

Senate Foreign Relations Committee
Subcommittee on Europe and Regional Security Cooperation
Hearing

“Aligning transatlantic approaches on China”

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Written Testimony

Dr. Janka Oertel
Director, Asia Programme and Senior Policy Fellow
European Council on Foreign Relations (ECFR)

Dear Chairwoman Shaheen, Ranking Member Ricketts, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today. It is an honor and privilege to address you.

I would like to make four points:

1. Europeans do not speak with one voice when it comes to China policy, but that does not necessarily translate into disunity in action.
2. China’s support for the Russian invasion in Ukraine constitutes a turning point in Europe-China relations.
3. The Chinese leadership sees Europe as a battleground for competition with the United States, but the European public does not perceive it that way – yet.
4. The EU’s China policy objectives are converging with those of the United States, while full alignment in policy and rhetoric remains unlikely. De-risking is a useful framework for a transatlantic approach, but it needs to move beyond the slogan.

Let me elaborate on each of them briefly.

Attention is up, unity holds

The overall level of attention regarding China as a challenge to European interests has grown remarkably over the last five years. Precisely because of the heightened importance that the relationship with China now plays for EU governments the messaging is more complex, with a stronger focus on the domestic audience.

While the daily ups and downs of the media reporting on European positions can leave observers confused, when stepping back European positions are actually relatively united and on a linear trajectory of significant hardening and growing skepticism about the future of the relationship. The recent visit by French president Macron and the subsequent comments in the media have not changed this broader trend.

The packages and policies agreed upon with a clear eye towards China (although formally “country-agnostic”) are quite impressive: the inbound investment screening mechanism, the anti-coercion tool, the foreign subsidies regulation, the 5G toolbox, new due diligence

directives, the Critical Raw Materials Act, outbound investment screening plans, as well as the Carbon Border Adjustment Mechanism, which has generated significant concern in Beijing – all of this is real, impactful and here to stay and has enhanced the EU's ability to respond to the changing geopolitical and geo-economic environment the Union and the member states are facing.

The changes are driven by hard economic and political realities, not by ideology or moral considerations. The EU's trade deficit with China is growing. From 2020 to 2022 alone it has more than doubled.¹ Germany holds the largest share of trade with China among EU countries and the same trajectory applies: foreign direct investment into China from Germany is up, imports from China have increased, while sales of German companies in the Chinese market in key industries, particularly the automotive sector, are slowing. German exports to China are down in relative terms and have only grown marginally in absolute terms over the last year. In 2022, China was only Germany's fourth largest export market, significantly behind the United States, France, and the Netherlands.

This is changing the narrative. Particularly for small and medium size European enterprises, the Chinese market is moving from being the place to be to being risky business.

Ukraine is a pivotal moment – also for China policy

For policy makers in Europe, the issue of highest strategic salience remains the Russian invasion of Ukraine, but the war has not put the question of how to relate to China on the diplomatic and strategic backburner. Quite the opposite: because of Beijing's support for Moscow, it has brought the idea of China as a challenge to European strategic interests closer to home.

It has ignited a debate about the security situation in the Taiwan Strait. Media reporting regarding Taiwan – particularly in Germany has increased significantly and the number of conversations in the strategic, policy, and business community about possible scenarios and assessments of the potential fallout has increased markedly across Europe and particularly in Brussels.

Additionally, there is a specific regional impact of China's 'no limits' bond with Moscow: In Central and Eastern Europe China's failure to condemn the Russian invasion has led to another re-evaluation of the relationship with China. While the cooling of the relations over the past few years in what once was the 17+1 format (and is now down to 14+1, slowly drifting into irrelevance) was mainly due to China's assertive policies at home, the pandemic response, and disappointed business interests, the shift that is observable among many of the political leaders in the region now is likely to be more significant and lasting. It cuts to the heart of their own strategic priorities in terms of safeguarding sovereignty and territorial integrity and is fueled by a deep-rooted fear of Russian intentions.

While Chinese support to Moscow has highlighted the problem of single points of failure regarding overdependence on individual goods and products from China as well as overall supply chain risks, this does not translate into a desire for full-scale decoupling in Europe.

¹ In 2020 the trade deficit of the EU vis-à-vis China amounted to 182.3 billion Euro compared to 396 billion billion Euro in 2022, see: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en.

