

STUDY

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EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China



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EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China

ABSTRACT

To evaluate the European Union's (EU) policy framework towards China, this study analyses the varied facets of bilateral relations and the EU's approach towards China, including its policy of de-risking, together with issues relating to China's domestic politics and foreign policy. It highlights the need for the EU to adopt a coherent vision and a comprehensive and consistent long-term China strategy that can guide its future actions towards China and on the world stage. Based on its findings, it also provides a series of specific recommendations for the EU on the numerous topics analysed in the study.

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List of abbreviations

ACI	Anti-Coercion Instrument
AI	Artificial Intelligence
ASEAN	Association of Southeast Asian Nations
B&H	Bosnia and Herzegovina
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CAI	Comprehensive Agreement on Investment
CCP	Chinese Communist Party
CEE	Central and Eastern European
CEEC	Central and Eastern European Countries
CFSP	Common Foreign and Security Policy
EEAS	European External Action Service
EIP	Economic and Investment Plan
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
G7	Group of Seven
GDI	Global Development Initiative
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPI	International Procurement Instrument
MEP	Member of the European Parliament
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organisation
PRC	People's Republic of China
SDG	Sustainability Development Goals
UK	United Kingdom

UN	United Nations
USA	United States of America
WTO	World Trade Organization

Executive summary

- Over the past decade, the political environment in the People's Republic of China (hereinafter referred to as China) has become more closed and authoritarian. The influence of ideology and nationalism has grown, coupled with wider and more serious human rights violations. It is possible that this trend could continue. Moreover, the Chinese government's external behaviour has become more assertive and on occasion confrontational. At the same time, China's relations with the United States of America (USA), the European Union (EU), and many of its neighbours have deteriorated, being characterised by numerous points of tension. If China's diverse domestic challenges continue to mount, its government may resort to even more aggressive foreign policy in the future.
- Since 2017, EU-China relations have been on a downward spiral. In 2019, the EU described China as 'a cooperation partner' and 'negotiating partner', as well as 'an economic competitor' and 'a systemic rival'. Since then, the economic competition and systemic rivalry have intensified, while the EU and China have failed to achieve notable negotiating successes.
- EU-China relations are in a state of flux, being affected by numerous issues, tensions, concerns and worries. These include: economic problems, such as unfair practices and the lack of a level playing field for European companies in China; human rights abuses, such as those witnessed in Xinjiang and Hong Kong; the general state of human rights in China; global events, such as China's actions on the international stage which are perceived as aiming to undermine the liberal world order; geopolitical threats, such as current tensions in the Taiwan Strait and the South China Sea, or worries about a possible future invasion of Taiwan.
- In this context, the EU has proposed a policy of 'de-risking', meant to manage risks coming from economic and technological engagement with China. This new approach is in its early stages, hence characterised by official assessments of existing dependencies and potential risks. How exactly to implement de-risking will be decided in the next few years, once all the different views of European stakeholders, such as EU institutions, national governments and European companies, have been distilled. For the moment, there is a general consensus that the EU should avoid a broad de-coupling from China and should instead focus on targeted measures where dependencies or risks are deemed to exist.
- De-risking and the economic security strategy build upon policies and measures already taken by the EU over the past five years, such as: the Foreign Direct Investment screening mechanism; the Anti-Coercion Instrument; the EU Chips Act; and the Critical Raw Materials Act. The three-pronged approach of 'Promote, Protect and Partner' creates a framework for future steps.
- Addressing dependencies, risks and supply chain vulnerabilities will require careful consideration, as the EU should avoid both the risk of not doing enough and the threat of doing too much, thereby veering towards protectionism. De-risking has been specifically proposed as an alternative to calls for de-coupling and should be seen as an exercise in risk mitigation or risk management, instead of completely remaking economic relations to eliminate all risks. The policy of de-risking is therefore connected with a diversification of the EU's economic ties and the quest for strategic autonomy, by building Europe's capacities and ability to act as a geopolitical actor.
- One important issue that the EU will have to grapple with is the lack of unity among all Member States, as national governments and leaders have different perspectives on a host of issues, including how to deal with China. While most Member States share a similar outlook, there are some which adopt different positions, making it difficult for the EU to agree in which direction to move, let alone at speed.
- The EU has adopted a way of describing its relations with China – the triptych – and a slew of policies directly or indirectly dealing with China as well as issues that stem from bilateral relations, such as de-risking. However, it lacks a comprehensive and consistent long-term strategy or a clear vision of its

goals regarding China, and of where it wants bilateral relations to go. Except for its formulation of the triptych, the 2019 Joint Communication is no longer relevant as most actions therein have either been implemented or abandoned. While de-risking is in the process of being shaped and could determine a road map for future actions, it is country-agnostic and hence does not directly deal with the variety of issues and goals that specifically define or should define Europe's relations with China for the future.

- In the context of developments happening in China specifically and on the global stage generally (which include growing nationalism and centralisation of power in China; an intensifying US-China rivalry; an expanding and improving Chinese military power; and the increasing risk of a military conflict, especially in the Taiwan Strait), the EU needs to develop a more precise vision of its future relationship and goals regarding China, upon which it can then design a comprehensive and consistent long-term strategy. Such a strategy should address the gamut of issues connected, directly or indirectly, with China, such as: preserving the liberal world order; promoting sustainable global development; dealing with global issues or threats; promoting and defending human rights as well as democratic values; expanding partnerships and improving cooperation with allies; preserving peace; and preventing military conflicts.
- Regarding Taiwan, there is a considerable risk of military conflict over the next 2-3 decades. This would pose grave threats to the EU, which must therefore prepare response options, take actions aimed at lessening the negative consequences and impact from such a military conflict, and actively work to reduce the risk of war, including through direct engagement with China on this subject.
- The EU and its Member States have improved cooperation and coordination with like-minded partners, such as the USA, Japan, South Korea and Australia, on China and other related issues. This cooperation should intensify over the coming years and should focus especially on tangible achievements that can help improve prosperity, economic resilience and global development.
- Countries of the Association of Southeast Asian Nations generally have strong Chinese business links, even though some are also engaged in territorial or maritime disputes with China. Beijing's increased assertiveness is also heightening worries in the region, which could create the context for more active EU engagement. Indeed, although the EU is and will remain much weaker than China in the region, it is nevertheless seen as a preferred third party to help the region escape from the undesirable US-China bipolar contest.
- The Global Gateway is a good platform and presents an opportunity for engagement with the Global South. However, the EU should focus first on implementing and delivering concrete results efficiently, to prevent the initiative being perceived as stemming from competition with China. The EU also needs an improved engagement and communication strategy in the Global South, where for some time China has been improving its relations and growing its presence.
- Within Europe's Eastern neighbourhood, in Ukraine, Moldova and the Western Balkans, China's economic presence and political engagement have grown over the past decade, but at different speeds in different countries. Some, such as Moldova and Ukraine, have distanced themselves from China over the past few years, choosing to focus on strengthening relations with the West and pursuing EU membership. The same trend can be seen in Western Balkans countries, though in the cases of Serbia and Bosnia and Herzegovina, for example, cooperation with China continues to expand and intensify.
- When it comes to China's position on Russia's invasion of Ukraine, Europe has found little openness for cooperation and should remain wary of Beijing's pronouncements. The Chinese government is aiming to maintain or strengthen relations with Russia, while trying to limit the negative impact on its relation with Europe by tailoring its messaging to different audiences.

- The issue of human rights remains salient in EU-China relations as violations by the Chinese government have not only continued, but Beijing has also become more assertive in pushing back against criticism and promoting its own perspectives regarding values on the global stage. These trends are likely to continue, generating new tensions or issues in EU-China relations, while the EU will need to search for better ways of conducting strategic communication on the subjects of values, human rights and the global order, so as to promote democracy and democratic principles successfully.
- People-to-people relations between the EU and China have been affected not only by the COVID-19 pandemic, but also by EU-China tensions and the political changes taking place in China. While China's image in European countries has suffered a considerable decline in recent years, the EU still has a relatively good image among the Chinese people, which it should strive to preserve or improve.
- When it comes to academic and research exchanges and cooperation, as part of its de-risking policy the EU should be careful to target precisely those forms of cooperation that pose risks, while not placing any restrictions or undue burden on most forms of engagement and cooperation, which pose no threat and remain important for sustaining bilateral relations as well as improving European competitiveness.

Over the past five years, since the publication of the 2019 Joint Communication, the EU has not only focused more attention and resources on China, but has also taken considerable steps to improve and develop its policy framework. The Commission has led on many subjects, albeit most measures and policies have been reactive and defensive, as the EU has unfortunately lacked a vision and a long-term strategy on China that is comprehensive, consistent and proactive. While considerable progress has been made, there is a risk that, as China's power and significance continue to grow in the coming years and issues arising from this are likely to multiply, the absence of a well-designed strategy guiding future steps will hobble the EU's approach towards China.

Résumé exécutif

- Au cours de la dernière décennie, l'environnement politique de la République populaire de Chine (ci-après dénommée « la Chine ») est devenu plus fermé et autoritaire. L'influence de l'idéologie et du nationalisme s'est accrue, associée à des violations des droits de l'homme élargies et aggravées. Il est possible que cette tendance se poursuive. En outre, la politique étrangère du gouvernement chinois est devenue plus affirmée et parfois conflictuelle. Dans le même temps, les relations de la Chine avec les États-Unis d'Amérique, l'Union européenne (UE) et nombre de ses voisins se sont détériorées et se caractérisent par de nombreux points de tension. Si les divers défis intérieurs de la Chine continuent de s'accumuler, son gouvernement pourrait avoir recours à une politique étrangère encore plus agressive à l'avenir.
- Depuis 2017, les relations entre l'UE et la Chine s'inscrivent dans une spirale descendante. En 2019, l'UE a qualifié la Chine de « partenaire de coopération » et de « partenaire de négociation », ainsi que de « concurrent économique » et de « rival systémique ». Depuis lors, ces deux derniers points se sont intensifiés, tandis que l'UE et la Chine n'ont pas réussi à obtenir de succès notables dans les discussions.
- Les relations entre l'UE et la Chine sont en constante évolution, affectées par de nombreuses questions, crispations, préoccupations et inquiétudes. Il s'agit notamment de problèmes économiques – les pratiques déloyales et le manque d'équité pour les entreprises européennes en Chine – mais aussi les violations des droits de l'homme observées au Xinjiang et à Hong Kong et l'état général de ces droits en Chine, ou les événements mondiaux, tels que les actions de la Chine sur la scène internationale, perçues comme visant à saper l'ordre mondial libéral, ou encore les menaces géopolitiques, vues dans les tensions actuelles dans le détroit de Taïwan et la mer de Chine méridionale, ou les craintes d'une éventuelle invasion future de Taïwan.
- Dans ce contexte, l'UE a proposé une politique de « réduction des risques », destinée à gérer les menaces liées à l'engagement économique et technologique avec la Chine. Cette nouvelle approche n'en est qu'à ses débuts et se caractérise pour l'heure par des évaluations officielles des dépendances existantes et des difficultés potentielles. Les modalités exactes de mise en œuvre de cette « réduction des risques » seront décidées au cours des prochaines années, une fois que les différents points de vue des parties prenantes européennes – les institutions de l'UE, les gouvernements nationaux et les entreprises européennes – auront été analysés. Pour l'instant, il existe un consensus sur le fait que l'UE devrait éviter un désengagement général avec la Chine et devrait plutôt se concentrer sur des mesures ciblées là où des dépendances ou des menaces sont considérées comme présentes.
- Les stratégies de « réduction des risques » et de sécurité économique s'appuient sur les politiques et les dispositions déjà prises par l'UE au cours des cinq dernières années, telles que le mécanisme européen de filtrage des investissements directs étrangers, l'instrument anti coercion, le Règlement européen sur les semi-conducteurs et la législation sur les matières premières critiques. L'approche à trois volets « Promotion, Protection et Partenariat » crée un cadre pour les prochaines étapes.
- La prise en compte des dépendances, des risques et des vulnérabilités de la chaîne d'approvisionnement nécessitera un examen attentif, l'UE devant éviter à la fois l'inconvénient de ne pas en faire assez et la menace d'en faire trop, ce qui la ferait basculer dans le protectionnisme. La réduction des risques a été spécifiquement proposée en alternative aux appels au désengagement et devrait être considérée comme un exercice d'atténuation ou de gestion des risques, au lieu de remodeler complètement les relations économiques pour éliminer tous les dangers. La politique de réduction des risques est donc attachée à une diversification des liens économiques de l'UE et à la recherche d'une autonomie stratégique, en renforçant les capacités de l'Europe et son aptitude à agir en tant qu'acteur géopolitique.

- Un problème important auquel l'UE devra faire face est le manque d'unité entre tous les États membres, car les gouvernements et les dirigeants nationaux ont des points de vue différents sur un grand nombre de points, y compris sur la manière de traiter avec la Chine. Si la plupart des États membres partagent une vision similaire, certains embrassent des positions distinctes, ce qui fait qu'il est difficile pour l'UE de se mettre d'accord sur la direction à prendre, et encore plus sur la vitesse à adopter.
- L'UE a choisi une façon de décrire ses relations avec la Chine – le triptyque – et une série de politiques traitant directement ou indirectement de la Chine ainsi que des questions découlant des relations bilatérales, telles que la réduction des risques. Toutefois, il lui manque une stratégie globale et cohérente à long terme ou une vision claire de ses objectifs à l'égard de la Chine et de l'orientation qu'elle souhaite donner aux relations bilatérales. À l'exception de la formulation du triptyque, la communication conjointe de 2019 n'est plus pertinente, car la plupart des démarches qu'elle contient ont été mises en œuvre ou abandonnées. Si la réduction des risques est en cours d'élaboration et pourrait constituer une feuille de route pour les actions futures, elle ne tient pas compte des pays et n'aborde donc pas directement la variété de questions et d'objectifs qui définissent ou devraient définir les relations de l'Europe avec la Chine à l'avenir.
- Dans le contexte de l'évolution de la situation en Chine en particulier et sur la scène mondiale en général (nationalisme croissant et centralisation du pouvoir en Chine, intensification de la rivalité sino-américaine, expansion et amélioration de la puissance militaire chinoise et risque croissant de conflit militaire, en particulier dans le détroit de Taïwan), l'UE doit définir une vision plus précise de ses relations et objectifs futurs avec la Chine, sur la base de laquelle elle pourra ensuite élaborer une stratégie globale et cohérente à long terme. Une pareille stratégie devrait aborder l'ensemble des sujets liés, directement ou indirectement, à la Chine, tels que : la préservation de l'ordre mondial libéral; la promotion d'un développement mondial durable, le traitement des questions ou menaces internationales, l'amélioration et la défense des droits de l'homme et des valeurs démocratiques, l'élargissement des partenariats et l'amélioration de la coopération avec les alliés, la sauvegarde de la paix et la prévention des conflits militaires.
- En ce qui concerne Taïwan, il existe un danger considérable d'affrontement militaire au cours des deux ou trois prochaines décennies. L'UE doit donc préparer des options de réponse, prendre des mesures visant à atténuer les conséquences et l'impact négatifs d'un tel conflit militaire et œuvrer activement à la réduction du risque de guerre, notamment en engageant un dialogue direct avec la Chine sur ce sujet.
- L'UE et ses États membres ont amélioré la coopération et la coordination avec des partenaires de même sensibilité, tels que les États-Unis, le Japon, la Corée du Sud et l'Australie, sur la Chine et d'autres questions connexes. Cette coopération devrait s'intensifier au cours des prochaines années et se concentrer en particulier sur les réalisations tangibles qui peuvent contribuer à faire progresser la prospérité, la résilience économique et le développement mondial.
- Les pays de l'Association des Nations d'Asie du Sud-Est ont généralement des liens commerciaux étroits avec la Chine, bien que certains d'entre eux connaissent également des différends territoriaux ou maritimes avec elle. L'affirmation croissante de Pékin suscite aussi des inquiétudes dans la région, ce qui pourrait créer un contexte propice à un engagement plus actif de l'UE. En effet, même si l'UE est et restera beaucoup plus faible que la Chine dans cette zone, elle est néanmoins considérée comme une tierce partie privilégiée pour aider la région à échapper à la compétition bipolaire indésirable entre les États-Unis et la Chine.
- « Global Gateway » est une bonne plateforme qui offre une opportunité d'engagement avec le Sud. Toutefois, l'UE devrait d'abord se concentrer sur la mise en œuvre et l'obtention de résultats concrets

de manière efficace, afin d'éviter que l'initiative ne soit perçue comme découlant d'une concurrence avec la Chine. L'UE doit également améliorer sa stratégie d'engagement et de communication dans les pays du Sud, où la Chine améliore ses relations et renforce son influence depuis un certain temps.

- Dans le voisinage oriental de l'Europe, en Ukraine, en Moldavie et dans les Balkans occidentaux, la présence économique et l'engagement politique de la Chine se sont accrus au cours de la dernière décennie, mais à des rythmes différents selon les pays. Certains, comme la Moldavie et l'Ukraine, ont pris leurs distances avec la Chine au cours des dernières années, choisissant de se concentrer sur le renforcement de leurs relations avec l'Occident et la poursuite de l'adhésion à l'UE. La même tendance est observée dans les pays des Balkans occidentaux, même si, dans le cas de la Serbie et de la Bosnie-Herzégovine, par exemple, la coopération avec la Chine continue de s'étendre et de s'intensifier.
- En ce qui concerne la position de la Chine sur l'invasion de l'Ukraine par la Russie, l'Europe a trouvé peu d'ouvertures à la coopération et devrait demeurer prudente face aux déclarations de Pékin. Le gouvernement chinois cherche à maintenir ou à renforcer son rapprochement avec la Russie, tout en essayant de limiter l'impact négatif sur ses relations avec l'Europe en adaptant ses messages aux différents publics.
- La question des droits de l'homme reste au cœur des relations entre l'UE et la Chine, car non seulement les violations commises par le gouvernement chinois se sont poursuivies, mais Pékin a également pris de l'assurance en s'opposant aux critiques et en soutenant son propre point de vue concernant les valeurs sur la scène internationale. Il est probable que ces tendances se prolongent, générant de nouvelles tensions ou problèmes dans les relations UE-Chine, tandis que l'UE devra chercher de meilleurs moyens de mener une communication stratégique sur les thèmes des valeurs, des droits de l'homme et de l'ordre mondial, afin de promouvoir avec succès la démocratie et les principes démocratiques.
- Les relations entre les peuples ont été affectées non seulement par la pandémie de COVID-19, mais aussi par les tensions entre l'UE et la Chine et les changements politiques en Chine. Si l'image de la Chine dans les pays européens s'est considérablement dégradée ces dernières années, l'UE jouit encore d'une représentation relativement bonne auprès du peuple chinois, qu'elle devrait s'efforcer de préserver ou d'améliorer.
- En ce qui concerne les échanges et la coopération académique et de recherche, dans le cadre de sa politique de réduction des risques, l'UE devrait veiller à en cibler précisément les aspects qui présentent des risques, sans imposer de restrictions ou charges excessives à la plupart des formes d'engagement et de coopération, qui ne présentent aucune menace et restent importantes pour le maintien des relations bilatérales ainsi que pour l'amélioration de la compétitivité de l'Europe.

