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The European Union and China

The European Union (EU) *Strategy for Cooperation in the Indo-Pacific*, published in September 2021, outlines an agenda to expand economic, security, and political partnerships in a region that is rapidly becoming “a key player in shaping the international order.” The 27-member EU’s increasing attention to the Indo-Pacific unfolds in the context of transatlantic discussions about the direction of relations with the People’s Republic of China (PRC, or China) and the implications of U.S.-China tensions for Europe. Many Members of Congress have expressed concerns about China’s influence in Europe and the EU, as well as interest in policy options for greater U.S.-EU cooperation regarding China.

In recent years, EU views on China appear to have hardened and now mirror more closely U.S. concerns about China’s global influence. In a 2019 position paper, the European Commission (the EU’s executive body) described China as “simultaneously ... a cooperation 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.” Many saw the paper’s uncharacteristically sharp tone as indicative of mounting frustration with China’s trade and investment practices, its aspirations to become a global technology leader and standard setter, and its promotion of a governance model at odds with core EU values.

Notwithstanding initial suggestions that China’s Coronavirus Disease 2019 (COVID-19) “facemask diplomacy” and “vaccine diplomacy” could build goodwill, many analysts assess that the pandemic and other recent developments have further strained EU-China relations. An exchange of sanctions in March 2021 stemming from EU concerns about human rights in China reflected what some observers have described as a low point in relations.

Economic Issues

Although many European policymakers seek to sustain or deepen economic ties with China, they appear to share U.S. concerns over China’s industrial policies, which have led to asymmetric trade and investment advantages for China, as well as China’s growing control of certain global supply chains. EU officials also have expressed concern regarding China’s use of economic coercion for political objectives.

Trade and Investment Asymmetries. The EU for some time has sought to increase market access in China for European firms and investors amid Chinese industrial policies that limit foreign investment and subsidize domestic firms in strategic sectors. The EU has worked with the United States and Japan to develop approaches to counter China’s subsidies, but the group has not moved to

implement any specific proposals. The EU and China concluded negotiations on a bilateral Comprehensive Agreement on Investment (CAI) in December 2020, but the European Parliament (EP) suspended ratification of the CAI in May 2021, following China’s use of economic coercion against EU member states, firms, and institutes.

Supply Chain Measures. In September 2021, the United States and the EU launched a new Trade and Technology Council (TTC) to address a wide range of trade and technology issues, including enhancing cooperation in sectors where China controls key supply chain inputs, such as clean energy and pharmaceuticals. Additionally, the European Commission in December 2020 published a regulatory “toolbox” for 5G network rollouts that many analysts contend could limit the ability of Chinese firms to meet the standards for participation. Several European governments have adopted various measures that limit and in some cases exclude Huawei’s participation in the buildout of their 5G network infrastructure.

Response to PRC Economic Coercion Some European policymakers have expressed concerns about China’s use of economic coercion to advance certain geopolitical objectives. The EU is currently considering a proposed anti-coercion instrument that could allow the EU to respond as a bloc against economic coercion of a single member state, among other tools, but divergent views among member states could complicate its finalization or deployment. In 2021, China imposed a de facto trade embargo on Lithuania and European firms that source from Lithuania after Lithuania announced it would open an office in Taiwan. In response, in January 2022, the EU initiated a trade dispute case at the World Trade Organization, and some experts contend that China’s continued pressuring of Lithuania could increase support for the proposed anti-coercion instrument among member states.

Human Rights and Political Issues

European criticism of human rights and political issues in China, and China’s reaction to such criticism, has been a growing source of tension. Many EU and member state officials have expressed concern about human rights violations of the Uyghur Muslim and other Muslim populations in China’s Xinjiang region. The EP and national parliaments in several member states have passed resolutions criticizing human rights violations of Uyghurs. In March 2021, the EU sanctioned four officials and one entity in Xinjiang under the bloc’s Global Human Rights Sanctions Regime. The designations were coordinated with sanctions imposed by the United Kingdom, Canada, and the United States. China countered with retaliatory sanctions against selected EU entities, nongovernmental organizations, and scholars. Many saw China’s response as

disproportionate and outsized compared with the EU designations.