On the contrary, the costs that the hard break in the relations with Russia has incurred on European economies are a huge warning sign to many. The longer the war continues and the deeper the overall challenges to the global economy become, the harder it will be to maintain European unity as those EU countries that are more dependent on China, such as Germany, may be inclined to slow the de-risking process in favor of short-term economic relief.

Beijing's Charm Offensive falls flat – so far

The Chinese leadership continues to see an advantage in trying to undercut alignment, distract EU countries from China's engagement with Moscow, and obstruct transatlantic unity and has thus currently put a particular emphasis on its outreach to EU countries.

So far, however, Beijing's attempt to improve ties has not swayed most European leaders who see no new offers by the Chinese leadership on the table and are unimpressed by Special Envoy of the Chinese Government for Eurasian Affairs Li Hui's latest visit, the cold and low-level reception by the Polish Foreign Ministry being a case in point.²

The visits in Kiev, Warsaw, Berlin, Paris, and Brussels of the special envoy and a flurry of additional diplomatic activity including the upcoming government consultations with the German cabinet on 20 June 2023 and Chinese Premier Li Qiang's planned presence at Macron's flagship 'Summit for a New Global Financial Pact' are an indicator that Beijing is focusing on select member states it regards as particularly relevant.

There is reason to be concerned that some of these tactics can be successful as European public perceptions of the relationship with China in many member states are not as clear as the existing unity in broadly rallying behind the toughening of the EU line may indicate.

With regard to a potential Taiwan contingency, for example, the latest poll that my colleagues at the European Council on Foreign Relations have conducted in 11 EU member states³ concludes that a majority of European respondents (62% on average) polled would be in favor of a neutral stance rather than supporting the United States, which only 23% would on average be advocating for.

It is on European and US policymakers to jointly convey the impossibility of neutrality in such a scenario and devise a clear strategy for advocating deterrence and de-escalation to avoid a military confrontation that takes public perceptions into account by clearly conveying that neutral by-standing will not be an option for Europe.

Because once the direct connection to the reality of European citizens becomes clearer the numbers change: a staggering 41% of respondents (on average across member states) would thus be in favor of sanctions against China if it were to deliver ammunition or weapons to Russia, even if this meant "serious economic harm to Western economies".

² For the readout of the Polish Foreign Ministry, please see: <https://www.gov.pl/web/diplomacy/deputy-minister-wojciech-gerwel-met-the-special-envoy-of-the-chinese-government-for-eurasian-affairs>.

³ The representative poll is part of ECFR's 'Unlock Europe's Majority' project. Polling was conducted in April 2023 in Austria, Bulgaria, Denmark, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain, and Sweden. See: <https://ecfr.eu/publication/keeping-america-close-russia-down-and-china-far-away-how-europeans-navigate-a-competitive-world/>.

The picture is more nuanced when looking at the individual country polling. In Sweden 56% of respondents were in favor, 51 % in the Netherlands, whereas only 37% of the respondents in Germany would be inclined to do so, with 38% arguing that it would be more important to protect the Western economies than to sanction China.

All countries polled show an exceptionally high number of undecided respondents (20% to almost 40%) to this question, which indicates that there is a lot of unease among the European public and the need for clear communication of political objectives and risk calculations of European leaders becomes even more important.

Risk is currently priced against the imaginary costlessness of upholding the status quo. Weighing the costs of inaction against the cost of more decisive European action to defend European interests vis-à-vis China is a key task for policy makers in Europe and beyond.

Transatlantic convergence is real, but de-risk and diversify needs to move beyond the slogan

This brings me to my fourth and final point. Transatlantic convergence on the analysis of the challenges posed by China is real among policy makers, the discussions in the G7, the EU-US Trade and Technology Council and the various bilateral exchanges on the issue, the close coordination ahead of meetings with Chinese counterparts and regarding measures to be taken is a clear indicator of that.

‘De-risk and diversify’ seems to be terminology around which transatlantic partners can rally.

But discomfort in European capitals regarding full alignment with the United States remains high, and public opinion and domestic politics is important on both sides of the Atlantic.

Therefore, the exact contours of a ‘de-risk and diversify’ agenda need to become real very quickly in Europe with a clear roadmap for bringing the public on board for this overhaul of the way the global economy and the multilateral framework has been functioning. It also needs to move beyond the rhetoric of tools and instruments, insinuating that mere little tweaks to the existing order will suffice to safeguard European security and prosperity in an age of system competition.

A de-risk and diversify slogan with no concrete policies attached could otherwise quickly become a banner to hide behind for continued complacency, reactivity, and inaction in tackling the challenges head-on.