Au cours des cinq dernières années, depuis la publication de la communication conjointe de 2019, l'UE a non seulement accordé davantage d'attention et de ressources à la Chine, mais a également pris des mesures considérables pour améliorer et développer son cadre politique. La Commission européenne a joué un rôle moteur sur de nombreux sujets, mais la plupart des dispositions et des politiques ont été réactives et défensives, car l'UE a malheureusement manqué d'une vision et d'une stratégie à long terme sur la Chine qui soient globales, cohérentes et proactives. Bien que des progrès considérables aient été accomplis, le risque existe, étant donné que la puissance et l'importance de la Chine continueront de croître dans les années à venir et que les problèmes qui en découlent sont susceptibles de se multiplier. De plus, l'absence d'une stratégie bien conçue guidant les étapes futures entravera l'approche de l'UE à l'égard de la Chine.

1 Introduction and policy context

1.1 Current state of EU-China relations and the global geopolitical context

Over the past decade, the international stage has transitioned back to a familiar state in history – that of great power conflict. Whether this conflict has been an open war – Russia’s invasion of Ukraine – or a form of cold war – the rivalry between the People’s Republic of China (PRC, also hereafter China) and the United States of America (USA) – Europe and the European Union (EU) have not been spared the consequences.

One defining characteristic of the global environment in recent years has been China’s more assertive external behaviour and its more authoritarian internal policies. Together with China’s growing power and global influence along with the increasing rivalry between China and the USA, this has forced Europe to confront the question of how to relate to China, its policies, actions and behaviour today, as past ideas seem no longer relevant. In the last seven years, EU-China relations have gone through massive changes, in terms of both policies and perceptions. Within this context, the EU has searched for a new strategy and a new approach towards China, one better suited to the current geopolitical, political, diplomatic and economic realities.

Since the establishment of diplomatic contact between the European Community and the PRC in 1975, relations have continued on a generally upward trajectory, albeit with slight turbulence from time to time, focusing mainly on trade and economic cooperation. Today, the EU and China are each other’s largest trading partner in goods; yet, over the past few years the EU has shifted its perception and policies towards China. Following the publication of the EU-China strategic outlook¹ in April 2019, **China has simultaneously been considered as a partner for cooperation and negotiations on major global issues such as climate change, a technological and economic competitor as well as a systemic rival with its own set of values**, which distinguishes it from a democratic European model. It is a ‘flexible concept’, according to most EU stakeholders, which makes it possible to encompass relations between the 27 Member States and China.

However, since 2019 relations between Beijing and Brussels have become increasingly tense. Besides the COVID-19 pandemic with its devastating impact in Europe and beyond, EU-China relations have also been affected in a number of ways. These include: **economic issues; limited market access in China; a lack of reciprocity for European companies; concerns over 5G security; general tensions and in particular Beijing’s military threats towards Taiwan; human rights issues in China, especially in Xinjiang, Tibet and Hong Kong; and China’s position on Russia’s invasion of Ukraine.** Taken together, these events and developments have increased tensions between Brussels and Beijing and have hardened perceptions of China in the EU. In this context, the EU has built a set of defensive economic measures, ranging from a foreign direct investment screening mechanism to a white paper on state subsidies, a 5G ‘toolbox’ aimed at restricting access of non-European telecommunication manufacturers (mainly Chinese) to the European market and more recently an anti-coercion instrument.

While in 2019 the EU planned to complete negotiations with China for the Comprehensive Agreement on Investment (CAI), which was achieved in late 2020, the unratified agreement had a short life span. The EU imposed sanctions on four Chinese officials and one entity following large-scale human rights abuses in Xinjiang². Beijing retaliated with sanctions of its own, some on Members of the European Parliament (MEPs)³, who were supposed to ratify the CAI. Needless to say, this led to suspension of the process.

¹ European Commission, ‘EU-China – A strategic outlook’, JOIN(2019) 5 final, 12 March 2019.

² M. Parry, ‘Chinese counter-sanctions on EU targets’, European Parliamentary Research Service, PE 690.617, 2021.

³ Ibid.

Sino-European economic relations have deteriorated in line with a diminishing of Chinese market opportunities, within which it has become more difficult for European companies to compete. China's years of zero-COVID policy and an increase in state intervention have made the European presence in China sparser. At the same time, not all EU Member States have benefited equally from economic engagement with China. **In terms of European investment, 'the top 10 European investors in China in each of the past four years made up nearly 80 %, on average, of total European direct investment in the country. [...]** In comparison, over the previous decade (2008-2017), the top 10 European investors in China made up just 49 %, on average, of the total European investment value⁴. When it comes to trade, it seems that there is increasing frustration on the European side, as Beijing appears unwilling to yield on substantive points, such as market access and unbalanced trade – with the EU having a EUR 395 billion bilateral deficit⁵. Among 27 Member States, just one country – Ireland – could claim a trade surplus with China in 2023⁶. Chinese Premier Li Qiang's visit to Dublin in January 2024 was a testimony to Beijing's on-going search for friendly relations with EU partners.

For years it was hoped that China would continue to open up its market, liberalise and provide a level playing field for European companies; in practice they have instead been confronted with greater state and party control, increasing nationalism along with intensifying tensions between China and the West, Taiwan, as well as other Chinese neighbours. Hence, the EU has started to focus on how best to deal with these new realities and potential future risks. As EU-China relations have continued to deteriorate over recent years, any past ambitions for stronger economic ties have been replaced with concerns about over-dependence on China and a desire to reduce economic risks. 'De-risking' has thus become a priority for the EU, which will now have to decide how to implement this policy and how to manage the consequences. As EU-China relations have deteriorated, so too have public perceptions of China among EU countries⁷, which, coupled with China's COVID-19 policies and isolation from the world, have affected people-to-people relations and other forms of societal contact.

Regrettably, China is continuing on its trajectory, which is not good news for Europe. Recent developments include: **implementing harsher and more authoritarian policies, leading to human rights abuses in places such as Xinjiang, Tibet and Hong Kong; adopting a more confrontational stance on international issues and territorial disputes in its neighbourhood; intensifying its military expansion; as well as increasing military and other forms of pressure on Taiwan, signalling not only that its restraint and patience are wearing thin, but also that the probability of war is growing.** A long series of policies, some defensive and some more offensive, taken by US administrations and European governments, have received tit-for-tat responses from Beijing, which has also implemented its own confrontational policies, Chinese President Xi Jinping having declared that 'Western countries headed by the United States have contained, encircled and suppressed China in an all-round way'⁸.

In this context, the EU has to find the right approach towards China in all aspects of the relationship, from political and security issues, to economic and societal contacts. While the EU has a variety of policies tailored to China, a description of current relations and an idea for the future of bilateral economic relations, it now also needs a comprehensive and consistent long-term strategy.

1.2 Adopting the right China strategy

There are many possible scenarios for China that can be envisaged during the immediate decades ahead. These range from China becoming a global superpower and managing to change the world order

⁴ Ibid.

⁵ P. Le Corre, '[Europe's China Challenge: The Narrow Path for France, Germany, and the EU](#)', *Asia Society Policy Institute*, April 2023.

⁶ OEC, '[Ireland/China](#)', webpage, 2023.

⁷ Pew Research Center, '[China Global Image](#)', webpage, nd.

⁸ Xinhua, '[Xi calls for guiding healthy, high-quality development of private sector](#)', *English News*, 7 March 2023.

according to its principles and perspectives; to Beijing deciding to invade Taiwan, leading to a US-China war; to China liberalising and embracing the current world order as part of a peaceful foreign policy. Hence, **China's decisions and subsequent evolution will influence the EU both directly and indirectly, for better or for worse.**

There are very few, if any, areas of life in Europe that are isolated from China's current or future influence. Today, economic ties support millions of jobs and products imported from China are used throughout Europe. Looking ahead, a war or even political crises could lead to rising prices or severe shortfalls of certain goods, which would hurt European citizens. In the case of a military conflict in East Asia, European companies could find themselves cut off from the Chinese market. Even if peace prevails with China's economy continuing to develop and open up, European companies could still find themselves out-competed in China, third markets, or even the EU. If Beijing manages to gain more influence over global institutions and norms, it could affect the way the internet and Artificial Intelligence (AI) develop worldwide. For a variety of global problems and threats, ranging from climate change to pandemic preparedness or AI, China's input and cooperation – or lack thereof – will be crucial. **From cooperation, to competition, to confrontation, these are just a few of the numerous ways in which China's importance manifests itself, even in Europe.**

This is why it is vital for the EU to have a comprehensive and consistent long-term China strategy, that not only prepares Europe for the various potential future scenarios, but also helps Europe shape those scenarios and China's future choices, in order to preserve the liberal global order and peace. Unfortunately, to date the EU has lacked such a strategy. Even when EU-China relations were characterised by their strategic partnership and there were fewer tensions, Europe lacked a comprehensive long-term China strategy – **it simply hoped that trade and economic ties would help China democratise, but lacked a plan to help bring about such an evolution.**

Now, the EU has put into place a series of policies, mainly economic, that are meant to protect it from threats or risks that could come from China. However, these are primarily defensive measures and are not driven by any long-term goal, being the product of current issues or risks that have been identified. Neither is de-risking a strategy; it is merely a tactic meant to protect the EU from crises or negative scenarios, whilst doing nothing to defend the liberal global order or preserve peace. The EU has also settled on an expression that describes EU-China relations, but this can certainly not be referred to as a strategy either. **Its 'partner-competitor-systemic rival' narrative simply describes a reality, without articulating goals or a plan for their achievement.** While designing a comprehensive and consistent long-term China strategy among 27 states together with countless decision-makers and stakeholders is extremely difficult, the EU needs a general strategic framework for dealing with China over the coming decades.

While China's economy has encountered headwinds, its influence, power and willingness to use that power continue to grow. Thus, there is a steadily reducing amount of time at the EU's disposal within which to design a comprehensive and consistent long-term China strategy, one that can shape and influence Beijing's choices in order to preserve both the global order and regional peace. Failing in this task could, in certain scenarios, have calamitous consequences for the EU and its citizens. It is therefore of the **utmost importance that European decision-makers take the necessary steps to design a comprehensive and consistent long-term China strategy, even if such a strategy contains initial imperfections**, because of various constraints imposed by the EU's political realities.

1.3 Methodology

Based on qualitative research that involves document analysis, economic statistics, surveys of public opinion, interviews and case studies, this study seeks to **outline, describe and analyse key topics within EU-China relations.** This combination of qualitative methodological practices not only makes it possible

to present a panoramic perspective of this relationship's varied dimensions, but also facilitates delivery of policy recommendations to EU institutions, in particular the European Parliament (EP).

Interviews conducted involve primary and secondary stakeholders, the former referring to representatives of EU institutions involved in relations with China, MEPs, officials and diplomats from EU Member States as well as key Western Balkans countries. The latter group comprises stakeholders from international organisations, or experts and journalists who are China specialists and considered independent from the Chinese government, whose contributions bring value to this study.

The **case studies** provide another methodological dimension, as they offer an in-depth analysis of the EU's competition with China in Ukraine, Moldova and the Western Balkans as well as countries from the Association of Southeast Asian Nations (ASEAN):

- The first and most extensive case study, analysing **EU-China relations and competition in enlargement countries**, mainly includes an analysis of China's relations with countries in the Western Balkans, but also looks at China's ties to countries such as Ukraine and Moldova.
- The second case study focuses on **China's influence in Serbia and Montenegro**, two candidate countries for EU membership from the Western Balkans, which are seen as closer to China and vulnerable to Beijing's influence.
- The third case study analyses **China's and the EU's relations with ASEAN countries**.

The study involves a substantial amount of **document analysis** from existing literature on the multiple dimensions of EU-China relations and other China-related issues. This analysis is aimed at helping the EP and other EU institutions to gain a broad overview of both the general state of EU-China relations and specific aspects of these relations, *inter alia*, EU dependencies on China and de-risking as well as EU-China narrative competition on the global stage.

In summary, this study covers:

- the history and current state of EU-China relations;
- an evaluation of the EU's China approach;
- EU-China competition on the global stage, including international organisations and the information space;
- China's political system and ideology, particularly their influence on EU-China relations;
- human rights issues in EU-China relations;
- military and geopolitical issues;
- economic security;
- European dependencies on China;
- an analysis of de-risking and strategic autonomy;
- issues in research and people-to-people relations;
- mutual public perceptions.

The study combines an analysis of these topics based on existing literature combined with interviews and case studies, to illustrate the state of EU-China relations. Based on its results, the study then provides recommendations to the EU, especially to the EP and its Committee on Foreign Affairs (AFET), on its strategy and its policy framework regarding China.

2 EU-China relations

2.1 Brief history of EU-China relations

EU-China relations today draw on various, sometimes contradictory, historical legacies. Contacts between Chinese dynasties and Europe have existed since ancient times, during the periods of ancient Greece and Rome. Later, Chinese luxury products, such as silk, porcelain and tea, which were transported along the historic ‘Silk Road’, were sought-after commodities among the European elite⁹. This civilisation framework is repeatedly highlighted by China, not only in the context of the EU as a whole, but also Greece, Italy and other states individually, that are so-called ‘**continuers of ancient civilisations**’¹⁰. China does so partially as a sign of respect to the EU, but also implicitly to demand the same respect itself by rejecting Western interventions in domestic affairs, particularly on matters of democracy or human rights.

In contrast is the legacy of the ‘Century of humiliation’, which according to China’s historical narrative, started with defeat in the first Opium War (1842) and lasted until the PRC’s establishment (1949). Mostly thanks to their military superiority, European powers gained an influential position in imperial China, which eventually came to the brink of complete disintegration. Unequal treaties were signed between the Qing Dynasty and various European countries, providing numerous rights to them and their citizens in China. However, in 1949 soon after the PRC had been proclaimed, the Communist government declared all these unequal treaties and rights of foreigners invalid¹¹. **Today, the Chinese Communist Party (CCP) promotes this historical narrative, using nationalist anti-Western sentiments to legitimise itself among its own population.**

Finally, the Cold War legacy is still present in today’s EU-China relations. The Eastern European Communist regimes immediately recognised the PRC in 1949, leading to a ‘Golden era’ of relations with China over the ensuing years. This, however, with few exceptions largely ended with the Sino-Soviet split. Thus, relations between China and most Eastern European countries were problematic for much of the Cold War period. Meanwhile, Western European countries were changing their recognition of China from the Republic of China based in Taiwan to the mainland-based PRC – a process largely completed by the late 1970s. In 1975, the PRC and the European Communities also established relations. China’s ‘reform and opening-up’ policies significantly contributed to the further development of relations, as China became a lucrative new market and was generally perceived with optimism looking into the future. **This positive view was severely damaged by the 1989 massacre in Tiananmen Square, after which the EU imposed an embargo on weapons sales to China, which is still in place today**¹².

Subsequently, during most of the 1990s and the 2000s EU institutions as well as Member States treated China predominantly as an economic opportunity – a view strengthened by China’s entrance into the World Trade Organization (WTO) in 2001. Although political differences remained, the EU largely hoped that continued economic exchanges with Beijing and development in China would eventually lead to political changes. **Since 2003, the EU and China started to call their relationship a ‘strategic partnership’¹³ and the subsequent years have been referred to as its ‘golden age’.**

However, EU-China relations soon started to cool. China grew dissatisfied that the EU had neither lifted its 1989 military embargo nor granted the country market economy status. This was interpreted not only as

⁹ P. Frankopan, *The Silk Roads: A New History of the World*, Vintage Books, New York City, 2017.

¹⁰ Cooperation between China and Central and Eastern European Countries, ‘[Ancient Civilizations Forum meets in Beijing](#)’, 3 December 2019.

¹¹ J. W. Garver, *China’s Quest: The History of the Foreign Relations of the People’s Republic*, Oxford University Press, Oxford, 2018.

¹² L. Odgaard, ‘[Chapter 2 The EU’s arms embargo against China: what it’s worth](#)’, in E. Pejsova, M. Duchâtel, F. Heiduk, B. Hellendorff, C. Lavallée, L. Odgaard, G. Price, Z. Stanley-Lockman, *Guns, Engines and Turbines: The EU’s Hard Power in Asia*, European Union Institute for Security Studies, 2018, pp. 23-32.

¹³ T. Christiansen, E. Kirchner and U. Wissenbach, *The European Union and China*, Springer, New York City, 2018.

the EU's inability to break free from US influence, but also as a failure to honour its WTO obligations and hence a disrespectful political gesture¹⁴. For its part, the EU grew dissatisfied not only with economic results from relations that did not meet its expectations, but also China's unwillingness to open its market to European firms, while access to the European market for Chinese firms became significantly easier. In addition, some aspects of human rights problems in China have come to the fore in connection with the 2008 Beijing Olympics and, in particular, the protests in Tibet¹⁵.

When Xi Jinping became China's leader in 2012, there were initial hopes that he would further deepen the reform process in China, but relations continued to deteriorate as China's economic policies became more statist, **its political system became increasingly centralised and authoritarian, and its foreign policy displayed greater assertion**. The New Silk Road announced in 2013 (later renamed the Belt and Road Initiative [BRI]) was initially seen as an economic opportunity¹⁶. At this time, a diplomatic initiative between China and 16 Central and Eastern European (CEE) countries (11 of which were EU Members) – the '**16+1 platform**' – was developing quickly, raising hopes for economic benefits in the CEE region, but fuelling worries elsewhere in the EU that China was dividing the continent¹⁷.

