to contain any threat to Chinese interests. Hungary and Greece play the role of client states, blocking critical statements on human rights, for example.

But Trump's behavior is forcing a reconfiguration: China is looking at the EU as a possible bulwark against the U.S.; at the same time, the EU has woken up to the negative aspects of the Chinese embrace.

In advance of next week's EU-China summit in Beijing, China proposed an EU-China alliance against the U.S. on trade, a proposal Europe rejected. In April, 27 of the 28 EU ambassadors in Beijing (Hungary was the exception) signed a [report](#) highly critical of Xi's Belt and Road Initiative, complaining that it "runs counter to the EU agenda for liberalizing trade and pushes the balance of power in favor of subsidized Chinese companies." In Germany, China's biggest EU trade partner, concern about China's acquisition of advanced technology companies has fed wider considerations of security barriers to Chinese investment. This does not look like a close alliance.

The U.S.-EU alliance was built on shared values: democracy, human rights, robust trade partnerships, and the security of mutual defense. The EU is China's biggest trade partner, but a closer alliance founders on the incompatibility of fundamental values. China may be an important partner, but becoming an ally is another story.

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Thursday, July 12, 2018 - 12:58pm



Plamen Tonchev

China is viewed in Greece through three different lenses, by three different types of stakeholders: the current government, the business elite, and the general public.

The Alexis Tsipras government, an opportunistic outfit of two unlikely bedfellows, came to power in January 2015. The wedlock of the radical left Syriza coalition and the right-wing Independent Greeks (Anel) is based on the anti-Western mood deeply entrenched in the country since 2010, when the fiscal crunch started and led to a drastic reconfiguration of the domestic political scene. After a strenuous and futile six-month negotiation with the country's creditors and a highly divisive referendum, Tsipras led Greece to the edge of the abyss, looked into it, and was shocked by what he saw. Next, his spectacular about-face was marked not only by signing yet another bailout deal, but also by his change of course *vis-à-vis* China.

In mid-2016, Tsipras traveled to China days after the Greek parliament voted into a law the agreement on the takeover of the Piraeus Port Authority by the Chinese state-run conglomerate COSCO Shipping. Since then, the Syriza-Anel government has made a number of high-profile political gestures to Beijing, including support on the South China Sea dispute, and blocking the 2017 EU statement on human rights in China. In late June, Tsipras announced Greece [intended](#) to join the 16+1 platform in Central and Eastern Europe, though in the end this did not materialize at the July 6-7 Sofia summit.

Greek enterprises take a largely positive view of Chinese presence, in the hope that the influx of foreign investment capital would generate business opportunities. Long addicted to public procurement contracts, which have now come down to a trickle, and

strangled by the capital controls in place since July 2015, most Greek businesses are in a tight spot, and many have in fact shut down and others have migrated to nearby Bulgaria and Cyprus. The few remaining Greek corporations are either loss-making public enterprises, which are now up for grabs through privatization schemes, or private businesses desperately looking for finance. The Copelouzos group is a case in point: it has struck deals with Shenhua and the China Energy Investment Corporation, and the emerging consortia are reportedly eyeing assets of the Public Power Corporation of Greece.

The general public is confused. While surveys show that Greeks are no fans of the Chinese type of democracy or lifestyle and do not think highly of the quality of Chinese products, the vast majority (up to 88 percent) favor closer Sino-Greek cooperation. An upcoming report from an Athens-based think tank, the Institute of International Economic Relations, points out that the single biggest reason behind this contradiction is the quest for powerful allies as alternatives to the EU, due to bitterness and a profound anti-European sentiment in Greek society since 2010. It is this void that China is stepping into.

Not particularly romantic, but an explicable foundation for the ongoing Sino-Greek romance.

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Thursday, July 12, 2018 - 2:28pm



Tim Summers

The task of guiding EU-China relations just seems to be getting more and more complicated. Interactions between the two economies themselves have become less complementary, creating new challenges in managing a greater degree of competition than in

the past. In particular, European companies in China are **feeling the pressures**, compounded by lower levels of market opening than hoped for.

This could be changing as the Chinese government's opening of the economy [shifts up a gear](#). And there is still [plenty of organic space](#) for growth in trade and investment levels: in spite of the angst about Chinese investment in Europe, stocks of FDI in both directions remain low compared to the size of their economies or to similar investment relations with the U.S.

