



China's Year of Europe

Yossef Bodansky

November 2019

Executive Summary

- * The Forbidden City resolved in the second half of November 2019 that 2020 will be “the Year of Europe” and “the Year of the EU”.
- * The quintessence of Beijing's decision is moving the focus of China's political, economic, scientific-technological, commercial and fiscal activities from the US to the EU. Beijing is anticipating a marked expansion of economic relations with the EU.
- * Chinese officials assert that “5G is the touchstone for China-EU and EU-US ties.” Beijing insists that for the anticipated Chinese saving of the European economies to succeed - all outstanding issues, starting with Huawei, will have to be first resolved to Beijing's satisfaction.

About ISPSW

The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is an objective, task-oriented and politically non-partisan institute.

In the increasingly complex international environment of globalized economic processes and worldwide political, ecological, social and cultural change, which occasions both major opportunities and risks, decision-makers in the economic and political arena depend more than ever before on the advice of highly qualified experts.

ISPSW offers a range of services, including strategic analyses, security consultancy, executive coaching and intercultural competency. ISPSW publications examine a wide range of topics connected with politics, the economy, international relations, and security/ defense. ISPSW network experts have held – in some cases for decades – executive positions and dispose over a wide range of experience in their respective fields of expertise.



Analysis

The Forbidden City resolved in the second half of November 2019 that 2020 will be “the Year of Europe” and “the Year of the EU” (which for the Chinese is a blurred distinction - but not so for the Europeans). The initiative will be supervised by Xi Jinping and his inner-circle. Wu Hongbo, the Special Representative for European Affairs, is directly in charge of interaction with Brussels and the implementation of on-going tasks.

The decision to undertake this initiative is based on the thorough analysis of the recent visits to China by German Chancellor Angela Merkel and French President Emmanuel Macron in the context of long-range forecasting regarding the situation in Europe.¹ Beijing is now convinced that Brussels no longer wary of the increasing Chinese presence in Europe. The EU policy is “a pragmatic mix of cooperation and competition.” Ultimately, the EU increasingly considers China as “a strategic partner” rather than “a systemic rival” as the EU did only recently. Hence, Beijing is anticipating a marked expansion of economic relations with the EU. In 2019, the EU is China's largest trading partner. As well, China is the EU's second-largest trading partner (with the US still the first). To-date, the 2019 daily average of the China-EU bilateral trade surpassed 1.5 billion Euros (\$1.65 billion). Chinese experts are convinced that there is a huge potential for the further growth of bilateral trade in the immediate future.

The quintessence of Beijing's decision is moving the focus of China's political, economic, scientific-technological, commercial and fiscal activities from the US to the EU. Beijing is encouraged by the tacit support it is getting from Brussels regarding the escalating trade/tariff war with the US and the seeming stalling, if not collapse, of the Sino-US negotiations. On 26 November, Wendy Wu noted in a *South China Morning Post* article that until recently senior Chinese officials were worried about the EU's stand about the China-US trade/tariff war. “Those concerns have been allayed by the EU, which has reiterated that it will not take sides in the dispute, and that it disagreed with the US approach to impose tariffs while defying rule-based multilateralism of the World Trade Organization.” Little wonder that Beijing is committed to the historic revamping of the relations with the EU.

Moreover, Beijing reminds the EU that China has never demanded that the EU adapts its US policy in order to placate China. The Chinese focus on the bilateral relations with the EU, hoping that the EU will not be victimized by the US in the process. “China has never told Europe to follow China's steps and fight the US. It is the US that has been trying to rope in European countries to oppose China. Washington should not turn Europe into a battlefield of China-US disputes. This is contempt for Europe,” wrote Li Qingqing in the 27 November issue of the *Global Times*. Beijing emphasizes that, like China, Europe also suffers from the arbitrary penalizing US policies. “China and Europe are victims of US hegemony and protectionism, and neither of them can bear multilateralism breaking down. When facing the US government's words and deeds, China and Europe must jointly maintain the free and open global investment environment to deal with the challenges,” Li Qingqing stressed.

Meanwhile, the US will remain the focus of China's national security and military spheres - namely, the main irreconcilable nemesis. The concurrent US efforts to convince NATO to declare the “Chinese Communist Party” as the “long-term threat” and “new enemy” of the alliance only reinforces Beijing's resolve to delink Europe (and the EU) from the US through economic and political incentives.