The shift towards a more critical EU position *vis-à-vis* China began in 2017, which also coincided with the election of Donald Trump and a deterioration of US-China relations. The EU was becoming increasingly dissatisfied and worried about domestic developments in China and some Chinese foreign policy actions, such as those in the South China Sea and the Taiwan Strait. Furthermore, concern was growing over the increasingly confrontational style of certain Chinese diplomats (the so-called '**Wolf Warrior diplomacy**')¹⁸. Moreover, most CEE countries were becoming unhappy with the lack of economic results from their engagements with China¹⁹.

Circumstances surrounding the CAI between the EU and China can be seen as a symbolic end of the previous era and the beginning of a new reality, which identifies today's EU-China relations. Political agreement for the CAI, announced in 2020, was soon followed by counter-sanctions imposed by Beijing on MEPs (among other European citizens and institutions targeted), in retaliation for the EU's own sanctions against four Chinese officials and one entity, for human rights abuses in Xinjiang. This led to suspension of the CAI's ratification and hence this agreement is to all intents and purposes now regarded as dead.

2.2 'Partner, competitor and systemic rival': An analysis

In March 2019, the European Commission and the European External Action Service (EEAS) issued a Joint Communication titled 'EU-China – A strategic outlook'²⁰, which analysed relations with China and proposed certain policy measures. Significantly, this document introduced the 'partner, competitor, systemic rival' triptych, which was to become an influential framework through which the EU would approach China.

¹⁴ R. Turcsanyi, '[Relations with Europe and Russia. Partners or competitors?](#)', in Kironska, K. and Turcsanyi, R., *Contemporary China*, Routledge, London, 2023.

¹⁵ Human Rights Watch, '[China: Olympics Harm Key Human Rights. Chinese Government, IOC Wasted Historic Opportunity for Reform](#)', 6 August 2008.

¹⁶ R. Turcsanyi & E. Kachlikova, '[The BRI and China's Soft Power in Europe: Why Chinese Narratives \(Initially\) Won](#)', *Journal of Current Chinese Affairs*, Vol 49, No 1, 2020, pp. 58-81.

¹⁷ J. Hillman and M. McCalpin, '[Will China's '16+1' Format Divide Europe?](#)', *Center for Strategic & International Studies*, 11 April 2019.

¹⁸ B. Jerdén, T. Rühlig, J. Seaman and R. Turcsányi, '[Chinese Public Diplomacy and European Public Opinion during COVID-19](#)', *China Review*, Vol 21, No 2, Special Issue: The Pandemic that Wasn't, 2021, pp. 5-34.

¹⁹ R. Turcsányi, '[China and the Frustrated Region: Central and Eastern Europe's Repeating Troubles with Great Powers](#)', *China Report*, Vol 56, No 1, 2020, pp. 60-77.

²⁰ European Commission, '[EU-China – A strategic outlook](#)', JOIN(2019) 5 final, 12 March 2019.

However, there have unfortunately been misunderstandings and misinterpretations of this framework. In particular, the notion of China being a 'partner' has led to criticism that the EU is allegedly still naïve about China, appreciating neither the challenges nor security implications being posed.

In reality, **this strategic outlook introduces qualitatively new lenses on how the EU would see China.** Previously, the predominant view was that potential economic opportunities presented by engaging with China far outweighed any problematic aspects (including those stemming from the country's domestic political regime and differences in international affairs). This has now changed, in that economic opportunities are no longer highlighted, but rather China is regarded as an **economic competitor**. In turn, the label of 'partner' is applied primarily to the areas of global governance (such as climate change, global health and piracy), where the EU considers China a necessary actor to be engaged and to negotiate with, despite sharing different perspectives.

Finally, stressing the aspect of 'rivalry' has become another crucial more recent development, welcomed by many who have warned about China's domestic and foreign behaviour for many years. However, arguably this has also been the aspect of the triptych which has been subject to less clarification. Most importantly, **it is not clear whether 'systemic rivalry' refers to various issues concerning domestic governance in China (human rights violations, authoritarian government) or international behaviour (ignorance of the rule of law, new international institutions, South China Sea) and how China is seen as promoting these 'alternative norms'**. Furthermore, the 'systemic rival' component has sometimes been misinterpreted as geopolitical rivalry between the EU and China, going beyond what was intended to be conveyed by promoting alternative models of governance.

Nevertheless, the triptych has been widely recognised as a useful framework and continues to be reiterated today as relevant by most, if not all, principal actors in the EU. Responses from elsewhere are more critical, though. Notably, the USA has been much less willing to engage China as a 'partner' in negotiations. This was particularly so during the later part of the Trump administration, but to some extent was apparent even during the first half of the Biden administration. Various actors in the USA often see negotiations with China as fruitless at best and counterproductive at worst. In turn, China has not been in favour of the framework either²¹, but for the opposite reasons; it has tried to argue that cooperation is a far more important characteristic of EU-China relations than rivalry and even competition²².

Looking at the policy specifics, most of the EU's and its Member States' dealings with China can be covered by the framework. Especially for the EU institutions and large Member States, global governance issues carry a high priority not only in relation to China, but also more generally. In the economic sphere, discussions about China's increasing ability to compete with the EU have been growing in intensity, most recently after Chinese electric vehicles and batteries quickly started gaining ground in the EU, leading to the opening of a formal Commission investigation. Investment screening mechanisms, investigations into Chinese subsidies and discussions about the country's industrial policies can be regarded as manifestations of a growing realisation about the severity of China's economic competition. Finally, the differences in values and political systems have come to the fore, the EU becoming more vocal in its criticism of human rights violations in China, Beijing's authoritarian system of governance and its assertive behaviour or flouting of international law.

Yet, the will to tap into the economic opportunities which China still offers also exists. This is probably mostly felt within the business sector, but to some extent even among some political forces in Germany,

²¹ C. Qingqing, '[EU defining China as 'partner, competitor and systemic rival' should be set aside: Chinese diplomat on European affairs](#)', *Global Times*, 21 September 2023.

²² Ibid.

or countries such as Greece, Portugal and Spain²³. In turn, countries such as Lithuania and the Czech Republic, but also other voices particularly from the CEE countries, have focused on the ‘systemic rivalry’ with China, often leading them to question any engagements with the country outright²⁴ (a position which may diverge from the framework’s overall narrative). At the opposite extreme, the Hungarian government has continued to act as a lone wolf in its approach towards China, having largely abandoned the triptych altogether and presenting China singularly as an economic opportunity²⁵. Finally, various EU Member States – such as Bulgaria, Cyprus, Malta, Slovakia and Slovenia – have continued to invest little effort in China, thus largely overlooking the triptych framework, but following the predominant position of the EU when necessary.

2.3 EU institutional and policy framework regarding China

The ‘EU-China – A strategic outlook’ Joint Communication was certainly a milestone in EU-China relations and the EU’s approach towards China. In a period of geopolitical changes and emerging tensions, it articulated a description of the state of EU-China relations and put forward a series of actions that the EU would implement in the coming years.

Since 2019, the EU has managed to implement many of those actions, such as establishing a Foreign Direct Investment (FDI) screening mechanism or adopting the International Procurement Instrument (IPI) and the toolbox for 5G security. Moreover, the EU has devised additional policies or adopted other measures, such as the Anti-Coercion Instrument (ACI) and the Economic Security Strategy. **Together, they create a relatively coherent policy framework, focused on protecting the European economy from unfair competition and other risks coming from China.** Some policies, such as the Chips Act or the European Critical Raw Materials Act, are also meant to help support and develop the EU’s economy, in part better preparing it for competition with China.

Nonetheless, regardless of the relatively coherent nature of those measures, **there are still many gaps remaining, primarily consequences resulting from the lack of a wider strategic framework.** For example, following encouragement by the EU, Member States have restricted the use of Chinese equipment in their 5G networks, but no measures have been taken against other technical equipment produced by Chinese companies, even those which are state-owned, such as surveillance cameras²⁶ and scanning equipment²⁷, which are being used even in critical infrastructure facilities and public institutions.

Part of the success over recent years stems from a more active role taken by the Commission and the EEAS, coupled with increased hawkishness towards China. While the 2019 Joint Communication stressed the European Council’s political role and the need for full unity among all 27 Member States²⁸, such unity remains lacking. Confronted with these realities, the Commission has taken the lead in driving the EU towards a more assertive stance and more consistent policy on China. Whether in the form of speeches, policies or investigations, this has to date yielded results. At the same time, the EP has also taken a more critical stance on EU-China relations and has pushed for a more assertive and consistent EU approach²⁹, which has served to back the Commission’s initiative. Taking into account this progress, **the Commission and the EEAS, in consultation with the Parliament, should continue to drive the EU’s approach in proposing a comprehensive and consistent long-term China strategy and should subsequently seek**

²³ B. Bartsch & C. Wessling (eds), [From a China strategy to no strategy at all: Exploring the diversity of European approaches](#), European Think-tank Network on China (ETNC), July 2023.

²⁴ U. A. Bērziņa-Čerenkova, [‘As Macron Arrives in Beijing, What’s Next for Europe and China?’](#), *China File*, 5 April 2023.

²⁵ S. Hompot, [‘Orbán Doubles Down on Turning Hungary into a Regional Hub of Chinese Influence’](#), *China Observers*, 9 November 2023.

²⁶ L. Klingert, [‘China’s cameras face fresh scrutiny in Europe’](#), *Politico*, 6 October 2021.

²⁷ S. Van Sant, [‘Don’t use Chinese X-ray machines on EU’s borders, MEPs say’](#), *Politico*, 5 December 2022.

²⁸ European Commission, [‘EU-China – A strategic outlook’](#), JOIN(2019) 5 final, 12 March 2019.

²⁹ European Parliament, [‘Resolution on a new EU-China strategy \(2021/2037\(INI\)\)’](#), P9_TA(2021)0382, 16 September 2021.

to implement the aspects that fall under their mandate, even if full unity among Member States remains lacking.

This lack of unity and consensus among all 27 Member States, which manifests itself in the Council³⁰ remains an important issue that hampers the EU's ability to design a strategy regarding China and to act decisively. This is a structural issue, for which there are only a few solutions. While the calls and attempts to build unity are laudable, they are unlikely to yield the desired result, especially in times of crises or on the issue of tough decisions with possible negative consequences. As each national government has its own interests, its own political vision and its own goals, achieving unity is possible only at a level of the lowest-common denominator, which would mean diluting any future strategy or policy regarding China. **The most efficient solution would be to change the way foreign policy decisions are adopted, switching from unanimity to a qualified majority**³¹. While there have been and will continue to be attempts in this direction, it is unclear whether they will succeed.

Another possible solution would be for those Member States with the most economic ties and resources, as well as political and military strength, to reach a consensus on a strategic framework, policies and any other general measures regarding China³². A tighter group could act in concert, coordinating or engaging with the Commission, the EEAS or other EU institutions as necessary. When it comes to the topic of economic de-risking, for example, only 8 Member States account for 83 % of all EU imports from China and only 5 account for 78 % of all EU exports to China³³. **The success or failure of de-risking is therefore dependent on the actions and policies of a relatively small number of governments.** The same would be true of sanctions implementation and other measures should there be military conflict in East Asia, or the efficiency and credibility of sanctions being threatened in order to deter such a conflict. **A smaller group sharing a similar vision and coordinating their approaches and policies would prevent a dilution of their actions through compromises in the name of consensus, allowing for a more comprehensive, coherent, robust and ambitious strategy.**

Regardless of how EU strategy and policy towards China are implemented, it is vital that Europe understands not only China's intentions and capabilities, but also the realities and facts on the ground. One important issue that has often been highlighted, both at EU and national levels, is the lack of sufficient competence regarding China, especially within the government apparatus. This competence does exist but there are simply insufficient resources to cover all the topics that pertain to China at numerous levels of government. In this regard, one possible solution would be **the establishment of an EU China-knowledge institution, staffed by a few dozen China specialists with experience across different subjects, such as international relations as well as economic and military issues.** The role of this China-knowledge institution would be to provide briefings, information, guidance, recommendations, feedback along with support to all EU and Member State institutions that have to deal with China directly or are involved with a related issue. Considering the wide variety of potential fields, the lack of a proper understanding of China within the EU or Member State institutions could, in many cases, lead to flawed policy or improper implementation. It is clear that **not all those institutions could have in-house China expertise, so making it available to them on a case-by-case basis would certainly improve policy-making.**

³⁰ The lack of consensus among Member States was a problem also expressed by some EU officials.

³¹ C. Navarra, L. Jančová & I. Ioannides, '[Qualified majority voting in common foreign and security policy. A cost of non-Europe report](#)', PE 740.243, European Parliamentary Research Service, 2023.

³² A. Lungu, '[Designing an ambitious and coherent European China strategy without full unity](#)', RISAP, 14 September 2020.

³³ European Commission, '[China-EU - international trade in goods statistics](#)', Eurostat, February 2023.

2.4 Evaluating the EU's China strategy and assessing whether it conforms to EP requests

To some extent, many European stakeholders believe that the EU already has a strategy on China. They usually point to the 2019 Joint Communication, the triptych or de-risking. However, on closer inspection none of these fulfils the criteria of a strategy³⁴.

The 'partner-competitor-systemic rival' triptych is just a descriptive statement of fact, akin to characterising climate change as both a threat and a challenge, in that it sets no goal and prescribes no path forward. **De-risking is a tactic which could be regarded as part of a China strategy, but it also falls short of being a full stand-alone China strategy, by focussing purely on economics.** Although going beyond China, it provides no prescriptions for what are assumed to be long-term EU goals, such as: how to preserve the liberal world order; how to prevent military conflict in the Taiwan Strait; how to deal with climate change, pandemic, nuclear and AI risks; and how to relate to China in view of all these issues.

Accordingly, reducing economic risks that stem from dependencies on other countries, especially those having tense political relations with the EU, is good risk management, but not a China strategy. Similarly, improving Europe's economic competitiveness is also good policy, yet not a China strategy. Finally, the 2019 Joint Communication also falls short of being a strategy, although in 2019 it had a stronger claim. Whilst this Joint Communication proposed a series of 10 actions, it did not formulate a comprehensive strategy on China, let alone set out any long-term vision or goals. Whilst this series of actions has been useful in designing a medium-term road map, it now possesses very limited utility, as most of these actions have either been implemented or abandoned. **To date what remains from the Joint Communication is the triptych which took on a life of its own as an apparent strategy, despite offering no prescriptions, no guiding principles and no goals, let alone a road map detailing how to relate to China and any implications that China's actions and behaviours have or could have.**

While the EU has become firmer in its approach towards China over the past few years, one striking characteristic of this approach is that it has largely been defensive. Measures taken include the introduction of: an ACI to 'protect [...] from economic coercion'³⁵; an IPI to 'promote reciprocity'³⁶ in public procurement by allowing measures to restrict access to EU public procurement; an FDI screening mechanism to 'raise awareness of security risks'³⁷; a 5G toolbox to 'safeguard against potential serious security implications'³⁸; an economic security strategy to 'achieve economic security'³⁹; and de-risking⁴⁰ to reduce risks. Beyond these actions which, as mentioned above, can all be described as firm, useful and timely, albeit defensive, **it is very difficult to find proactive EU policies or actions regarding China that**

³⁴ The concept of 'strategy' has a variety of definition, as can be seen below, in a few more prominent examples:

1) '**Strategy** (from Greek στρατηγία *stratēgia*, 'art of troop leader; office of general, command, generalship') is a general plan to achieve one or more long-term or overall goals under conditions of uncertainty'.

2) 'a **careful plan** or method for achieving a particular goal usually over a long period of time'.

3) 'a **detailed plan** for achieving success in situations such as war, politics, business, industry, or sport, or the skill of planning for such situations'.

4) finally, the more specific concept of '**grand strategy**' which is used in international relations is also defined as: 'grand strategy: a country's most complex form of planning toward the fulfillment of a long-term objective'.

While there are numerous such variations, a central shared characteristic that pervades throughout all definitions of 'strategy' is that it is a plan to successfully achieve a long-term goal.

³⁵ Council of the European Union, '[Trade: Council adopts a regulation to protect the EU from third-country economic coercion](#)', Press release, 23 October 2023.

³⁶ European Commission, '[EU-China – A strategic outlook](#)', JOIN(2019) 5 final, 12 March 2019.

³⁷ Ibid.

³⁸ Ibid.

³⁹ European Commission, '[An EU approach to enhance economic security](#)', Press release, 20 June 2023.

⁴⁰ European Commission, '[Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre](#)', Press release, 30 March 2023.

represent bold steps taken to shape or influence the course of future events towards Europe's preferred outcomes. Europe has generally responded to the actions, tactics and strategies adopted by China and others. While this piecemeal approach can be effective within shorter time frames, longer term it is unlikely to function as others are then allowed to retain the initiative in shaping the geopolitical environment. **This is why the EU should develop an overarching vision regarding EU-China relations and what Europe wants from China. Based on such a vision, the EU can then move on to the vital step of adopting a comprehensive and consistent long-term China strategy that provides it with end goals, guiding principles and a road map for the future, so that defensive or offensive measures are embedded in a coherent approach.**

Considering that 'the existing EU-China strategy has revealed its limitations in the light of recent developments and the global challenges posed by China and needs to be updated'⁴¹, in 2021 the EP proposed a new strategy, that would be designed on the basis of 'six pillars' – and repeated the request for a new strategy or an update⁴². However, in general, it seems that there is little awareness of this 'six-pillar' request in the Commission and EEAS. Moreover, there is little appetite for designing a strategy, because, as one EEAS official said, 'the strategy is valid but needs to be recalibrated'⁴³. In June 2023, the European Council 'reaffirmed the EU's multifaceted policy approach towards China, where it is simultaneously a partner, a competitor and a systemic rival'⁴⁴.

Nevertheless, while short of being a strategy, **the current EU approach largely fulfils the six pillars proposed by the EP** – with this year's focus on de-risking and economic security responding to the call for an '[a]nalysis and identification of the risks, vulnerabilities and challenges'⁴⁵. While this overlap is welcome, unfortunately the 2021 EP resolution guides neither the Commission nor the EEAS towards the objective of designing a comprehensive and consistent long-term China strategy, as it does not articulate any goals or overarching vision that they can follow.