Some European policymakers share U.S. concerns over threats to civil and political rights in Hong Kong. Several EU member states suspended extradition treaties with Hong Kong in response to China's June 2020 National Security Law for Hong Kong. In January 2022, the EP passed a resolution urging the EU to sanction Hong Kong and PRC officials "responsible for the ongoing human rights crackdown" in Hong Kong.

European initiatives regarding relations with self-ruled Taiwan also have caused tensions with China, which claims sovereignty over the island democracy and has sought to limit other countries' interactions with it. In addition to Lithuania's efforts to strengthen ties with Taiwan, the EP adopted a resolution in October 2021 calling for closer EU relations with Taiwan and sent its first official delegation to visit Taiwan the following month.

In July 2021, the EP adopted a resolution urging other EU institutions to put democracy, human rights, and the rule of law at the center of EU-China relations. The resolution also urged European officials to boycott the 2022 Beijing Winter Olympics unless the government of China "demonstrates a verifiable improvement" on human rights issues. Several European countries did not send diplomatic representation to the event, citing human rights concerns.

Differing Views Within Europe

Despite seemingly growing agreement within the EU on certain aspects of relations with China, forging a consistent, consensus-based policy has often been difficult. Many major EU decisions on external economic relations and foreign policy require unanimous agreement from the EU's 27 members, which have varying national security concerns and economic interests, as well as differing bilateral relations with China. Some member states have deeper trade and investment ties to China, making economic coercion a potentially more worrisome prospect for them than for others. Some observers suggest that Germany, for example, remains relatively cautious about upsetting relations with China, in part because of its extensive trade and investment relations. Further complicating efforts to reach consensus on China, views may differ among key stakeholders within EU member states, such as political parties, business groups, and civil society organizations.

Some observers assert that China has sought to sow divisions within the EU and to selectively cultivate relations with member states to shape EU policies toward China indirectly. Greece (under a prior government) and Hungary, for example, have vetoed EU statements critical of China on several occasions, although they also have agreed to such statements on China and to specific measures in other instances. Some critics attributed these vetoes to the countries' generally good bilateral relations and economic cooperation with China.

Some officials and analysts have regarded the China-backed China-Central and Eastern European Countries (CEEC) engagement mechanism, known in Europe as

"17+1," as a potential source of division within the EU. The 17 European countries involved included 12 EU members, although Lithuania's May 2021 departure reduced the mechanism to 16 members. The mechanism's prospects have grown increasingly uncertain amid some participants' reported disappointment that China's pledges of investment and trade opportunities have not materialized.

China's Perspective

While China generally continues to portray its relationship with the EU as friendly and cooperative, State Councilor and Foreign Minister Wang Yi described the EU's simultaneous acknowledgement of China as both partner and rival as the product of "cognitive dissonance" that is undermining China-Europe relations. From China's perspective, this dissonance complicates its EU policy, which, as laid out in the December 2018 *Policy Paper on the European Union*, is built on the premise of "all-dimensional, multi-tiered and wide-ranging exchanges and cooperation."

China's EU policy includes rhetorical support for European integration and autonomy, which many Chinese officials have described as a way to promote a multipolar, less U.S.-centric world order. In December 2021, State Councilor Wang conveyed the Chinese government's hope that "Europe, as an important force in the process toward greater multipolarity, will shape an independent, objective and rational perception of China at an early date, and promote and deepen its mutually beneficial cooperation with China following the principle of strategic autonomy."

China's support for the concept of EU "strategic autonomy," in particular, seems at least partially attributable to China's desire to weaken ties between the United States and the EU, at a time when the United States is seeking to strengthen transatlantic ties to help counter China in certain areas. Some Chinese analysts describe the EU as a critical factor influencing U.S.-China relations and likely hope a more autonomous EU could resist (or moderate) U.S. attempts to take a more assertive stance toward China.

U.S.-EU Cooperation

The Biden Administration and the EU have committed to intensifying cooperation to address shared concerns about China and have restarted a dialogue on China begun by the Trump Administration. Several measures announced at a June 2021 U.S.-EU summit aim to foster collaboration to counter China's growing influence, especially on trade and technology. At the same time, many in the EU remain wary of the implications of intensifying U.S.-China tensions for Europe and are reluctant to antagonize a major economic partner. EU officials also point to a need for cooperation with China on global concerns, such as climate change. Varying economic and political interests among EU member states also could affect efforts to more closely align U.S. and EU policy toward China.

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