¹ For background, see Yossef Bodansky, A New Era of PRC-EU Relations, ISPSW Issue No. 655, November 2019



The US pressure on NATO peaked on 20 November when US Secretary of State Mike Pompeo addressed a meeting of the NATO foreign ministers in Brussels. Pompeo introduced China as the growing and future threat to the NATO alliance. He stated that “our alliance must address the current and potential long-term threat posed by the Chinese Communist Party.” As was the case with the profound ideological contradiction between the West and the Communist Soviet Union, Pompeo stressed, NATO can no longer ignore the “fundamental differences and beliefs” between the West and “the ruling party” of China. Major challenges to the West did not end with NATO’s victory in the Cold War. “Thirty years later, we again face threats from authoritarian regimes, and again we must face them together. Russia, China, Iran - their value systems are simply very different from ours.” Of these, China is emerging as the preeminent threat on account of its growing technological and economic prowess, Pompeo concluded.

China is cognizant, but also convinced that the NATO threat can be mitigated given the growing rifts between the US and Europe over the fate of NATO. The Chinese assessment was articulated by Wang Yiwei and Wu Xinze of the School of International Studies at the Renmin University of China in a 20 November article in the PLA’s *China Military Online*. NATO’s apprehension of China is driven by two factors - the extent of US influence, and objective reaction to China’s ascent. “The US-led west is viewing China as a ‘challenge’ and ‘threat’, and NATO naturally has to follow up. ... As Chinese investment and technologies are entering Europe and the Belt and Road Initiative (BRI) is expanding worldwide, China becomes a more prominent element in NATO’s agenda,” they explained.

Wang Yiwei and Wu Xinze identify three areas of potential friction between NATO and China. The first and most important issue is China’s scientific-technological prowess. “It’s clear that NATO is noticing the ‘shocks’ brought by China’s 5G and other high technologies, and that will be one of NATO’s future topics.” China can mitigate the friction by demonstrating that there will be no threat to NATO and the EU. The second subject is the growing importance of the North Pole and particularly commercial shipping. “Countries both inside and outside of the North Pole region have extensive environmental, scientific research, economic and political interests there, and China has taken an active part in North Pole development cooperation in recent years and proposed to jointly build the ‘Silk Road on Ice’. But this has made NATO alert to China’s so-called strategic intentions.” Wang Yiwei and Wu Xinze recommend closer cooperation with Europe that will ameliorate the NATO apprehension. The third factor is China’s rise as a global maritime power. “Today, the fast-rising China increasingly realizes the importance of the sea and has made strategic adjustments accordingly, which has caused panic in the US and NATO. Going forward, maritime issue will be a link of entangled interests between China and NATO.” China, they remind, is not seeking mastership of the seas - only free use for commercial shipping (while ignoring the rise of the PLA Navy). Ultimately, Wang Yiwei and Wu Xinze point out, China should capitalize on the improving cooperation with the EU as guidelines for reaching understanding and compromise with NATO.

However, the brewing face-off with NATO demands a more thorough solution. Wang Yiwei and Wu Xinze recommend that Beijing make a distinction between the US and the European members of NATO. They argue that it is possible for China to reach viable cooperation with the latter. They explain that “although NATO is paying more attention to China and even hypes up the ‘China threat theory’ like the US, it’s not all conflict of interests between them” - that is, the European NATO members and China. “Despite their differences in ideology, values and strategic goals, it’s both possible and realistic for them to cooperate in areas of common concern.” Wang Yiwei and Wu Xinze call for markedly improving cooperation with the European NATO members in order to build mutual trust. For example, “although NATO came into being against a special



historical and ideological background, it can provide experience or lessons learnt for other international bodies in terms of organization, management and transformation, either for the reform of certain international organs or the perfection of others such as the Shanghai Cooperation Organization (SCO).”

Ultimately, Wang Yiwei and Wu Xinze conclude, the growing adversarial relations between the US and Europe will have huge impact on NATO and thus on the NATO relations with China. Beijing must be pragmatic with its expectations from the European members of NATO. Despite all the growing cooperation, China and the European members of NATO “may have conflict of interests and competition on the international stage and NATO in particular may create challenges for China in some of the areas mentioned above.” That said, Wang Yiwei and Wu Xinze emphasize, the growing cooperation between Europe and China, despite US hostility, can serve as the foundation for conflict resolution and growing cooperation between the European members of NATO and China. “China and [European] NATO only compete in functional sectors now instead of full-blown hostility. After all, the gap across the Atlantic Ocean is widening, and the US and Europe don’t see eye to eye on China. While making full preparations to deal with challenges, China should strengthen the communication with [European] NATO, reduce misunderstanding and misjudgment, enlarge common interests and seek a way of win-win cooperation.”