The fact that the EU currently lacks a China strategy is not simply a semantic issue. It is **the difference between describing the present, as the triptych does, and defining the future, as a strategy would do.** If the EU is serious about China, considering the 2024 elections that will bring a new Parliament and a new Commission, it should take this opportunity to articulate its vision and key long-term goals in relations with China and the role that China plays on the world stage, paving the way for designing a comprehensive and consistent long-term strategy. This process should naturally involve the EP, which, as the only directly elected institution representing European citizens, should play a role in setting political goals, while later engaging with the Commission, EEAS and Member States in designing a strategy to achieve those goals.

⁴¹ European Parliament, '[Resolution on a new EU-China strategy \(2021/2037\(INI\)\)](#)', P9_TA(2021)0382, 16 September 2021.

⁴² European Parliament, '[Resolution on the implementation of the common foreign and security policy – annual report 2022](#)', P9_TA(2023)0009, 18 January 2023; European Parliament, '[Recommendation to the Council and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy concerning EU-China relations](#)', P9_TA(2023)0469, 13 December 2023.

⁴³ Interview with an EEAS official, conducted in November 2023.

⁴⁴ European Council, '[European Council conclusions on China, 30 June 2023](#)', Press release, 30 June 2023.

⁴⁵ European Parliament, '[Resolution on a new EU-China strategy \(2021/2037\(INI\)\)](#)', P9_TA(2021)0382, 16 September 2021.

3 Ideology, values and China's political system

3.1 The nature of China's political system

Whilst China's political system has retained its key features since the PRC's establishment in 1949, it has also evolved in some important respects. The system's main characteristic has not changed, in that **it is a Leninist system with the CCP dominating all aspects of the country's political, economic and social life**. The PRC's Constitution states that it is a 'socialist state under the people's democratic dictatorship'⁴⁶. Current General Secretary Xi Jinping has stressed the Party's dominance even more explicitly by stating: 'Party, government, military, society and education, east, west, south, north, the Party leads everything'⁴⁷.

As a result, rather than a separation of powers, the Leninist-party dictatorship relies heavily on the concentration of power. In practice, **the Party controls the functioning of all relevant state bodies within all functional areas (ministries) and at all levels (central, provinces, prefectures, counties, townships)**. It also controls the military, which is formally and effectively a party military wing rather than the armed forces of a state.

Furthermore, the CCP controls other aspects of economic and social life through its myriad of Party cells, which are also established, *inter alia*, in private companies (including those that are foreign-owned), media and universities. Since Xi Jinping came to power in 2012, the Party has generally increased its overall control, as indicated by the growing number of Party cells (now numbering 4.6 million, which are established in 61 % of all social organisations, 73 % of non-state-owned enterprises and 95 % of public institutions)⁴⁸.

Since the 1990s, **all three key PRC organisations (Party, State, Military) have been headed by the 'paramount leader', holding the functions of CCP General Secretary, President of the PRC and Chairman of the Central Military Commission**. The unification of the top three functions under one leader can be seen as a response to the 1989 Tiananmen Square protests, which China's leadership saw in part as resulting from internal divisions within the Party leadership. These were to do with responses to ongoing public protests and, more generally, different approaches in taking the reform process forward. The paramount leader was thus to be given the power of all 3 key organisations of the PRC, albeit this power was supposed to be retained for no more than 10 years. At the same time, there were also attempts to dilute personal power by introducing a system of collective leadership, through which greater influence could be brought to bear from other members of the Politburo Standing Committee, the Party's highest level of power. This was intended to prevent any similar situation as occurred under Mao Zedong, whose unchecked power was seen as the key reason for the chaos and suffering of the Cultural Revolution.

The 10-year tenure at the pinnacle of political power in China was to be implemented in 2 ways. Firstly, this would be achieved through the PRC constitution which stipulated two consecutive terms in office as the maximum for the PRC President⁴⁹. Secondly, for the CCP General Secretary (a more important function), there was only an unwritten (but nonetheless upheld) practice of no longer nominating members who were older than 68 years of age for new terms within the Politburo or Politburo Standing Committee.

⁴⁶ The National People's Congress of the People's Republic of China, [Constitution of the People's Republic of China \(Full text after amendment on March 14, 2004\)](#), 11 December 2023.

⁴⁷ Xinhuanet, '[Xi Jinping: Win decisively to build a moderately prosperous society in all respects and strive for the great victory of socialism with Chinese characteristics for a new era - Report at the 19th National Congress of the Communist Party of China](#)' [习近平：决胜全面建成小康社会 夺取新时代中国特色社会主义伟大胜利——在中国共产党第十九次全国代表大会上的报告], 27 October 2017.

⁴⁸ N. Grünberg & K. Drinhausen, '[The Party leads on everything China's changing governance in Xi Jinping's new era](#)', *MERICs*, 24 September 2019.

⁴⁹ The National People's Congress of the People's Republic of China, [Constitution of the People's Republic of China \(Full text after amendment on March 14, 2004\)](#), 11 December 2023.

However, the current paramount leader, Xi Jinping, has broken with this practice. Firstly, in 2018 the PRC Constitution was amended to drop the two-term presidential limitation⁵⁰. Although the PRC President's function is largely ceremonial, this move clearly showed Xi's intention to stay in power beyond 10 years and not give up even arguably the weakest of the 3 top functions he holds. Indeed, in October 2022, when Xi was already 69 (thus clearly beyond the limit of 68), he secured his third term as General Secretary, while entering his fourth term in the Politburo Standing Committee. **Today, he is fully in control of China's political system and has surrounded himself with loyal officials with relatively short high-level careers**, being in their first or second Politburo Standing Committee term.

One of Xi's flagship policies, implemented soon after he was elevated to the top position in 2012, has been the wide anti-corruption campaign. This campaign has served Xi greatly both in gaining popularity among the public (which had long recognised the high levels of corruption among public officials) and cementing his power, by jailing opponents and scaring others to stick to his line.

Although there has been great continuity concerning the main features of China's political system since the PRC's founding in 1949, there have also been some important adjustments, notably in terms of political restrictions. Although China's system has always remained non-democratic (according to liberal democratic standards), the level of restrictions has varied significantly. Under Mao Zedong, China was seen as a totalitarian regime with the Party driving every aspect of its citizens' lives. Deng Xiaoping's reform and opening-up policies brought about a substantial period of relaxation, although the regime remained unquestionably authoritarian. However, the level of restrictions increased following the Tiananmen Square massacre in 1989, only to decrease again during the 1990s and the 2000s under Jiang Zemin and Hu Jintao.

Under Xi Jinping's leadership from 2012, China's political system has once again been tightened up.

Xi's vision as an ambitious leader is to achieve the 'great rejuvenation of the Chinese nation'. Essentially, this aims to replace or at least equal the USA as the world's most powerful nation. Under his watch: the Party is strengthening its control over all aspects of public life; the ideology has been sharpened and extended; and absolute loyalty to the Party and its 'core' and the 'people's leader' Xi Jinping is demanded. Many semi-autonomous organisations in China have seen a tightening of state control over the last decade, including academia, media, lawyers, Non-Governmental Organisations (NGOs), private companies and foreign actors present in China. While Xi has undertaken these reforms with the goal of increasing control and stability, his policies may lead to exactly the opposite, by inciting a backlash to increased Party control.

3.2 China's internal political stability

Since 1949, China's national interests have been exclusively defined by the Party. Indeed, Chinese leaders do not hide their belief that 'regime security'⁵¹ – the CCP preserving the monopoly of political power in China – is their top priority. The Party certainly does not shy away from repression and violence to preserve its control.

Yet, the Party rule largely relies on being seen as legitimate by the people, at least to the extent that they would not display any active opposition. In an environment characterised by party propaganda and information control, most quantitative surveys⁵² and qualitative studies⁵³ available suggest that most **Chinese citizens are satisfied with the CCP's rule, albeit the ability to assess public opinion accurately in China may be limited by political regime restrictions.**

⁵⁰ Al Jazeera, '[China parliament scraps presidential term limits](#)', 11 March 2018.

⁵¹ X. Qiang, '[Dai Bingguo \(戴秉国\): the core interests of the People's Republic of China](#)', *China Digital Times*, 7 August 2009.

⁵² E. Cunningham, T. Saich & J. Turiel, '[Understanding CCP Resilience: Surveying Chinese Public Opinion Through Time](#)', *ASH Center for Democratic Governance and Innovation*, Harvard Kennedy School, 2020.

⁵³ B. Dickson, *The Dictator's Dilemma: The Chinese Communist Party's Strategy for Survival*, Oxford University Press, Oxford, 2016.

The CCP's success can be seen as stemming largely from the country's vastly **increased economic strength**. While at the time of the Tiananmen Square massacre in 1989 about 70 % of Chinese people were below the poverty line, since 2016 this has reduced dramatically to less than 1 %⁵⁴. However, as China's economic growth slows down and problems increase, this source of legitimacy could steadily weaken.

Growing tensions in international affairs could further worsen the economic situation. China is now very much part of the global economy with its growth depending 'on trade, investments, and technology from the outside world [...] China's primary foreign policy objective was to avoid international tensions and prevent a formation of an anti-China bloc which could endanger China's ability to participate freely in international economic interactions'⁵⁵. However, Xi Jinping's approach to foreign policy (in keeping with his domestic moves) has changed China's international environment. Not only Western countries, but also several of China's neighbours have become much more cautious about engaging economically with it.

Besides the economy and favourable international environment, a relatively relaxed domestic political and social environment during much of the 1990s and 2000s could be credited with contributing to popular satisfaction with the CCP in China. **The Party-State experimented with various mechanisms which were aimed at collecting feedback and even involving ordinary citizens in public affairs, albeit with certain restrictions, with the goal of increasing governance efficiency (while preserving the Party monopoly over the political power), a feature labelled as 'responsive authoritarianism'**. However, more recently its existence has become questioned under Xi Jinping⁵⁶. Various parts of society could now be expected to hold grudges against the leader, although they would not show this for fear of repression. Importantly, this would include millions of party members, public officials and their relatives who have been negatively affected by Xi's anti-corruption campaign.

The existing sources of public dissatisfaction and their potency surfaced at the end of 2022 in the form of protests against prolonged restrictions due to COVID-19 – which had been Xi Jinping's flagship approach since the beginning of the pandemic. **This brief episode shows that although so far there seems to be a general satisfaction with the regime in China, the general mood can change relatively suddenly.** It remains to be seen whether the protests, and more broadly the COVID-19 period, will have any future implications for relations between the Party-State and the society.

All in all, changes in China's political system under Xi Jinping have favoured short-term stability over flexibility, efficiency and the ability of Party-State bodies. Such changes could even undermine the system's medium to long-term stability, which would almost unavoidably be affected by Xi Jinping's eventual departure, possibly resulting in a power struggle among his successors.

How could the Party-State respond to economic, international and domestic challenges? One option would be to reverse recent changes and initiate another period of relative domestic relaxation together with a more cautious foreign policy approach. This is certainly unlikely under Xi Jinping given not only his track record, but also all available indications about his preferences and visions. An alternative would be to continue tightening the system, including information control, surveillance and repression, while attempting to revive the economy through domestic technological advances.

Moreover, to mitigate any resulting increased costs, the Party-State could **further elevate the role of nationalism as a legitimising factor**. Patriotism and nationalism have been gaining prominence in CCP domestic propaganda, especially since the 1989 protests. Nationalism – particularly directed against Western countries who are held responsible for the pre-1949 'Century of Humiliation' – has become an

⁵⁴ World Bank, '[Poverty data 1990-2020](#)', webpage, nd.

⁵⁵ F. Šebok, & R. Turcsányi, '[China As A Narrative Challenge for NATO Member States](#)', NATO Strategic Communications Centre of Excellence, 2021, p. 6.

⁵⁶ R. Qiaoan & J. Teets, '[Responsive Authoritarianism in China -- a Review of Responsiveness in Xi and Hu Administrations](#)', *Journal of Chinese Political Science*, Vol 25, 2020, pp. 139-153.

effective tool in mobilising and uniting the Chinese public behind official CCP narratives⁵⁷. However, at times the nationalistic public has also challenged the Party-State⁵⁸, which has had to respond to popular demands. These could in the future increase pressure on the government to act forcefully in international affairs to avoid domestic backlash.

China's domestic politics hold important implications for EU-China relations, most importantly because **China's foreign policy approach is an extension of the CCP's domestic politics and goals**. Moreover, domestic considerations will always be of primary importance for the CCP ahead of international affairs. At the same time, the EU is an important actor with some impact on the domestic situation in China, not least because of its economic significance.

Over the foreseeable future, the EU should expect China's domestic politics to remain tight and possibly even worsen further under the leadership of Xi Jinping. There is little to no likelihood that China would respond positively to criticism from the EU and thus any disagreements will strain the relationship further. Moreover, mounting domestic challenges and growing nationalism might fuel Chinese foreign policy, resulting in China resorting to more aggressive posturing, which will worsen EU-China tensions.

3.3 Potential scenarios for the future of China's authoritarian system

China's future path is quite unpredictable, with a vast range of possible scenarios that could emerge depending on internal and external factors. **4 scenarios are presented here to highlight some potential directions in which China's political system could evolve over the next 10 to 30 years**. Within this period China will almost certainly see changes of leadership and thus it is possible that different strategic approaches will be introduced, which are less likely to be witnessed while Xi is still in power. Each scenario is ascribed a country label to avoid more complex descriptions of relevant processes and systems.

- ***Taiwan-like scenario***: as China grows richer, it could eventually become a fully-fledged democracy, functioning according to the rule of law and respecting human rights. This is a scenario which is preferred by most within the EU and the West in general. However, most unsurprisingly this scenario is vehemently opposed by the CCP and it is unclear to what extent the full achievement of such a scenario can be considered realistic, even by more liberal-leaning Chinese intellectuals and citizens, and thus whether it is even desirable to embark on such a trajectory. This is partly because **the democratisation process could be very unstable and produce too many open-ended results**. Instead of the hoped-for outcome, a new leadership with widespread popular support could easily turn to populism and even become more nationalistic and anti-Western than the CCP. All in all, therefore, it is very unlikely that China would democratise in the foreseeable future, let alone produce a stable regime which would automatically be friendly to the current Western-led international order. At the same time, the democratisation option should not be outright rejected and certainly not based on various cultural or historical factors.
- ***Singapore-like scenario***: given China's increasing wealth and the CCP managing to stay in power without reasonable opposition, this option would see **the emergence of a political system that is not competitive, but has a selective approach as to how much freedom and liberties citizens should enjoy**. Economically speaking, China would become a true global superpower, thanks especially to its technology and efficient governance. This scenario could be seen as relatively positive for Chinese citizens, who would end up living in a materially rich and well-governed society, which would produce a generally high level of satisfaction. However, at an extreme this option could entail features of a dystopic surveillance and intrusive state, even more so than exists at present. Such a

⁵⁷ Z. Wang, *Never Forget National Humiliation. Historical Memory in Chinese Politics and Foreign Relations*, Columbia University Press, New York, 2014.

⁵⁸ J. Chen Weiss, *Powerful Patriots: Nationalist Protest in China's Foreign Relations*, Oxford University Press, Oxford, 2014.

scenario would mean that **China effectively challenges the West's dominant position in the world regarding economic and material power, while the success of China's governance model would weaken the appeal of liberal democracy.** Although China may not become the dominant country globally, it would at least match the USA to produce a genuine multipolar distribution of power.

- ***Russia-like scenario:*** China's reform process would continue to slow down and eventually disappear altogether, leaving the country to face mounting economic, political and social challenges. The regime would resort to increased repression and violence, albeit without sufficient capacity to enforce stability. Internationally the country's power would peak and then start to decline. **Combining domestic instability and declining power could fuel a more aggressive foreign policy with the goal of gaining support from the population by linking dissatisfaction to external threats.** Invading Taiwan or embarking on other military conflicts over disputed (or even currently undisputed) territories would become a more realistic possibility.
- ***North Korea-like scenario:*** the CCP would respond to growing economic problems with ever-tightening repression and omnipresent oversight over its citizens. Its power and influence over the economy and society would keep increasing to the extent of a fully-fledged totalitarian country, within which individuals are under constant surveillance and lose most of their ability to act autonomously. **With the economy and quality of life stagnating and possibly declining, the state would rely more heavily on the most advanced technology to preserve the regime's security.** In international affairs, China would become more isolated, at least when it comes to people and information exchanges, even if trade continues to some extent in areas deemed necessary. Such a regime may not necessarily engage in a militarily aggressive foreign policy, since its security at home would be guaranteed, but it would use the foreign threat as a constant propaganda feature for domestic consumption. It is likely that it would also engage in confrontational postures short of war in its various territorial disputes or other international conflicts.

All four of these scenarios are purposely framed in rather extreme terms, as **it is unlikely that the actual dynamics would fall squarely and permanently within a single scenario. If the PRC's last 70 years can be taken as guidance, China will continue adjusting and changing quite organically and sometimes in unpredictable ways.**

3.4 Beijing's political interference, cyber and hybrid attacks, disinformation and influence operations in Europe

Over recent years, Europe has witnessed **an escalation in Beijing's attempts to exert influence within the continent, employing a range of tactics from soft power initiatives to cyberattacks and disinformation campaigns.**

On the spectrum of political interference, soft power offensives are normally considered to be legitimate means of public diplomacy and are seen as a force-multiplier, being inefficient if employed alone⁵⁹. It is consequential that China's soft power campaigns in Europe are complemented with other more persuasive instruments, such as 'propaganda practices'⁶⁰ via **the use of Chinese official political discourse, as well as elements of intimidation against those who challenge the positive spins**⁶¹ applied by China's state and state-affiliated actors.

⁵⁹ J. Nye, '[Soft Power and Public Diplomacy Revisited](#)', *The Hague Journal of Diplomacy*, Vol 14, No 1-2, 2019, pp. 7-20.

⁶⁰ Y. Wu, '[Recognizing and Resisting China's Evolving Sharp Power](#)', *American Journal of Chinese Studies*, Vol 26, No 2, 2019, pp. 129-153.

⁶¹ M. Spetalnick, D. Brunnstrom and M. Martina, '[China undeterred in campaign to pressure critics abroad despite Western backlash](#)', *Reuters*, 11 May 2023.

