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Europe and Changing Asian Geopolitics

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This discussion paper explores the implications for Europe of escalating confrontation in US-China relations, the trend that is most likely to structure change in Asian geopolitics in the coming years. It argues that on balance, Europe is joining the emerging counterbalancing coalition against growing Chinese global influence.

Transatlantic Convergence on China Policy

There is a tendency among analysts to stress the lack of European unity on China policy each time a crack occurs. The recent weeks provided another example with the Italian government working on a package of BRI investment with China to be completed by the end of the year, and seemingly rethinking its position on EU investment screening, exactly at the time when the EU issues its policy guidelines on Euro-Asian connectivity and moves to finalize its investment screening system.

The pattern of EU member states competing for short term business gains in relation with China is unchanged – and problematic seen from Washington – but it does not capture two elements of transatlantic convergence on Asia policy.

First, the European big three increasingly endorse the free and open Indo-Pacific narrative. There are differences of degrees between France, the UK and Germany, France being an active promoter of the Indo-Pacific while Germany is much more cautious and critical. But overall, the three converge on the two key elements of the Indo-Pacific idea: the need to address risks on the maritime security order linked to the rise of China's naval power, and the importance of taking part in the infrastructure/connectivity/influence game. Concretely, this translates in the rising importance of India, Australia and Japan as security partners and a regular presence in the South China Sea to signal commitment to our interpretation of freedom of navigation under UNCLOS. For France and the UK, the Indo-Pacific is not a vague strategic narrative with little substance, it works as an envelope to deepen ties with key partners and justify a continuous global footprint for the two countries and a strategic identity as global sea powers. For Germany, it also contributes to a less China-trade-centric vision of Asia.

Second, there is a coordinated approach to better control technology transfers, with Western Europe in the lead, and the European Union also setting up an investment screening mechanism. Since 2017 regulations are being tightened in the UK, Germany, France and Italy to prevent intangible technology transfers that are not covered by export control laws, and that take place through direct investment and R&D cooperation. This is a response to China's state capitalism to the surge of high-tech acquisition in Europe, and of course of 'Made in China 2025'. The emerging European system is still a work in progress and the recent Italian example is a reminder that there is not yet full convergence in Europe for strict monitoring of foreign investment, but the issue of intangible technology transfers is gaining prominence. At the European scale, the outcome should be a screening system comparatively less strict than the reformed CFIUS or than China's regulations, with loopholes in some member states, but overall Europe is moving synchronously with Japan and the United States. The same can be said of trade. Defending a multilateral rules-based trade system centred on WTO from the offensive of the Trump administration does not prevent DG Trade from signing a trilateral joint communiqué with the US and Japan addressing the "non-market-oriented policies and practices of third countries", and making clear that coordinated countermeasures against China may follow.

China's half-baked Charm Offensive in Europe

The Trump administration's assault on China on multiple fronts has resulted among other things in an adjustment in China's Europe policy. Transatlantic divergences on Iran, Trump's verbal attacks of the European Union, the prospects of American tariffs on Europe, the issue of extraterritorial sanctions cloud transatlantic relations and provide China with an opportunity to conduct a charm offensive.

The EU has been seeking Chinese concessions in vain in many areas for many years: market access for European companies in China, cooperation on international crises, alignment on global governance, convergence on human rights. The last EU-China summit led to renewed promises that a bilateral investment treaty should be signed, an exchange of market access offers (which was however seen as disappointing in Brussels). This followed Chinese measures to liberalize foreign investment in the financial sector, such as relaxing foreign ownership in financial institutions or substantially expanding the business scope of foreign banks, and the release of Liu Xia before the EU-China summit after years of quiet German diplomacy. There are also signs that China is taking on board international criticism on the BRI, softening the language, promising to take into account sovereign debt risks for foreign countries.

But these adjustments are insufficient to compensate for the change of perception of China that Xi Jinping has generated in Europe. China is paying a price for giving up ambiguity. The current confrontation with the US is to a large degree the result of the changing balance of power, but also to some extent a collateral cost of China abandoning opacity on its strategic intentions. China has been criticized for many years for dissimulating its strategic intentions but this no longer holds true.

The work report by Xi Jinping to the 19th Party Congress makes clear that China's goal is global leadership by 2050 in terms of global influence and comprehensive national power.

There is specific emphasis on technological superiority and building China's military into a world-class power. This is in the work report but also in many policy planning documents, with 'Made in China 2025' and its ten strategic sectors getting the most international attention. On the foreign policy side, there is emphasis on offering Chinese solutions to international problems, and the BRI which Xi Jinping recently described in the context of China's tradition of Tianxia, the imperial vision of Chinese centrality in the international system (以共建"一带一路"为实践平台推动构建人类命运共同体，这是从我国改革开放和长远发展出发提出来的，也符合中华民族历来秉持的天下大同理念). The common thread to these elements is an open quest for leadership. Foreign policy analysts often stress the break under Xi with China Deng Xiaoping's low-profile foreign policy guideline, but another element of Deng's vision was to never take a leadership position (决不当头).

China's quest for global leadership has an ideological dimension. China has long been defensive on the question of ideological competition with liberal democracies. During Xi Jinping's first term in office, a series of measures were adopted to insulate China from the influence of Western values, such as the national security law, the cybersecurity law or the law on foreign NGOs. This came in reaction to the Arab Spring and to the perception of events in Ukraine and in Hong Kong. Overall, China has been very successful in reinforcing its defence against Western influence. This has facilitated China's deepening ties with Russia. The cement of China-Russia relations is ideological convergence, as made clear in a key document, the June 2016 "joint statement on strengthening global strategic stability", which extends a nuclear arms control concept to sovereignty and regime security.

Today, the perception that China is on the offensive is gaining traction in European capitals. This is a result of three combined factors: deepening China-Russia cooperation, the Belt and Road Initiative and authoritarian change in China's domestic governance. There seems to be absolutely no interest in China for the image costs in Europe of decisions such as joining massive military manoeuvres with Russia, exfiltrating the Lyon-based head of Interpol or the crackdown in Xinjiang. The result is an increase in distrust, reflected for examples in statements by Western European leaders on the Belt and Road Initiative and their decision not to sign MOUs to endorse BRI.

Conclusion

There is a strong preference in Europe for a multilateral global governance system rather than competition between rival ideological camps. But in the current historical phase of US-China confrontation, Europe is siding with the US. Despite some noise, there is little belief in Europe that China can be a serious counterweight to the Trump administration undermining multilateral diplomacy and the liberal international order. At the same time, Europe is also trying to secure some benefits on the side by rebalancing relations with China. And if the issue of a lack of European unity on relations with China is constantly resurfacing, the shock waves on transatlantic convergence are too weak to undercut the main trend, which is that Europe is structurally closer to the emerging counterbalancing coalition seeking to keep Chinese growing influence in check than to the alternative project supported by Beijing.

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