Indeed, China continues to be forthcoming toward the EU - ignoring the incitement of the US. Significantly, Beijing agreed to sign the ‘geographical indication’ agreement with the EU even though not signing it was a US major demand in the trade/tariff talks. On 26 November, Wendy Wu noted the “progress on Beijing-Brussels ties this month with the signing of a long-awaited ‘geographical indication’ agreement to improve protection for 100 regionally specific products, despite the ‘huge pressure’ from the US on China not to sign the deal because of its impact on US exports.” (Simply put, under the new agreement, the US will not be able to sell China any high-quality food products identified with specific locations in Europe, named after such locations, or even designated as “X-style” products. This will adversely affect the hitherto lucrative export of US alcoholic drinks, cheeses, and other high-end food products. The original EU products will now fill the huge void created by blocking US exports.) Also on the 26th, Zeng Peiyan, the Chairman of the China Center for International Economic Exchanges, explained to the *Global Times* the growing value of accessing the Chinese market for the EU. “China’s opening-up and huge domestic consumption market will provide new opportunities for China-EU cooperation, especially in healthcare, digital economy and developing third-party markets,” Zeng said. “Accelerating the signing of a bilateral investment treaty and making a new cooperation agenda after 2020 will be an important opportunity to boost the two sides’ economic growth.”

Meanwhile, as the official channels keep working their way, Beijing is also using semi-official channels such as the Chinese Chamber of Commerce in order to increase the pressure on Berlin, Brussels, and beyond. On 24 November, Zhang Dan interviewed Duan Wei, the Chief Executive Officer at the Chinese Chamber of Commerce in Germany, for the *Global Times* about the overall impact the Huawei crisis could have on the German and all-EU economies. “We do not oppose security inspections, but we hope the same inspection standards are applied to companies from all countries doing business in Germany. If Germany singles out a company just because it is from China and adopts a different standard for it, this may violate the fair market principle,” Duan Wei explained. He noted that this Chinese “stance is similar to German Chancellor Angela Merkel, who wanted security standards to be the yardstick, rather than singling out any particular company.” Lest there be any doubt, Feng Zhongping, the Vice-Director of the China Institute of Contemporary International Relations, told Wendy Wu, “5G is the touchstone for China-EU and EU-US ties.”



Duan Wei implied in his *Global Times* interview the possibility of Chinese retaliation in case Huawei is discriminated against in Germany. "So far, we haven't seen the Chinese government exclude German companies due to security reasons. Both countries have already built a reciprocal relationship," he said. He stressed the importance of Huawei's 5G technology to Germany's own long-term interests. "Germany has outstanding advantages in modern, advanced manufacturing and is involved in the Industry 4.0. But the initiative requires a modern telecoms infrastructure, which the country doesn't have at the moment," Duan Wei explained. "If Germany wants to walk on 'two legs,' how can it realize the Industry 4.0 with only modern manufacturing but no modern telecoms and digital infrastructure?" The Forbidden City is convinced that official Berlin is cognizant of, and is largely in agreement with, Duan Wei's observations and recommendations.

Hence, Xi Jinping and the Forbidden City committed to making 2020 "the Year of Europe" and "the Year of the EU". Presently, the Forbidden City is building on two milestone events that will frame the historic transformation of Sino-European relations. The first will be a China-EU bilateral summit in April that will be hosted in Beijing by Premier Li Keqiang. The objective is to meet and get to know the new leadership of the EU, and formulate together the common agenda for the new era of long-term relations. On 27 November, Beijing noted the confirmation of Ursula von der Leyen and the new College of Commissioners. A Xinhua Editorial noted approvingly that Von der Leyen promised that Europe will be more active in external affairs in "the European way" and as "a true partner" to all.

The second event, that will constitute the year's climax, will be in Leipzig in September 2020. Xi Jinping and Merkel will co-chair a special "27+1 Leadership Summit" with all the leaders of the EU. The goal of the Summit is to sign a major agreement/treaty articulating and formulating the new era of long-term cooperation. The conduct of the 27+1 Summit was a major issue for Xi Jinping during Merkel's visit to Beijing back in September 2019 - and Merkel is now delivering on all of Xi Jinping's requests and expectations.