Through its **'mask diplomacy'** conducted in 2020, China provided medical supplies and support to European countries especially during the first stage of the COVID-19 pandemic in an attempt to shift perceptions of China having caused the pandemic to it being the solution. China hoped to turn 'acts of foreign gratitude to its advantage in seeking domestic public approval'⁶². The effects of this have generally been limited in Europe, apart from the story on the Huoshenshan hospital being built in 10 days⁶³. However, it is somewhat premature to assert that China's soft power is failing in Europe. Even though China's COVID-19 story did not capture the public's imagination, important lessons were drawn, including the low efficiency of official media channels when compared with decentralised social media. **These lessons are being used to disseminate narratives promoting China's culture as well as its economic and technological prowess.** Polling shows that two narratives promoted via China-affiliated outlets are generally well-perceived among Europeans: Chinese technology and trade ties⁶⁴. For example, in the Baltic states China is also perceived as: a 'lucrative partner'; the provider of economic benefits; a 'global leader, a high achiever in technology and economy; as well as a 'culture and history wonderland,' with the country portrayed as an ancient civilisation, whilst at the same time harmoniously coexisting with development and modernity⁶⁵.

The strategy employed by China in Europe also involves **foreign information manipulation and interference** with the aim of 'direct[ing] attention to a different actor or narrative or to shift blame (distract)' and distort reality⁶⁶. The EEAS 2022 related report found that of 12 incidents originating from China, 5 had overlapped with Russia, including the story of US biolabs in Ukraine⁶⁷. In 2022, the Meta research team uncovered a network that originated in China and targeted the Czech Republic, criticising Czech support for Ukraine and its impact on the Czech economy and calling for the government to avoid antagonising China⁶⁸ – both the method and narrative were similar to Russia's approach. However, China has also employed its own unique practices, such as utilising foreign influencers⁶⁹ on Western social media platforms to push back against human rights criticisms and employing data scraping to gather information about national stakeholders from the public domain⁷⁰.

A significant component of China's interference in Europe is engagement in cyberattacks. Chinese actors have targeted a wide range of entities, from government institutions to private organisations via advanced persistent threats⁷¹. In 2022, security and foreign policy institutions from EU Member States blamed Chinese entities for such cyberattacks aimed at data gathering (Germany⁷², France) as well as an espionage campaign against Interior and Defence Ministries (Belgium). The overall number of incidents involving China could be far greater than those reported to date, as in over half the cases actor attribution

⁶² B. Kowalski, ['China's Mask Diplomacy in Europe: Seeking Foreign Gratitude and Domestic Stability'](#), *Journal of Current Chinese Affairs*, Vol 50, No 2, 2021, pp. 209-226.

⁶³ France 24, ['Coronavirus: China builds new hospital in just 10 days'](#), 3 February 2020.

⁶⁴ R. Turcsányi, A. Gerstl, K. Kironská, K. Dubravčíková, J. Iocovozzi, P. Gries, M. Šimalčík, K. Tsimonis, J. Magano, E. Doğan, J. Essa, B. Toettoe, T. Ruehlig, U. A. Bērziņa-Čerenkova, D. Jiang and H. Aubie, [Trans-Atlantic public opinion on China Great power competition amidst Russian invasion of Ukraine](#), CEIAS, December 2022, p. 18.

⁶⁵ U. A. Bērziņa Čerenkova, S. Svetoka, E. Lucas, E. Klekere, V. Bohman and K. Nichols, [China's Influence in the Nordic-Baltic Information Environment: Latvia and Sweden](#), NATO Strategic Communications Centre of Excellence, 2022.

⁶⁶ European External Action Service, [1st EEAS Report on Foreign Information Manipulation and Interference Threats Towards a framework for networked defence](#), Strategic Communications, Task Forces and Information Analysis (STRAT.2), 2023.

⁶⁷ Ibid.

⁶⁸ B. Nimmo and M. Torrey, [Taking down coordinated inauthentic behavior from Russia and China](#), META, 2022.

⁶⁹ F. Ryan, A. Bogle, N. Ruser, A. Zhang & D. Impiombato, [Borrowing mouths to speak on Xinjiang](#), Australian Strategic Policy Institute, International Cyber Policy Centre, Policy Brief, Report No 55, 2021.

⁷⁰ D. Hurst, L. Kuo and C. Graham-McLay, [Zhenhua Data leak: personal details of millions around world gathered by China tech company](#), *The Guardian*, 14 September 2020.

⁷¹ The European Union Agency for Cybersecurity, [JP-23-01 - Sustained activity by specific threat actors, Joint Publication Structured Cooperation between CERT-EU and ENISA](#), Structured Cooperation between CERT-EU and ENISA, JP-23-01, 15 February 2023.

⁷² Bundesamt für Verfassungsschutz, [Aktuelle Cyberangriffskampagne gegen deutsche Wirtschaftsunternehmen durch die Gruppierung APT27](#), BfV Cyber-Brief, No 01, 2022.

is difficult to achieve conclusively⁷³. The purpose of these attacks varies, but can include **financial cybercrime, espionage, theft of intellectual property, ransomware and potentially even sabotage**.

Espionage is a cross-cutting concern, as it employs both cyber as well as traditional methodology.

On the former, the North Atlantic Treaty Organisation's (NATO) Secretary General Jens Stoltenberg stated in 2023: 'We're also seeing increased Chinese intelligence activities in Europe. Again, different platforms. They use satellites, they use cyber, and as we've seen over the United States, also balloons'⁷⁴. On the latter, there have been reports that, according to the Belgian security services, 'as many as one in five of the Chinese journalists working in Brussels are suspected to be intelligence officers'⁷⁵, also mentioning that Chinese intelligence uses jobs in academia and think tanks as covers.

Given that China's interference in Europe is on the rise, the question arises whether the issue is sufficiently reflected in EU's diplomatic talks, strategic dialogues and summits with China. The European position has become more straightforward and features pushback regarding Beijing's human rights abuses along with different perspectives on human rights and liberal values, as well as economic coercion. In the April 2023 speech following her visit to Beijing, Commission President Ursula von der Leyen outlined the economic and geopolitical challenges Europe faces from China⁷⁶, yet made no mention of interference. When High Representative Josep Borrell spoke at Peking University in October 2023, he did not shy away from offering criticism, stating that China and the EU are 'clearly not on the same page'⁷⁷ concerning values and the economy. However, **European leaders do stop short of signalling that China is not only a systemic rival in other parts of the world, but also an interfering actor within Europe, which is not commensurate with the level of threat posed by China's multifaceted campaign**. China's political interference, cyber and hybrid attacks, disinformation campaigns and influence operations in Europe are multifaceted and thus demand a comprehensive response from the EU. In 2021, a 'Declaration by the High Representative on behalf of the European Union urging Chinese authorities to take action against malicious cyber activities undertaken from its territory'⁷⁸ was issued, but its contents have not been uploaded into high-level political communication with China and neither do they appear during 'track 1.5 dialogues', such as the Europe-China Think tank platforms.

3.5 Human rights abuses in China and their consequences for EU-China relations

Since 1995, China and the EU have held no less than 38 Human rights dialogues. Originally, these were part of 70 bilateral fora between the two sides, but although Brussels' objective was to use a confidential, institutionalised dialogue to raise human rights concerns with Beijing, the impact has been less certain. Between 2019-2023, that dialogue was frozen due to mutual sanctions. While the EU imposed sanctions on four Chinese officials and one entity involved in human rights abuses in Xinjiang, China's retaliatory sanctions targeted MEPs, amongst many other European officials and civil society members⁷⁹.

⁷³ The European Union Agency for Cybersecurity, [JP-23-01 - Sustained activity by specific threat actors, Joint Publication Structured Cooperation between CERT-EU and ENISA](#), Structured Cooperation between CERT-EU and ENISA, JP-23-01, 15 February 2023, p. 21.

⁷⁴ P. Stuart and I. Ali, 'U.S. sites of interest visited by past Chinese balloons, Pentagon says', *Reuters*, 9 February 2023.

⁷⁵ B. Moens, 'The EU has a spy problem — here's why it's so difficult to catch them', *Politico*, 1 December 2022.

⁷⁶ European Commission, [Speech by President von der Leyen at the European Parliament Plenary on the need for a coherent strategy for EU-China relations](#), Speech, 18 April 2023.

⁷⁷ European External Action Service, [China: Speech by High Representative/Vice-President Josep Borrell at Peking University](#), Strategic Communications, 13 October 2023.

⁷⁸ Council of the European Union, [China: Declaration by the High Representative on behalf of the European Union urging Chinese authorities to take action against malicious cyber activities undertaken from its territory](#), Press release, 19 July 2021.

⁷⁹ M. Parry, [Chinese counter-sanctions on EU targets](#), European Parliamentary Research Service, PE 690.617, 2021.

Only after almost 4 years in February 2023 did the two sides decide to resume their 38th human rights dialogue⁸⁰, but with revised expectations. China was hoping for a lifting of the sanctions, leading to a restart of the CAI, while the Europeans wanted to address abuses in China itself. The EU expressed ‘serious concern’⁸¹ regarding the limitations of fundamental rights, not just against Uyghurs, Tibetans and people belonging to religious, ethnic and linguistic minorities, but also across China, including in Hong Kong, where freedom of expression has been seriously curtailed. **Over the past few years, Europe has frequently tried to raise the topic of human rights abuses, while also publicly criticising the Chinese government’s human rights record. In response, ‘China focused on the situation and treatment of refugees and migrants in the EU and manifestations of racism and xenophobia in the EU’⁸².**

For that reason, as stated by current and former EU officials, the reality of bilateral relations is that **it has become virtually impossible to engage with the ever-assertive China on such issues**⁸³. Since 2013, the current Chinese leadership’s vision has cut short any attempt to implement a Montesquieu-style separation of powers. The CCP’s ‘Communiqué on the Current State of the Ideological Sphere’ (also known as ‘Document No. 9’) specifically addressed this issue⁸⁴. Over the past 10 years, it has become increasingly difficult for independent lawyers to practise in mainland China. The regime’s narrative states that China is the true democracy, while the Western societies have failed⁸⁵. In the meantime, President Xi Jinping’s message in the past decade has been to push for Chinese sovereignty and power as opposed to protecting individual rights – even less so when it comes to protecting ethnic minority groups.

Another point of contention between the two sides has been China’s **NGO regulation**, enacted in 2017⁸⁶, with direct involvement from the Ministry of Public Security as the authority managing the affairs of foreign NGOs seeking to operate in China. Apart from these political actions, other developments have also played an important role in limiting foreign NGOs’ activity in China. The COVID-19 pandemic ‘drastically limited the flow of people across China’s borders, a huge change for foreign NGOs maintaining operations there’⁸⁷. Furthermore, three years ago Hong Kong’s National Security Law came into effect⁸⁸, negatively impacting the city’s civil society and even those NGOs with programmes in mainland China⁸⁹. **The only foreign NGOs that flourished during this time were trade or industry associations. Starting with 2020, their number increased and by 2021 they accounted for around 80 % of the foreign NGOs registered that year**⁹⁰.

Human rights abuses happening throughout China only serve to reinforce the accuracy of describing China as a systemic rival by the EU. The two sides share not just different political systems, but different values and political outlooks – **CCP-led China maintains an authoritarian approach which awards little regard to what it regards as ‘Western’ political human rights, instead defining human rights as centring on economic development**. This disregard for human rights inevitably leads to violations or abuses, which in turn affect EU-China relations. In the past, even EU citizens in China have fallen victim to Beijing’s authoritarian interpretation of state power. Even if the EU-China human rights dialogue could revert to its former state, it can achieve little as long as Beijing remains unmoved from its authoritarian

⁸⁰ Council of the European Union, ‘[EU imposes further sanctions over serious violations of human rights around the world](#)’, Press release, 22 March 2021.

⁸¹ European External Action Service, ‘[China: 38th Human Rights Dialogue with the European Union takes place in Brussels](#)’, 17 February 2023.

⁸² Ibid.

⁸³ Interviews with former and current EU officials, November 2023.

⁸⁴ S. Beach, ‘[CHINAFILE TRANSLATION OF THE CCP’S “DOCUMENT 9”](#)’, *China Digital Times*, 10 November 2023.

⁸⁵ Global times, ‘[Chinese society is moving forward while West has lost perspective of future](#)’, 13 November 2023.

⁸⁶ The China NGO Project, ‘[Fact Sheet on China’s Foreign NGO Law](#)’, *China File*, 1 November 2017.

⁸⁷ The China NGO Project, ‘[The Major Questions About China’s Foreign NGO Law Are Now Settled](#)’, *China File*, 8 August 2022.

⁸⁸ L. Wong and T. Kellogg, ‘[New Data Show Hong Kong’s National Security Arrests Follow a Pattern](#)’, *China File*, 3 May 2021.

⁸⁹ The China NGO Project, ‘[The Major Questions About China’s Foreign NGO Law Are Now Settled](#)’, *China File*, 8 August 2022.

⁹⁰ Ibid.

perspective. While China could, in moments of geopolitical necessity, engage in various gestures of goodwill – albeit generally small, such as freeing specific cases of imprisoned activists – it is likely to continue its large-scale disregard for human rights, the rule of law and other values cherished by the EU.

As the latest EU-China human rights dialogue in Beijing has apparently failed, the conversation between the two sides has become very difficult. Nevertheless, it is hoped that the EP – which has also been targeted by Chinese sanctions – will continue to play a critical role, alongside like-minded partners, in standing for democratic norms and values. **Through its diverse and rich membership, the EP should remain the voice of European advocacy for democracy, human rights and the defence of minorities. Hence, communications and parliamentary missions remain essential amongst the Parliament’s array of tools.**

The EP has been among the EU institutions that have sharply criticised China’s human rights abuses by: adopting 25 critical resolutions⁹¹; beginning work on new due diligence legislation⁹² that aims to prevent human rights abuses in supply chains (for example by deterring EU companies to work with raw materials from Xinjiang whose supply chains cannot be properly vetted); and awarding the Sakharov Prize in 2019 to Ilham Tohti⁹³, an ethnic Uyghur activist sentenced to life imprisonment⁹⁴. **Regrettably, two years after its announcement, the due diligence legislation has not yet been implemented.**

In the future, considering its leadership on the promotion of values and defence of human rights, the EP should continue to focus on these issues and if necessary pressure the European Commission as well as Member States on the importance of not losing their focus when engaging with Beijing and other authoritarian governments. It is important for the EP to be seen as maintaining consistency and **avoid appearing to single out China while ignoring human rights abuses in other countries**, especially countries which might be seen as partners in the competition against China.

4 EU-China competition on the global stage

4.1 EU-China relations in the UN system and other international organisations

The EU and China have different objectives when it comes to international governance. In one of the latest Chinese statements on multilateralism, Premier Li Qiang used a September 2023 meeting with European Council President Charles Michel to reiterate that Beijing’s conception of ‘true’ multilateralism is expressed as there being ‘only one system in the world, and that is the international system with the United Nations [UN] at its core. There is only one set of rules, that is, the basic norms governing international relations based on the UN Charter’⁹⁵. As for Michel, he called for ‘changing veto rights in the UN Security Council and for improving the representativeness of the UN Security Council by including regional organisations and countries from under-represented regions’⁹⁶. More recently, during the EU-China summit in December 2023, Michel reiterated the EU’s commitment to defend human rights, stating that ‘for the EU, human rights and fundamental freedoms are universal. They are non-negotiable’⁹⁷.

⁹¹ European Parliament, ‘[Resolution on the deterioration of fundamental freedoms in Hong Kong, notably the case of Jimmy Lai \(2023/2737\(RSP\)\)](#)’, P9_TA(2023)0242, 15 June 2023.

⁹² European Parliament, ‘[MEPs: Companies must no longer cause harm to people and planet with impunity](#)’, Press release, 10 March 2021.

⁹³ European Parliament, ‘[Sakharov Prize: daughter of 2019 laureate Ilham Tohti receives prize on his behalf](#)’, News, 19 December 2019.

⁹⁴ Ibid.

⁹⁵ United Nations Association of China, ‘[Seminar Entitled "Reviewing Historical Moments, Upholding Equity and Justice - the Significance of A/RES/2758\(XXVI\)" successfully held](#)’, nd.

⁹⁶ European Council, ‘[UN General Assembly, New York, 18-22 September 2023](#)’, Meeting information, 22 September 2023.

⁹⁷ European Council, ‘[EU-China summit, 7 December 2023](#)’, Meeting information, 7 December 2023.

Meanwhile, China has been promoting its new concepts of **the Global Development Initiative (GDI), the Global Civilisation Initiative, and the Global Security Initiative and, most recently, the Global Artificial Intelligence Governance Initiative**. The GDI was the first initiative in this series, launched during a speech made by Xi Jinping at the 2021 UN General Assembly, while the Global Artificial Intelligence Initiative was the latest to be launched during the 2023 Belt and Road Forum. At the UN, the GDI was presented as a major tool to implement the Sustainable Development Goals (SDGs)⁹⁸. As part of its tradition of looking to obtain widespread support for its slogans, China established a Group of Friends of the GDI at the UN, which comprised 68 members⁹⁹. In a nutshell, **while the EU may claim that multilateralism should be indivisible, China is focused on developing its own involvement in the UN**. Nonetheless, China's vision for the future of the UN and of global governance in general remains hazy. Its three Global Initiatives lack substance and do not contain clear proposals on how to change the international order or the present global governance structures.

A second aspect to underline is China's growing influence within international organisations, including the UN. **Since 1977, China has increased its presence in more than 50 international organisations, achieving membership in 73 organisations by 2023**¹⁰⁰. Within the UN System, Chinese officials at one point led 4 of the 15 UN specialised agencies: the International Civil Aviation Organization; the International Telecommunication Union; the Food and Agriculture Organization; and the UN Industrial Development Organization¹⁰¹. It should be mentioned that only one of these Chinese leaderships is ongoing, that of the Food and Agriculture Organization. Because of this substantial number of Chinese officials in leading positions at the UN, there have been fears that Beijing may use them to 'appropriate UN authority and legitimacy for China's foreign policy interests'¹⁰². A former high-level Chinese official at the UN, Wu Hongbo, made it clear that 'when it comes to Chinese national sovereignty and security, we [Chinese officials serving in international organisations] will defend our country's interests'¹⁰³.