But as the editors of this ChinaFile Conversation point out, EU-China relations do not exist in a vacuum. Washington's current approach to both the EU and China has created serious tensions over the substance and process of trade and investment relations with the U.S. This does not mean, though, that there is a simple coincidence of interests between Brussels and Beijing. While Europeans generally fume at the U.S. administration's methods, there is some sympathy with the goals of trying to force China into a more accommodating economic stance, though Europeans too sometimes [risk](#) falling into the zero-sum thinking prevalent in the U.S. about economic and commercial ties. There should be more confidence from Europe in its firms' strengths, and a willingness to [increase cooperation](#) with China where this can boost both economies. However, the history of EU-China relations shows that even when interests coincide, cooperation is not easy. Politics [hangs over](#) the relationship, in particular on the European side, where unease about China's political system acts as an impediment to closer ties. In spite of everything going on in the U.S., for the moment at least, institutional (rather than political) cooperation with the U.S. remains easier than that with China.

What happens if U.S.-China ties sour further? Life would become increasingly difficult for those who need to have good relations with both. Europe is rather on the back foot here, but should be more vocal about the negative impact of current U.S.-China tensions, and proactive in promoting multilateral global governance (as recent discussions about WTO reform have suggested).

In the short term, Europeans should be looking for silver linings in U.S.-China tensions in their negotiations with Beijing. Now is a good time for the EU and China to find some common ground and push the relationship forward.

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Thursday, July 12, 2018 - 2:35pm



Jonas Parello-Plesner

Trump's irreverence for U.S. allies in Europe could lead to the conclusion that the Europeans are now tempted to turn to China. That was the media reaction following German Chancellor Angela Merkel's recent meeting with Chinese Premier Li Keqiang, where they talked about joint defense of free trade—a clear reference to Trump's tariff trade war, which both China and the EU view as damaging. Add to that the growing Chinese influence among smaller European countries; for example Hungary and Greece, both major beneficiaries of Chinese financing and investments, have refused to sign EU statements criticizing China's human rights record and actions in the South China Sea.

Even with that backdrop, the idea that the EU is turning towards China and away from the U.S. seems premature. In many European countries, there is simultaneously a growing dissatisfaction with China and its authoritarian turn under Chairman Xi Jinping—including on human rights—and its increasingly mercantilist policies. The globalization platform which China and the EU agree on is shallow. It has token references to the WTO, trade, and climate change. In other areas, European countries are worried that China undermines established international rules. Both France and the UK are worried about China's undermining of the Law of the Sea in the South China Sea, and are undertaking their own freedom of navigation operations to counter it. And during the 2017 EU-China summit, EU President Donald Tusk criticized China for its treatment of Uighurs. In her recent meeting, Merkel also pushed Li hard on market access for German and European companies. She told Li that the EU is introducing investment screening measures likely to pass soon. Such measures could be the legal underpinning for

scrutiny of Chinese state-owned companies' investments in Europe based on national security concerns.

Trump's blunt trade attack on the EU has, so far, undermined working together to address these issues in a transatlantic setting. Yet the U.S. and EU share a growing dissatisfaction with China, especially regarding trade issues. It is not too late to demand a settlement on trade between the EU and the U.S. as a first step.

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Thursday, July 12, 2018 - 2:46pm



Philippe Le Corre

The choice of July 6-7—one week before the official EU-China summit—for hosting the 16+1 summit in Sofia is evidence of China trying to be once again the uninvited guest of the EU's China policy. The 16+1 is a group China created to engage multilaterally (and especially bilaterally) with these countries, of which 11 are EU members, and five non-members/candidate countries. Bulgaria, which is trying to be a key destination for China's Belt and Road Initiative, risked the ire of the EU by hosting the 16+1 in Sofia. EU officials were not amused when they found out that this meeting was taking place one week before the Beijing summit.

Bearing in mind the unfortunate outcome of the spring 2017 EU-China summit, where the two parties were not able to agree on climate, Beijing wants this time to be able to claim victory. This year, despite the 16+1, relations are off to a better start: Vice Premier Liu He and European Commission Vice-President Jyrki Katainen agreed in June on a [partnership](#) to refresh the WTO and oppose growing U.S. unilateralism and protectionism, in order to counter Donald Trump's tariffs policy, aimed at both the EU and

China. The Trump factor is indeed important in a possible *rapprochement* between Brussels and Beijing. But let's not be unrealistic: Besides climate change, where they will probably find a compromise, their positions on issues like trade and investment remain firm. Most Europeans remain adamant that China needs to open its market in a reciprocal manner to European companies. Europe (including the U.K.) has also clearly expressed its preference for a continuation of a rules-based international order, including in areas where Chinese companies are investing heavily. Finally, the three M's (Merkel, May, Macron) have all insisted that the Belt and Road Initiative stays in line with Europe's own interconnectivity plans, which will be announced in the fall. Overall, there are signs that the Chinese leadership (which is no longer insisting on a recognition of its market economy status by the EU) is willing to engage more with Europe as the Sino-American relationship continues to deteriorate under the Trump administration. The early July finalization of an EU-Japan trade agreement is another message for China to start opening its economy further.