According to the initial discussions between Brussels and Beijing, one of the issues high on the EU's agenda for the near-term improvement and expansion of EU-China economic relations is e-commerce. Brussels is most interested in enabling European companies to acquire and incorporate Chinese know-how (in order to push-back their current dependence on US sellers and service providers), as well as encouraging major Chinese e-sellers such as Alibaba to vastly expand their operations in Europe (again, in order to balance the current dominance of Amazon and other US sellers). The Chinese experts emphasized to their EU interlocutors that 5G technologies are the key to the new and future generations of e-commerce, and that the EU will have to cooperate with Huawei on these issues if they want China's support. Brussels accepted Beijing's demands.

Furthermore, Beijing has recently informed both Brussels and Berlin that for the 27+1 Summit, and the ensuing Chinese saving of the European economies, to succeed - all outstanding issues, starting with Huawei, will have to be first resolved to Beijing's satisfaction. Brussels is not objecting to the demands of Beijing. However, EU diplomats pointed out the growing US pressure, exercised via NATO, regarding the Huawei security issues. Senior EU officials assured their Chinese interlocutors that Brussels is most interested in a conclusive and decisive solution to the Huawei security issue long before September. Moreover, senior EU officials want to go beyond resolving the 5G issues and start discussions about the possible adopting of Huawei's OS as the anti-Android OS Brussels is so eager to sponsor and subsidize.

Berlin also supports accepting Beijing's demands but is apprehensive about the cost and duration of the current internal political squabbles surrounding Huawei. On 27 November, Merkel delivered a speech to



German lawmakers about the Huawei 5G challenge. She stressed the importance of security vetting of all - not just Huawei's - 5G systems. "It is undisputed that we need high security standards for the development of 5G networks." However, Merkel said she is in favor of "European solutions" to be implemented through a dedicated EU agency for "5G certification" for all of Europe. The EU must not discard and lose the huge benefits of 5G just because of the American accusations leveled at Huawei. Banning Huawei, Merkel emphasized, "would not be disastrous for China, but it would be disastrous for us in Europe."

The bottom line is that EU leaders are most interested in resolving the Huawei security issues because, comes September 2020, they must be ready to cooperate with Xi Jinping and meet his demands. The EU is determined to make the 27+1 Summit a stellar success that will usher in the new era of the Chinese saving Europe - and will not let US pressure regarding Huawei or any other issue stand in the way of this success. EU leaders can no longer conceal the singular importance of China to the future of Europe. "From ports to power stations, football clubs to financial companies, from the Norwegian city of Kirkenes to the Greek port of Piraeus and the Portuguese national grid, Chinese investment has become indispensable to the European economy," wrote Juliet Ferguson in the 26 November issue of the *Guardian*. Moreover, Feng Zhongping explained to Wendy Wu of the *South China Morning Post*, the new relationship with the EU and the concurrent reversal of the US pressure set the ground for the beginning of China's unilateral ascent to a new global posture. "China needs to expand its room to maneuver in international relations, such as through ties with the EU, Russia and India. We will not have our arms twisted by tensions with the US," he stated.

Remarks: Opinions expressed in this contribution are those of the author.



About the Author of this Issue

Yossef Bodansky has been the Director of Research at the International Strategic Studies Association [ISSA], as well as a Senior Editor for the *Defense & Foreign Affairs* group of publications, since 1983. He was the Director of the Congressional Task Force on Terrorism and Unconventional Warfare at the U.S. House of Representatives between 1988 and 2004, and stayed on as a special adviser to Congress till January 2009. In the mid-1980s, he acted as a senior consultant for the U.S. Department of Defense and the Department of State.

He is the author of eleven books – including *Bin Laden: The Man Who Declared War on America* (New York Times No. 1 Bestseller & Washington Post No. 1 Bestseller), *The Secret History of the Iraq War* (New York Times Bestseller & Foreign Affairs Magazine Bestseller), and *Chechen Jihad: Al Qaeda's Training Ground and the Next Wave of Terror* – and hundreds of articles, book chapters and Congressional reports.

Mr Bodansky is a Director at the Prague Society for International Cooperation, and serves on the Board of the Global Panel Foundation and several other institutions worldwide.



Yossef Bodansky