This increase of Chinese leadership at the UN is linked on the one hand with the US detachment or outright exit from international organisations during the Trump administration¹⁰⁴ and on the other with China's increasing budgetary contributions to the UN. **China is the second largest financial contributor to the UN budget, contributing around USD 367.9 million in 2019, 12 % of the total**¹⁰⁵. This represents an enormous increase since 2010, when China's contribution accounted for only 3.04 % of the total¹⁰⁶. In 2022, the Chinese contribution was only slightly more, at USD 438.1 million¹⁰⁷.

When it comes to voting, China adopts a position more similar to Russia and countries from the Global South. As a self-proclaimed leader of the 'Group of 77'¹⁰⁸, China tries to promote itself as a **developing country and defender of the developing world**.

⁹⁸ J. Li, '[Closing Remarks at High-level Meeting on Global Development Initiatives Cooperation Outcomes GDI for SDGs: Action and Progress](#)', *United Nations*, 19 September 2023.

⁹⁹ Ministry of Foreign Affairs of the People's Republic of China, '[Global Development Initiative-Building on 2030 SDGs for Stronger, Greener and Healthier Global Development](#)', *United Nations*, nd.

¹⁰⁰ US Central Intelligence Agency, '[The World Factbook – China](#)', webpage, 6 December 2023.

¹⁰¹ C. Fung and S-H. Lam, '[China already leads 4 of the 15 U.N. specialized agencies — and is aiming for a 5th](#)', *The Washington Post*, 3 March 2020.

¹⁰² C. Fung and S-H. Lam, '[Mixed report card: China's influence at the United Nations China is of growing importance to the UN system, and Beijing is aiming to capitalise on this influence at the world body](#)', Lowy Institute, 18 December 2022.

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵ China Power, '[Is China Contributing to the United Nations' Mission?](#)', 7 March 2016, updated 25 May 2021.

¹⁰⁶ C. Fung and S-H. Lam, '[Mixed report card: China's influence at the United Nations China is of growing importance to the UN system, and Beijing is aiming to capitalise on this influence at the world body](#)', Lowy Institute, 18 December 2022.

¹⁰⁷ UN, '[Committee on Contributions](#)', webpage, nd.

¹⁰⁸ A group consisting of 135 developing countries, that aims to promote the economic interests of developing countries at the UN.

Inserting Chinese slogans in UN documents has been China's favourite tool in supposedly not only increasing its power and influence at the UN¹⁰⁹, but also creating Western angst. Words and phrases such as 'joint contribution', 'mutual benefit', 'win-win cooperation', 'sincerity' and 'community with shared future'¹¹⁰ are among those used by the CCP and the Chinese government to describe their foreign affairs strategy and create an alternative language to that of the USA or the EU.

Another success for China beyond creating a UN language with 'Chinese characteristics' is persuading other countries and leaders to use such language. Some of the countries that have apparently joined China's sphere on a regular basis include nations that seek, or have received, substantial investments or financial assistance over recent years. Nonetheless, it remains unclear how much practical utility the multilateral embrace of this language has for China. At the same time, it is unclear if this language is pursued for explicit geopolitical objectives and how it could concretely help China achieve such objectives; or is it meant primarily for internal domestic consumption, to highlight China's growing influence and its contribution of 'Chinese solutions'.

Nevertheless, despite the Chinese language success in UN documents, **China is still dissatisfied with the UN and advocates its reformation.** According to the PRC's 2023 Proposal on reform and development of the global governance, 'China calls on the international community to act on true multilateralism, uphold the international system with the United Nations at its core, support the U.N. in playing a central role in international affairs, further develop and improve the global governance system, and jointly build a community with a shared future for mankind'¹¹¹. However, at the same time China considers that the Human Rights Council and other UN human rights bodies represent a stage for confrontation and pressuring rather than platforms for dialogue and cooperation¹¹².

While the EU also supports multilateralism and better representations at the UN, the two sides have different goals in mind. For example, China is hoping for a change in representation among the staff composition of UN human rights bodies by including more developing countries¹¹³ while maintaining the UN Charter. Meanwhile, the EU is fighting to reform the UN Charter, 'including amending veto rights and enhancing the Security Council's representativeness'¹¹⁴. China has also been active at both the World Bank and the International Monetary Fund (IMF), as both organisations have played an important role in China's economic development.

China's relationship with the World Bank has developed from one of a heavy borrower in the 2000s¹¹⁵, to that of an important contributor today¹¹⁶. **The support offered to China by the World Bank was important not only on an economic level, but also from a narrative perspective.** In 2006, China was first among the proposed five strategic pillars of the World Bank in its Country Partnership Strategy: 'integrating China in the world economy; reducing poverty, inequality and social exclusion; managing resource scarcity and environmental challenges; financing sustained and efficient growth; and improving public and market institutions'¹¹⁷. Later, China's rise was translated into a higher percentage of votes gained within the World Bank. By 2023, China had 5.93 % of total voting power, while that of the USA

¹⁰⁹ C. Fung and S-H. Lam, [Mixed report card: China's influence at the United Nations China is of growing importance to the UN system, and Beijing is aiming to capitalise on this influence at the world body](#), Lowy Institute, 18 December 2022.

¹¹⁰ Ibid.

¹¹¹ Ministry of Foreign Affairs of the People's Republic of China, ['Proposal of the People's Republic of China on the Reform and Development of Global Governance'](#), News, 13 September 2023.

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ UN, ['EU at the UN General Assembly: Calls for Reforms'](#), 25 September 2023.

¹¹⁵ Bretton Woods Project, ['China and the World Bank'](#), 14 September 2011.

¹¹⁶ D. Dollar, ['Reluctant player: China's approach to international economic institutions'](#), *Brookings*, 14 September 2020.

¹¹⁷ Bretton Woods Project, ['China and the World Bank'](#), 14 September 2011.

decreased to 15.53 % and Japan's to 7.1 %¹¹⁸. Looking at leadership, 2 out of 35 management positions are held by Chinese representatives¹¹⁹.

Despite its improving position within the World Bank, China is still dissatisfied with the Bank and the Bretton Woods system. Hence, over the past decade, **it has created numerous alternative development banks and funds**, such as: the BRICS New Development Bank; the Asian Infrastructure Investment Bank; and the Silk Road Fund. To these, we should add the Chinese state-owned policy banks that provided most of the loans granted under the Belt and Road brand¹²⁰.

With the IMF, relations are pretty similar, namely **China is trying to increase its power while evading its responsibilities as a rich country**¹²¹. Despite this, China holds a special position in the IMF, resulting from the amount of money that it contributes to the Fund. Having had a permanent seat in the IMF since 1980 and thanks to US-promoted reforms, China has a quota of 6.14 % of the voting power, just a little behind Japan (6.21 %), though at a greater distance from the USA (16.66 %)¹²². Among the IMF's 32 senior officials only 1 is Chinese¹²³.

Despite the renminbi having joined the Special Drawing Rights basket in 2016 and becoming one of the IMF reserve currencies¹²⁴ and the IMF raising China's Gross Domestic Product (GDP) growth forecast to 5.4 % for 2023¹²⁵, relations between China and the IMF have still fluctuated. In the 2000s, China used to manipulate the value of its currency, prevent IMF officials from implementing Article IV¹²⁶ and increasing its trade surplus¹²⁷. Nowadays, China seems to align more and more with IMF norms, by abandoning some of its aforementioned practices and by embracing more its voting power in the IMF.

4.2 Dealing with China within the Global West (G7, NATO, EU-USA coordination)

As Western countries have become more concerned with China's external behaviour and actions as well as deteriorating relations with the USA and the EU, **the Global West has begun focusing more on the country in efforts to coordinate its approach**. Moreover, China has assumed greater significance for organisations such as the Group of Seven (G7).

In the past, meetings among the Global West countries have tended to be more volatile, producing no concrete outcomes. However, China's increased assertiveness combined with the latest global events have changed this aspect. Whilst leaders from the United Kingdom (UK), Canada, France, Germany, Italy, Japan and the USA deny that they are in the midst of 'de-coupling' from China and are instead trying to 'de-risk' the relationship, they have at the same time warned collectively about 'China's accelerating build-up of its nuclear arsenal without transparency nor meaningful dialogue'¹²⁸ and said that it 'poses a concern to global

¹¹⁸ World Bank, '[World Bank Group Finances](#)', webpage, nd.

¹¹⁹ World Bank, '[World Bank Group Leadership](#)', webpage, nd.

¹²⁰ J. Jin, X. Ma and K. P. Gallagher, '[China's Global Development Finance: A Guidance Note for Global Development Policy Center Databases](#)', *Global Development Policy Center*, July 2018.

¹²¹ D. Dollar, '[Reluctant player: China's approach to international economic institutions](#)', *Brookings*, 14 September 2020.

¹²² International Monetary Fund, '[Quota Reform. For a more representative, modern IMF](#)', IMF Annual Report 2016, webpage, 2016.

¹²³ Ibid.

¹²⁴ N. Taplin and B. Blanchard, '[China's yuan joins elite club of IMF reserve currencies](#)', *Reuters*, 1 October 2016.

¹²⁵ E. Cheng, '[IMF raises China GDP forecast after Beijing's policy moves](#)', *CNBC*, 2 November 2023.

¹²⁶ Article IV of the IMF's Articles of Agreement (hereafter) states that an IMF team should visit its designated country, collect economic and financial data and discuss with the local officials. See, International Monetary Fund, '[Articles of agreement of the International Monetary Fund: adopted at the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 22, 1944 amended effective January 26, 2016 by the modifications approved by the Board of Governors in Resolution No. 66-2, adopted December 15, 2010](#)', 2020.

¹²⁷ D. Dollar, '[Reluctant player: China's approach to international economic institutions](#)', *Brookings*, 14 September 2020.

¹²⁸ The White House, '[G7 Leaders' Hiroshima Vision on Nuclear Disarmament](#)', Statements and Releases, 19 May 2023.

and regional stability'¹²⁹. In response, the Chinese foreign ministry said it had launched a solemn protest, accusing the G7 of 'manipulating the China-related agenda and vilifying China'¹³⁰. Expressing concerns about stability in the Taiwan Strait and calling for the avoidance of hostilities by means of a peaceful solution has become a common theme within Western joint communiqués, including those emanating from the G7.

Since 2019, Western-led organisations have been keen to regroup so as to address 'the challenges posed by China's non-market policies and practices, which distort the global economy'¹³¹, according to the most recent G7 communiqué. **Never in the history of the G7 have the world's most developed nations expressed such critical views about China**, including denouncing 'malign practices, such as illegitimate technology transfer or data disclosure'¹³².

Another significant player is NATO, which has also redefined its messaging about China. Today, **China is seen as a rival that 'challenge[s] our interests, security and values'¹³³ by using political, economic and military tools, while 'remaining opaque about its strategy, intentions and military build-up'¹³⁴. According to NATO, China tries to increase its influence and control in important sectors and industries, uses its economic leverage to gain influence and tries to destabilise the international rule-based order¹³⁵. NATO has also increased its engagement with Japan and South Korea¹³⁶, though for the moment its focus on Europe is being sustained, especially considering Russia's invasion of Ukraine. However, despite this some voices call for greater attention to be paid to China and the Indo-Pacific.**

While discussions regarding China in organisations such as the G7 and NATO are now common, China has also become an increasingly important topic within transatlantic relations. Over recent years, the EU-USA relations have encountered a roller coaster of experiences, from the critical stance and tariffs imposed by the Trump administration, to the friendlier period of the Biden administration, which has seen the EU and USA joining forces to maintain an international order based on the rule of law, human rights and democracy. **An example of this increasing closeness was the establishment of a framework for periodic transatlantic cooperation, the EU-USA Trade and Technology Council**¹³⁷.

More recently, in the December 2022 joint statement co-signed by the then US Deputy Secretary of State, Wendy Sherman, and the EEAS Secretary-General, Stefano Sannino, the two sides stated that they aim to 'further reinforce' their bilateral strategic partnership on China and in the Indo-Pacific region¹³⁸. They not only stated that the USA and EU 'have never been more aligned on our strategic outlooks'¹³⁹ but also 'reiterated their serious concerns about the human rights situation in China, including in Xinjiang, Tibet, Inner Mongolia and Hong Kong'¹⁴⁰. They 'affirmed [that] everyone around the world has the right to peacefully protest, mindful of the ongoing protests in China'¹⁴¹.

¹²⁹ Ibid.

¹³⁰ J. Ma, '[G7 summit: leaders pledge to counter China's 'malign' practices and tackle economic coercion](#)', *South China Morning Post*, 20 May 2023.

¹³¹ Ministry of Foreign Affairs of Japan, '[G7 Hiroshima Leaders' Communiqué](#)', 20 May 2023.

¹³² US Department of State, '[G7 Japan 2023 Foreign Ministers' Statement](#)', 8 November 2023.

¹³³ NATO, '[Vilnius Summit Communiqué](#)', 11 July 2023.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ K. Moriyasu and T. Tsuji, '[NATO to upgrade ties with Australia, New Zealand, South Korea](#)', *Nikkei Asia*, 13 June 2023.

¹³⁷ European Commission, '[EU-US Trade and Technology Council](#)', webpage, nd.

¹³⁸ US Department of State, '[EU-U.S.: Joint Press Release Consultations between the U.S. Deputy Secretary of State Wendy Sherman and European External Action Service Secretary General Stefano Sannino](#)', Media Note, Office of the Spokesperson, 2 December 2022.

¹³⁹ Ibid.

¹⁴⁰ Ibid.

¹⁴¹ Ibid.

During the 2023 EU-USA Summit, **Brussels and Washington agreed to a more balanced position towards China**, by expressing a desire for ‘constructive and stable relations while expressing concerns over human rights and maritime tensions’¹⁴² in accordance with the G7 discussions¹⁴³. They also stressed the importance of maintaining peace and stability across the Taiwan Strait and South China Sea¹⁴⁴, converging not only on topics such as human rights abuses in Xinjiang, Tibet and Hong Kong but also on issues related to Russia’s invasion of Ukraine¹⁴⁵.

A notable development is the adoption by Washington of the **EU’s de-risking framework**¹⁴⁶. While de-risking was created specifically to assuage worries about de-coupling, which seemed to be gaining adherents in the USA, the Biden administration was quick to declare its support for de-risking, which was thus transformed somewhat into a Western approach. Under this common approach, the two sides dismiss full de-coupling from China, while focusing on the need to protect important ‘advanced technologies that could be used to threaten global peace and security’¹⁴⁷. Significant efforts on the part of the Biden administration were made to come to a closer position with the EU.

In bilateral exchanges, the EU called for a permanent removal of all Trump-era tariffs on EU exports of steel and aluminium¹⁴⁸. In exchange, the USA asked the EU to investigate and place tariffs on ‘the sources of non-market excess capacity’¹⁴⁹, a reference to China, the largest exporter of aluminium and steel¹⁵⁰. The two sides have yet to reach a deal¹⁵¹, albeit the issue has lost some of the prominence it had under the more confrontational period of the Trump administration. Nonetheless, there remain worries in Europe regarding how transatlantic relations might change should Trump or an equivalent Republican US president comes to power in 2025. **The future of EU-USA cooperation on China is therefore a little uncertain and it is likely that China will continue to try to convince Europe to distance itself from the USA, taking advantage of topics on which the two transatlantic partners have different perspectives.** While it is likely that these efforts will fail with the EU and USA maintaining a degree of unity in their approach to China, the extent of this will very much depend on US domestic political developments.

4.3 The Global Gateway versus the Belt and Road Initiative and the future of the EU’s development policy

In 2013, the world witnessed China’s launch of its BRI. Built on ancient Silk Road narratives, the BRI emerged in a period when many international observers were enthusiastic about reviving such a concept. China built on this trend an initiative that later overstretched its initial geographical scope and transformed from a regional endeavour into a global one. Only in 2015 did Beijing come up with the BRI Vision and Action Plan¹⁵² in which an attempt was made to define the BRI’s scope. However, by this point without an official vision, the BRI was already seen and interpreted from numerous perspectives, such as: **a mega infrastructure plan; a Chinese master plan; a debt trap; a slogan; a brand strategy; or an imperialist initiative.**

¹⁴² European Commission, [‘U.S.-EU Summit Joint Statement’](#), STATEMENT/23/5198, 20 October 2023.

¹⁴³ Ibid.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

¹⁴⁶ US Department of the Treasury, [‘Treasury Department Announces 2023 De-Risking Strategy’](#), Press Release, 25 April 2023.

¹⁴⁷ European Commission, [‘U.S.-EU Summit Joint Statement’](#), STATEMENT/23/5198, 20 October 2023.

¹⁴⁸ F. Bermingham and I. Patrick, [‘US-EU summit yields call for balanced approach to China, urging ‘constructive and stable relations’](#), *South China Morning Post*, 20 October 2023.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ E. Sadden and J. Coyne, [‘EU, US fail to secure deal on steel, aluminum sustainability: extend deadline to year-end’](#), *S&P Global*, 21 October 2023.

¹⁵² The State Council of the People’s Republic of China, [‘Full text: Action plan on the Belt and Road Initiative’](#), 30 March 2015.

According to most observers, the BRI's most visible characteristic was building or investing in railways, ports and other infrastructure facilities in Asia, Africa and Europe. Because of this perspective, the BRI started generating numerous concerns or worries in the West, based on an assumption that through this initiative China would gain influence over the Global South and increase its geopolitical power. Accordingly, **many countries or entities, including the EU, began launching competing initiatives, explicitly designed to focus on infrastructure development, unlike the BRI, which is more a brand for China's foreign policy.** According to its 2015 White Paper, it is not only about infrastructure or facilities connectivity, but also 'policy coordination, unimpeded trade, financial integration and people-to-people bonds'¹⁵³. This perspective is reinforced by the 2023 Vision and Action plan that presents the BRI as a strategy dedicated to 'green development, new forms and models of digital cooperation, technology innovation [and] international cooperation in health'¹⁵⁴. Over the past decade, China has frequently branded various initiatives from diverse fields as being part of the BRI, as long as they could be seen as successful.

Ultimately, the biggest BRI success has not been building infrastructure around the world, but rather **making G7 countries more determined to focus attention on the Global South and create their own investment plans or brands**¹⁵⁵. For example, although the EU was investing in developing countries even before the Global Gateway's launch, the BRI led to the creation of a brand around its investments and projects in the Global South. The BRI determined G7 countries to establish their Partnership for Global Infrastructure and Investment and it also played a role in the launch of the India-Middle East-Europe Economic Corridor.

The Global Gateway should acknowledge the BRI's achievements, but at the same time take note and learn from its failures. **This is no longer a success story for China, but an initiative with image problems that is affected by negative undertones.** Taking from such experience, Brussels should learn that promising more than can be delivered risks creating future image and credibility issues for the EU, along with distrust among disappointed countries. The Global Gateway should certainly not be linked too much to the BRI, lest it be seen as just a geopolitical ploy in great power competition with China. For example, in 2023 the EU hosted a Global Gateway Forum only one week after the Belt and Road Forum held in Beijing¹⁵⁶. The Global Gateway should instead simply be promoted as a development strategy. Some Commission officials do indeed perceive the Global Gateway as the EU's answer to global challenges such as: climate change and biodiversity loss; digital transitions; and demographic change¹⁵⁷. However, as indicated above, **too much implicit linking of the two initiatives risks transforming the Global Gateway into a simple political response to the BRI, thereby undermining its image of being a stand-alone enterprise that aims to improve the wellbeing of people around the world.**

Even China took advantage of the Global Gateway's geopolitical saga when it decided to describe the BRI as being compatible with the EU initiative, while the EU is insisting on their divergent features. **This only played to the EU's disadvantage, which risks being perceived as placing more emphasis on developing a geopolitical strategy towards China, than on creating a real and functional initiative that helps develop the Global South.**

In order to avoid such misconceptions, the Global Gateway should be more about the development projects that the EU has or will implement in the Global South. A rebranding campaign for already existing EU projects in Africa will help the European initiative, while offering not only promises, but also actions. A

¹⁵³ Ibid.

¹⁵⁴ Global Times, '[China releases 10-year vision, action plan for BRI, focusing on green, digital development and supply chain](#)', 24 November 2023.

¹⁵⁵ A. Brinza, '[Is There More to China's BRI than Just a Brand?](#)', *China Observers*, 31 October 2023.

¹⁵⁶ European Commission, '[Global Gateway Forum](#)', webpage, 2023.

¹⁵⁷ Interview with European Commission official, November 2023.

better communication strategy for the Global Gateway should aim to place more emphasis on **helping countries in need and highlighting the amount of aid that the EU is offering to the developing world and future investment plans**. In this way, the EU will be able to create its own brand around the Global Gateway.

4.4 Case study: EU-China competition and cooperation in Southeast Asia

Southeast Asia, understood here as the 10 member countries belonging to the ASEAN, has long been of primary importance for China and is also the region which experienced the growth in China's influence first and most intensively. **It is also where the US-China great power rivalry is among the most visible, including when it comes to South China Sea dynamics, as China is engaged in territorial disputes over land features and related maritime rights with five ASEAN members** (Brunei, Indonesia, Malaysia, the Philippines and Vietnam).

Historically, there have been contacts between China and Southeast Asia for centuries and as a result there is now a **large ethnic Chinese diaspora across the region, albeit its position differs significantly across the countries**. For instance, in Thailand and the Philippines there are basically fully integrated populations, while in Malaysia and Indonesia stand-alone communities have developed¹⁵⁸. These differences have long fuelled tensions, a few times resulting in anti-Chinese pogroms, most recently experienced by Indonesia in 1998. **Singapore is a special case, on the one hand in having a majority ethnic Chinese population, yet on the other hand constantly trying and largely succeeding in keeping its political and strategic distance**. At the same time, though, the country enjoys close and deep economic relations with China.

The presence of this ethnic Chinese diaspora and China's attempts to interfere in the domestic affairs of Southeast Asian countries also negatively affected relations between China and Southeast Asia throughout the Cold War. Memories of these times linger today, contributing to perceptions of distrust and even threats from China in most of Southeast Asia¹⁵⁹. Nevertheless, China's reform and opening-up coupled with the end of the Cold War, did bring about a quick warming of relations between China and Southeast Asia.

Official relations between China and ASEAN started in 1991 and developed to the extent that China became a full dialogue partner in 1996¹⁶⁰. The two sides declared that they had become 'strategic partners' in 2003¹⁶¹. China has participated in various ASEAN-led frameworks such as: the ASEAN Regional Forum; ASEAN Plus Three (together with Japan and South Korea); as well as the East Asia Summit and ASEAN Defence Ministers Meeting Plus. In 2003, China was ASEAN's first Dialogue Partner to sign the Treaty of Amity and Cooperation¹⁶².

China also generated considerable goodwill during the 1997 Asian financial crisis when it did not undervalue its currency and allowed the affected countries to keep exporting to China¹⁶³. Conversely, there was a distinct lack of support from Western countries and institutions (including the USA, the EU and the IMF)¹⁶⁴. However, this honeymoon period of the 1990s and 2000s (also labelled 'China's charm offensive

¹⁵⁸ T.C. Barrett (ed), *The Chinese Diaspora in South-East Asia: The Overseas Chinese in Indochina (Library of Modern China Studies)*, I.B. Tauris, New York, 2012; Y. Santasombat (ed), *Transnational Chinese Diaspora in Southeast Asia: Case Studies from Thailand, Malaysia, and Singapore*, Springer, Singapore, 2022.

¹⁵⁹ I.H. Cho and S.H. Park, '[The Rise of China and Varying Sentiments in Southeast Asia toward Great Powers](#)', *Strategic Studies Quarterly*, Vol 7, No 2, 2013, pp. 69-92.

¹⁶⁰ ASEAN, '[Overview of ASEAN-China Dialogue Relations](#)', ASEAN Secretariat Information Paper, 2020, p.1.

¹⁶¹ Ibid.

¹⁶² Ibid.

¹⁶³ J. Haacke, '[Seeking Influence: China Diplomacy Toward ASEAN After the Asian Crisis](#)', *Asian Perspective*, Vol 26, No 4, 2002, pp. 13-52.

¹⁶⁴ S.S. Katz, '[The Asian Crisis, the IMF and the Critics](#)', *Eastern Economic Journal*, Vol 25, No 4, 1999, pp. 421-439.

towards Southeast Asia¹⁶⁵) started to wane at the end of the 2000s. China gradually began to act more assertively, especially in managing the disputes in the South China Sea¹⁶⁶.

After a tense stand-off at Scarborough Shoal in 2012, the Philippines turned to an arbitral tribunal constituted under Annex VII to the **UN Convention on Law of the Sea, which in 2016 ruled that China's maritime claims – the 'nine-dashed line' – to most of the South China Sea are not compatible with international law**¹⁶⁷. However, China ignored the ruling after having strengthened its presence in disputed areas through an unprecedented construction of artificial islands and placement of military infrastructure¹⁶⁸. Chinese vessels have continued harassing other claimants' fishermen, law enforcement and military ships, most recently concerning the Philippines' attempts to resupply their outpost in the Second Thomas Shoal¹⁶⁹. The various kinds of tensions in the area can be expected to continue. Although it is not in China's interest to enter into open military conflict, the country excels in 'grey zone operations' which steadily increase its power and influence in the region¹⁷⁰. Obviously, a war could still be accidentally triggered, even if it is not in the interests of any of the parties involved.

These geopolitical and military tensions notwithstanding, China's influence in Southeast Asia is primarily the result of its strengthened economy. China has been ASEAN's largest trading partner since 2009¹⁷¹. Although in terms of FDI China lags behind other providers of capital (most important being the USA but also the EU and Japan)¹⁷², **its role has increased rapidly over the past decade, particularly thanks to the provision of financial loans for infrastructure projects**. Most visible are two high-speed railway projects in Laos (Vientiane-Boten) and Indonesia (Jakarta-Bandung), both of which have been completed. The first highlights many problematic aspects often discussed with Chinese projects: **high debts, questionable economic benefits, accusations of environmental negligence as well as rising political influence and dependency on China**.

Another challenging example of China's presence in the region can be observed in Cambodia. In particular, the coastal city of Sihanoukville has seen massive development as a result of Chinese real estate investment, while at the same time creating **various problematic issues for local inhabitants**¹⁷³. Furthermore, China's ongoing construction work at the Ream naval base has led to speculation that China is going to establish a military base there¹⁷⁴. Nevertheless, both Cambodia and Laos have regularly defended China's interests during internal ASEAN dealings, for instance during the South China Sea disputes¹⁷⁵.

Myanmar, led by a military junta since 2021 and under Western sanctions for human rights abuses, has long engaged in developing relations with China, which as a result has established a strong presence in

¹⁶⁵ J. Kurlantzick, '[China's Charm Offensive in Southeast Asia](#)', *Carnegie Endowment for International Peace*, 1 September 2006.

¹⁶⁶ *Ibid.*, p. 271.

¹⁶⁷ Permanent Court of Arbitration, [The South China Sea Arbitration \(The Republic of Philippines v. The People's Republic of China\)](#), Inter-state arbitration, 12 July 2016.

¹⁶⁸ Asia Maritime Transparency Initiative, '[China Island Tracker](#)', webpage, nd.

¹⁶⁹ J. Gomez and J. Calupitan, '[Dozens of Chinese Ships Chase Philippine Vessels Near Disputed Shoal](#)', *The Diplomat*, 13 November 2023.

¹⁷⁰ A. S. Erickson and R. D. Martinson (ed.), *China's Maritime Gray Zone Operations*, China Maritime Studies Institute and Naval Institute Press, 2023.

¹⁷¹ ASEAN, '[Overview of ASEAN-China Dialogue Relations](#)', ASEAN Secretariat Information Paper, 2020.

¹⁷² *Ibid.*

¹⁷³ S. Po and K. Heng, '[Assessing the Impacts of Chinese Investments in Cambodia: The Case of Preah Sihanoukville Province](#)', *Cambodia Institute for Cooperation and Peace*, Vol 19, WP 4, 2019.

¹⁷⁴ J. Pollock and D. Symon, '[Is China Building a Military Base in Cambodia?](#)', *Chatham House*, 28 July 2023.

¹⁷⁵ E. Pang, '["Same-Same but Different": Laos and Cambodia's Political Embrace of China](#)', *ISEAS – Yusof Ishak Institute*, No 66, 2017.

the country¹⁷⁶. Besides other developments, this has led to the **construction of pipelines transporting oil and gas across Myanmar** from the Kyaukphyu Special Economic Zone to the Chinese border¹⁷⁷.

While China has strong relations with authoritarian governments in the region, the country has also developed connections with more democratic members of ASEAN, such as Indonesia and Malaysia. **Compared to China, the EU is in many respects a much more distant actor for Southeast Asia.** However, due to their **colonial history**, various EU members also look back at a centuries-long presence in the region – most significantly, the Netherlands, France, Spain and Portugal – this creates a complicated legacy which must be taken into consideration. More specifically, some form of anti-Western sentiment and suspicions may favour China, which often portrays itself as a defender of the interests of developing countries.

Whilst the EU established relations with ASEAN in 1977, subsequent progress has been slower than that involving China¹⁷⁸. **The EU has bilateral Free Trade Agreements (FTAs) with Singapore and Vietnam, but it does not have any agreement with ASEAN as a whole and furthermore it seems highly unlikely that a regional FTA could be concluded in the near future, particularly in light of ongoing disagreements over palm oil** (where Indonesia and Malaysia have high stakes)¹⁷⁹ but also due to the EU's questionable ability to ratify such an agreement. This puts the EU at a disadvantage compared to China, which has had a bilateral FTA with ASEAN since 2002 (and since 2022 as part of the Regional Comprehensive Economic Partnership)¹⁸⁰.

Today, the **EU is ASEAN's third largest trading partner** with about 9 % of its overall trade, behind the USA (15 %) and China (16 %). However, intra-ASEAN trade is even larger, representing about 22 % of the total¹⁸¹.

The EU has long been one of the most important investors in ASEAN, one of the few areas where it can compete with China on an equal footing. However, the same cannot be said about the provision of infrastructure, where China has managed to make inroads over the previous decade, largely through the BRI. By way of response, the EU's Global Gateway initiative has promised a EUR 10 billion package for infrastructure projects in ASEAN, to be spent by 2027, in areas such as: clean energy; digital infrastructure; research; and education¹⁸².

Directly comparing the EU's and China's standing in the region, it is also helpful to look at how the situation is perceived. According to the 2023 survey involving 1 308 respondents from Southeast Asian elites conducted by the Singapore-based Institute of Southeast Asian Studies, almost 60 % identified China as the dominant economic power, followed by ASEAN itself (15 %) and the USA (10.5 %)¹⁸³. Only 4.2 % of respondents identified the EU as the dominant economic power, similar to Japan¹⁸⁴. What is noteworthy, though, is that **perceptions of China's economic importance decreased in 2023 compared to 2022, while those of the EU and other actors increased**¹⁸⁵. In terms of strategic/political importance, China's role is seen as only slightly less strong, with 41.5 % of respondents identifying it as the region's dominant

¹⁷⁶ J. Kurlantzick, '[China's Support for Myanmar Further Shows the World Dividing Into Autocracy versus Democracy](#)', *Council on Foreign Relations*, 4 April 2022.

¹⁷⁷ Center for Strategic and International Studies, [Kyaukpyu: Connecting China to the Indian Ocean](#), Commentary, 4 April 2018.

¹⁷⁸ Delegation of the European Union to the Association of Southeast Asian Nations, [The European Union and ASEAN](#), *European External Action Service*, 2 December 2022.

¹⁷⁹ Reuters, '[Indonesia, Malaysia Aim to Fight 'Discrimination' Against Palm Oil](#)', 8 June 2023.

¹⁸⁰ ASEAN, [ASEAN-China Free Trade Area Building Strong Economic Partnerships](#), October 2015.

¹⁸¹ S. Ganbold, [Share of the Top Trading Partners for ASEAN Exports of Goods in 2021](#), *Statista*, 29 September 2023.

¹⁸² European Commission, [EU-ASEAN Commemorative Summit - Opening remarks by President Ursula von der Leyen](#), *Youtube*, 14 December 2022.

¹⁸³ S. Seah, J. Lin, M. Martinus, S. Suvannaphakdy, & P. Thi Phuong Thao, [The State of South East Asia: 2023 Survey Report](#), *ISEAS-Yusof Ishak Institute*, 9 February 2023.

¹⁸⁴ *Ibid.*

¹⁸⁵ *Ibid.*

actor, compared to 31.9 % for the USA and 4.9 % for the EU, a sharp increase from only 0.8 % just a year earlier¹⁸⁶. At the same time, China's influence is not seen positively with about two thirds of respondents expressing worry about it compared to one third for whom it is welcome¹⁸⁷.

It has long been accepted that Southeast Asia does not want to choose between the USA and China but prefers to develop relations with both. Indeed, worsening US-China relations are seen as a challenge – 36.2 % of the survey respondents are worried about the impact of a US-China de-coupling, while 41.9 % are concerned about increased military tensions as manifested in various regional flashpoints¹⁸⁸. Interestingly, according to 42.9 % of the respondents, significantly ahead of any other actor the EU is the preferred 'third party' with whom to develop relations¹⁸⁹ as a way to escape the bipolar nature of US-China competition.

In terms of general public opinion, the Sinophone Borderlands project surveyed 6 out of 10 ASEAN members in 2022. **In Vietnam and the Philippines, the EU (together with the USA) was seen in a substantially more positive light than China, while in Indonesia, Malaysia, Thailand and Singapore sentiment towards the EU and China was similar**¹⁹⁰. One area where the EU does seem to have a clear edge over China was evident in respondents' perceptions concerning the quality of life¹⁹¹. Interestingly, the general public was relatively impressed with the EU's economic and even military power, for which it was ranked close to China (and the USA)¹⁹².

In summary, **there is a clear asymmetry between the roles and influence of the EU and China in Southeast Asia, with China now considered substantially more important.** While the meteoric rise of China's influence in the region is now probably over, it is unrealistic to expect any significant change to this asymmetry in the foreseeable future.

The economy naturally represents an area where the EU is most relevant, but even here it faces an uphill battle to compete with China, both in terms of trade and provision of infrastructure. **Even if the Global Gateway succeeds, the EU will struggle to compete with China in terms of traditional physical infrastructure, which will continue to be of crucial importance for the development needs of ASEAN countries.** Nonetheless, the EU should continue to work on deepening economic relations with ASEAN countries, both in the context of de-risking and increasing its provision of development aid in the region.

Besides the economy, the EU cannot take on a substantial military role and thus the USA will continue to be the key actor here in balancing China geopolitically.

In terms of norms and values, the EU and ASEAN are the two most successful regional integration projects, but they differ in many respects. As a result, **ASEAN does not entirely share the EU's visions concerning democratic standards, human rights, rule of law and even perspectives on some concrete issue areas such as environmental standards** (for example, concerning palm oil). Yet, the EU is often respected for its values, its upholding of international law and its preference for multilateralism. These aspects added to the EU's support of ASEAN's centrality in regional affairs without having its own narrow geopolitical interests and military presence may be leveraged to improve the EU's standing in the region.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

¹⁸⁸ Ibid.

¹⁸⁹ Ibid.

¹⁹⁰ R. Turcsányi, K. Kironská, A. Gerstl, K. Dubravčíková, J. Iocovozzi, P. Gries, A. Chubb and M. Šimalčík, [Public Opinion in the Indo-Pacific: Divided on China, Cheering for US & EU](#), CEIAS, November 2022.

¹⁹¹ Ibid.

¹⁹² Ibid.

Finally, to maximise its influence, **the EU should consider coordinating more with its partner countries such as Japan, South Korea and Australia, not only to offer ASEAN countries legitimate quality alternatives to China, but also to escape from the US-China rivalry.**

4.5 The EU-China 'battle of narratives' on the global stage

On the contemporary global stage, China presents an increasingly contrasting narrative about modernity and development to the EU and the USA, in vying for influence and legitimacy. At the core of this narrative competition is the portrayal of **what modernity entails and how it should be achieved**, especially within the Global South. China's narrative of an 'alternative modernity' essentially posits that there are multiple pathways to modernisation, not solely the Western model of liberal democracy and market economy. Countries should be able to pursue 'true multilateralism'¹⁹³ in a sustainable development path that suits their own needs¹⁹⁴, as opposed to trying to comply with Western standards and values. The propagation of an alternative understanding of human rights by China as collective rather than individual rights is a part of this campaign. Although carefully crafted not to sound confrontational and drawing on the UN SDGs, China's targeted, centralised and financially enhanced narrative has serious implications for the European value-based development vision.

Connected to the 'telling China's story well' approach first voiced by Xi Jinping in 2013, the alternative modernity narrative has internal and external dimensions. The first legitimises the Communist Party as an originator of growth for China. The post-1979 'Reform and Opening up' policy pioneered by Deng Xiaoping is named as a golden standard of indigenous development, but China's leadership is also careful not to alienate the Mao Zedong heritage, claiming that the groundwork had been laid since 1949. According to Xi Jinping, China stood up during Mao's period, became rich during Deng's and now is becoming strong¹⁹⁵.

The second dimension, though, goes beyond just fostering China's confidence in its chosen direction¹⁹⁶. China is determined to proliferate Xi Jinping's political and economic slogans as a global standard, an alternative for developing nations that have faced challenges with the Western approach. This model is being marketed as a **no-strings-attached form of development experience sharing and is characterised by a non-pluralistic strong state, loan-based infrastructure development as a prerequisite for economic growth and social control, thus lacking the EU's emphasis on human rights and transparency.** This effort is particularly evident in the way Beijing manoeuvres to embed Xi's thoughts in UN documents and the BRI's Memoranda of Understanding, as well as bilateral agreements with countries worldwide. By doing so, China is not merely exporting its governance model, but is also seeking to redefine the norms and rules of the international order. This marks a direct challenge to the EU's normative influence, which is anchored in a set of values and institutional practices that propagate democratisation and liberalisation, both as a development path and a political goal.

However, the EU has been able to adapt to this challenge relatively well. In a short time-span since 2018, **the bloc has been able to reach an internal shared understanding of the risks that propagation of the Beijing narrative brings, which has been a challenging task given the dependencies binding larger European economies to China**¹⁹⁷. Nevertheless, the approach to institutionally countering China's

¹⁹³ Ministry of Foreign Affairs of the People's Republic of China, '[Wang Yi Attends the Launch of the Global Development Report](#)', News, 20 June 2022.

¹⁹⁴ Center for International Knowledge on Development, '[Progress Report on the Global Development Initiative](#)', Ministry of Foreign Affairs of the People's Republic of China, June 2023.

¹⁹⁵ J. Xi, '[Speech at the First Session of the 14th National People's Congress](#)' [在第十四届全国人民代表大会第一次会议上的讲话], Ministry of Foreign Affairs of the People's Republic of China, 13 March 2023.

¹⁹⁶ Z. Huang and R. Wang, '[Building a Network to 'Tell the China Story Well': Chinese Diplomatic Communication Strategies on Twitter](#)', *International Journal of Communication*, Vol 13, 2019, pp. 2984-3007.

¹⁹⁷ Interview with an ex-EEAS official, November 2023.

attempts to reform the international system on the global stage, including those via UN channels, will take time. Currently, a momentum is building. Firstly, there is a high level of shared awareness between the EU and like-minded countries. Secondly, there is a growth in the private voicing of disappointment from several of China's BRI partners in the Global South, mostly related to the practicalities of debt management, project implementation and lack of transparency. These countries and municipalities are not willing to express discontent publicly, though, due to fears of economic retaliation from China, coupled with a general aversion to the West and a reluctance to aid Western interests by criticising China¹⁹⁸. Thirdly, and most importantly, reacting to threats created by China's increasing regional assertiveness, a number of neighbouring countries have begun to prioritise national security over economic ties and are openly pushing back.

For now, this momentum is fragile and will certainly be influenced by the upcoming US presidential elections' outcome. However, while it lasts **the EU should explore how to amplify such legitimate third-party expressions of discontent over China's vision of an alternative modernity, rather than presenting it as primarily a Western grievance.** Providing additional incentives is helpful in regions where China's rapidly expanding influence is contributing to self-censorship. To this end, the EU is better positioned than the USA.

4.6 EU strategic communication strategy in regard to China

The rise of China as a global power has brought about a significant shift in the international geopolitical landscape and hence a need for reassessing communication styles and diplomatic strategies. A comprehensive and well-crafted approach is crucial for the EU in managing its complex relationship with China, as it seeks to **navigate the challenges posed by Beijing's growing influence whilst asserting the Union's own values and interests.** Furthermore, the EU's communication on China is wider than the bilateral relationship, as *inter alia* it has the secondary effect of influencing the EU-ASEAN relationship.

Currently, the EU's strategic communication in regard to China rests on two formulations: the 'cooperation partner-economic competitor-systemic rival'¹⁹⁹ triptych and the de-risking approach.

According to Ursula von der Leyen, de-risking is not exclusively *vis-à-vis* China, as it is about 'managing the risks we see, addressing excessive dependencies through diversification of our supply chains'²⁰⁰. This is a positive communication move, as it has the potential to be better perceived in China than the triptych. Chinese counterparts generally tend to push back against this triptych with three arguments²⁰¹:

- Firstly, it is regarded as **contradictory** and compared to a traffic light system that is displaying 'green, yellow and red' simultaneously. This description was used by Special Representative of the Chinese Government on European Affairs Wu Hongbo²⁰² and has subsequently 'gone viral' in the Chinese policy space.
- Secondly, Chinese foreign policy communicators do not have a problem with the label of competitor, yet strongly **disagree with the aspect of rivalry.** According to China's Ambassador to the EU Fu Cong: 'From China's perspective, we disagree with this triple definition. We believe we are more partners than rivals. In our view, we can cooperate and compete, but there is no reason to be rivals'²⁰³.

¹⁹⁸ Interview with a senior South Asian nation career diplomat with experience of work in multilateral institutions, November 2023.

¹⁹⁹ European Commission, '[EU-China – A strategic outlook](#)', JOIN(2019) 5 final, 12 March 2019.

²⁰⁰ European Commission, '[Statement by President von der Leyen at the joint press conference with President Michel following the EU-China Summit](#)', *European Commission*, 7 December 2023.

²⁰¹ European Policy Centre, '[EU & China Think-Tank Exchanges](#)', Beijing (Chatham House Rule), October 2023.

²⁰² H. Wu, '[Europe Cannot Turn on the Traffic Lights for China at the Same Time!](#)' [欧洲不能对中国红绿灯同时亮起], *Center For China and Globalization*, 13 October 2023.

²⁰³ C. Fu, '[Speech by Ambassador Fu Cong at CERIS-ULB Diplomatic School of Brussels](#)', *Mission of the People's Republic of China to the European Union*, 24 October 2023.

- Thirdly, Chinese counterparts suggest that in the EU's approach **'rival' rather than 'partner' has begun to dominate**. The EU has communicated the partner-competitor aspects better, but the systemic rivalry has either not been communicated sufficiently well, or is simply not acceptable in China. At the same time, the EU has clearly not explained to China, or even the general public, what 'a systemic rival promoting alternative models of governance' means, which is different from simply referring to China as a 'rival'²⁰⁴.

Interestingly, the wider South-East Asian region is informed about 'de-risking', yet generally does not know about the triptych. Still, this new formula has met with the same displeasure in Beijing; 'de-risking' is being viewed as another word for 'de-coupling' and thus called an 'over-reaction'²⁰⁵. A similar reading comes from Singapore: 'China and even South-East Asia think it's about protectionism, friend-shoring. When de-risking is used, there is no difference in anxiety levels in the region as when de-coupling is used. The governments in the region still believe that supply chains need to be free and as globalised as in the past, in part because the region had benefitted from that phase in globalisation. If de-risking develops, the region could suffer'²⁰⁶. In general, though, **'de-risking' will serve as a better communication framework**, in that it is: not contradictory as it contains no 'traffic lights' problem; and not adversarial, as it is coupled with the EU's message of not aiming to limit China's growth. However, it explains and sets clear boundaries on economic issues, overcoming the main weakness of the triptych, namely its vagueness²⁰⁷. Nevertheless, **when communicating with Chinese, but especially ASEAN counterparts, it is important to point out how this differs from de-coupling, stressing that it allows for a level of interdependence and cooperation**.

4.7 The EU as a global promoter of values and norms

From human rights to data protection rules to environmental standards, for the past 20 years the EU has become a legitimate setter of global norms. In today's complex international environment, the **EU's role in the 'Global South' is one of the main defining issues for its credibility and future global position, which enhances the Global Gateway's importance**. The EU and its Member States make up by far the biggest provider of development aid, as stated by High Representative Josep Borrell in October 2023²⁰⁸.

The Global Gateway has begun work on transforming its positive vision into reality, with: green energy projects in Mauritania, Vietnam, Tanzania, the Philippines and Bangladesh; the BELLA Undersea Cable projects that connects Europe to Brazil; digital projects in Costa Rica and Senegal; the Lobito trade project with Angola, the Democratic Republic of Congo and Zambia; along with digital satellite connectivity in Central Asia²⁰⁹. **All these projects can have a strong impact and help develop the Global Gateway brand, unlocking new opportunities once other countries see its early success**.

In October 2023, the European Commission organised its first Global Gateway Forum in Brussels. Gathering together '40 high-level Government representatives, financial institutions and business representatives'²¹⁰,

²⁰⁴ G. Tzogopoulos, '[Greece, China and the 17+1 Initiative](#)', Hellenic Foundation for European and Foreign Policy, Policy Paper #45/2020, 2020, p. 4.

²⁰⁵ European Policy Centre, '[EU & China Think-Tank Exchanges](#)', Beijing (Chatham House Rule), October 2023. & China Think-Tank Exchanges, Beijing, October 2023. Chatham House Rule.

²⁰⁶ Interview with an Asian researcher, October 2023.

²⁰⁷ Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy / Vice-President of the European Commission, '[EU-China Summit - Of Rivalry and Partnership](#)', HR/VP Blog, European External Action Service, 12 December 2023.

²⁰⁸ Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy / Vice-President of the European Commission, '[Global Gateway, EU's proposal in the global "battle of offers"](#)', *European External Action Service*, 27 October 2023.

²⁰⁹ Ibid.

²¹⁰ European Commission, '[Global Gateway Forum kick starts to boost sustainable investments in infrastructure](#)', Press release, 25 October 2023.

the Global Gateway positioned itself as a central element of the EU's strategy regarding the Global South²¹¹. However, taking into account previous experiences, such as those originated from the Connectivity forum in 2019, the outcomes may be limited. EU institutions 'still lack an effective enough coordination on this matter'²¹², according to Borrell, and must do more as a bloc in order to impact citizens and countries.

Despite ambitious goals, 'there is a mismatch between Europe's self-perception as a bastion of values and what the Global South believes'²¹³. This has been the case since the start of the Ukraine war, where the West (including the EU) has been accused of 'double standards'²¹⁴ with regard to welcoming refugees (Ukrainian refugees were warmly welcomed in neighbouring EU countries, unlike refugees from other troubled nations) and support for military interventions in Afghanistan, Iraq and Libya. 'The EU's "double standards" on human rights could also erode the bloc's legitimacy in the Global South', according to the Executive Director of Human Rights Watch, Tirana Hassan²¹⁵. Although they bear few illusions about China's ambition as a values-advocate, many countries would rather leverage their relations with major powers, including those in the West, with heavyweight Beijing.

Nonetheless, the EU's role on the global stage has been positive and it maintains one notable advantage: **unlike the USA, it is not seen as a geopolitical or military power**. In the current international environment, which is increasingly characterised by US-China geopolitical tensions and competition, the EU has a chance to carve out its own role. However, to be successful in this regard it must avoid framing its strategies, policies and actions as competing with China, as many in the Global South do not want to take part in such a competition. To some extent, given that certain governments in the Global South have turned to China and the BRI in a belief that Chinese investments and loans have no political strings attached, **the EU would be best served by focusing on quality, sustainability and standards in its projects as well as adopting various forms of engagement. Connecting these to political requests regarding democracy, rule of law and human rights should remain the common approach, but with a degree of flexibility in delivering results.**

Yet, the EU should not abandon its principled foreign policy and the central role it awards to promoting human rights, especially when it comes to confronting authoritarian governments with egregious human rights records. Lacking the profile of a great power driven by geopolitical interest, **the EU can serve as a strong promoter of its values on the global stage, especially if it remains faithful to these values and principles**. At the same time, the EU should focus on its role in setting global rules, norms and standards in various domains, such as **internet governance, AI and other emerging technologies** whose implementation could be vastly different if authoritarian powers manage to promote their visions.

5 EU-China security and military competition

5.1 EU-China relations based on the EU's Strategic Compass

The EU's Strategic Compass for Security and Defence represents an important step on the EU's journey to enhance its security and become a geopolitical global player. However, this Compass is more focused on Russia and the EU's security in its neighbourhood, than on China, with the latter

²¹¹ Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy / Vice-President of the European Commission, [Global Gateway, EU's proposal in the global "battle of offers"](#), *European External Action Service*, 27 October 2023.

²¹² Ibid.

²¹³ S. Malhotra and S. Saran, [How to Reset Relations Between Europe and the Global South](#), *Internationale Politik Quarterly*, 29 June 2023.

²¹⁴ Ibid.

²¹⁵ M. G. Jones, ["Double standards" undermine EU legitimacy in Global South: Human Rights Watch chief](#), *Euronews*, 26 October 2023.

mentioned only nine times, mostly in a short paragraph that defines China based on the EU's triptych approach of partner-competitor-systemic rival²¹⁶.

The Compass has four pillars, namely **'Act, Secure, Invest and Partner', which create a holistic approach in dealing with security crises**. On this basis, EU-China relations take on an aura of geopolitical competition, in which the EU must prepare to 'Act' in the event of conflict in Taiwan, the South China Sea and/or the East China Sea. Accordingly, the EU must 'Secure' its military position on different flanks by increasing its maritime presence in Asia, especially in South East and East Asia. To achieve this, the EU must 'Invest' in military capabilities and a presence in the Indo-Pacific. At the same time, it must 'Partner' and further develop its relationships with like-minded countries and organisations in order to counter China's military expansion.

In this regard, the EU should try to coordinate or facilitate joint naval deployments in the Indo-Pacific from EU Member States, to facilitate the embedding of troops from Member States that lack blue water navies on European ships deployed in the region. European countries should engage with like-minded partners in the Indo-Pacific, such as Australia, Japan and South Korea, engaging in port visits, exchanges and military exercises. **While the EU can play only a limited military role in the Indo-Pacific, greater engagement could contribute to maintaining freedom of navigation and the rules-based order.**

China's military modernisation and expansion, combined with Beijing's territorial claims and its authoritarian political system, poses a series of risks, the worst being the possibility of large-scale military conflict. This represents the greatest risk for the EU, as a war would have profound economic consequences and could also affect the global order. Other risks are those of cybersecurity and those connected with the expansion of China's nuclear arsenal, which risks affecting strategic stability or sparking a nuclear arms race in East Asia. This is true both in peacetime, when cyber operations and cyberespionage are frequent, and especially during wars, when cyberattacks are likely to intensify. Important roles will be played by the EU's Hybrid Toolbox; Cyber Diplomatic Toolbox; Cyber Defence Policy; Foreign Information Manipulation and Interference Toolbox; as well as the Space Strategy for Security and Defence.

When it comes to outer space, the EU and China have also become competitors, as cooperation has been affected by the general downtrend in EU-China relations. While in 2017 astronauts from the European Space Agency were participating in exchange training programmes with their Chinese counterparts in order to be able to fly to the Chinese space station in 2020²¹⁷, by 2023 the director asserted that the agency does not have the budgetary capacity nor the political intention to send its astronauts to China's space station²¹⁸. **China's space programme is quickly developing and, while focused on peaceful exploration, it also has a military component²¹⁹ and the Chinese military forces play important roles within the country's space programme²²⁰.** In this context, it is important for the EU to discuss with Beijing the necessity for the peaceful use of outer space and potential risks from its militarisation.

5.2 China's position on Russia's invasion of Ukraine

The topic of the China-Russia no-limits partnership announcement just days before the full-scale Russian invasion of Ukraine and subsequent Chinese stalling on the issue has been a telling factor in the EU's reading of China's foreign policy. Individual Member States and the EU have firmly communicated to China that Europe would not tolerate open military support for Russia, most recently during the 2023 EU-China

²¹⁶ European External Action Service, [A Strategic Compass for Security and Defence](#), 24 March 2022.

²¹⁷ A. Jones, ['ESA is no Longer Planning to Send Astronauts to China's Tiangong Space Station'](#), *Space News*, 25 January 2023.

²¹⁸ Ibid.

²¹⁹ T. A. Lee and P. W. Singer, ['China's Space Program Is More Military Than You Might Think'](#), *Defense One*, 16 July 2021.

²²⁰ J. Sharpe, F. Moustakis, M. Trichas, and D. Terrill, ['What Does the People's Republic of China's Space Program Mean for Great Britain and the West?'](#), *The Space Review*, 3 July 2023.

Summit: 'The EU called on China to use its influence on Russia to stop its war of aggression and strongly encouraged China to engage on Ukraine's Peace Formula. The EU underlined the importance of China continuing to refrain from supplying lethal weapons to Russia. **The EU equally urged China to prevent any attempts by Russia to circumvent or undermine the impact of sanctions**'²²¹. **This message is different from a call for China to mediate, because it is formulated to deter rather than to appease.**

China's position on Russia's invasion, often referred to as 'pro-Russian neutrality', is complex. China views Russia's invasion as a challenge to US dominance and hence considered a factor in shifting the global power balance. **China has endorsed Russia's narrative that the root cause of the war is NATO expansion, unilaterally driven by the USA**²²². Albeit false, this narrative has resonated well among anti-US political forces and ideologies globally, thus helping China's anti-US agenda. China is also concerned about Russia facing defeat or humiliation in the war, as it would bring instability to its Northern border. Yet it is equally wary of the potential Western-led economic sanctions that could result from providing extensive support to Russia and even harbours some resentment towards Russia as its invasion has effectively destroyed any prospects for the BRI in Europe, including Ukraine. China is also uneasy about the nuclear aspect of the invasion²²³, both regarding Vladimir Putin's tactical strike threats and risks to civilian nuclear infrastructure in a war zone, such as the Zaporizhzhia nuclear power plant²²⁴. As a result, **China holds back from giving Russia the full-scale assistance it is capable of, with Chinese companies operating within the realm of deniability as they supply some critical weapon system components to Russia**²²⁵.

It appears that Chinese counterparts have indeed understood the centrality of Russia's war in Ukraine for the European agenda. The impact of CEE solidarity with Ukraine on China's views of Europe has also been flagged in the Chinese analytical space. Researchers argue that the 'crisis' has boosted values diplomacy in the CEE, which impacts Sino-European relations negatively. **From seeing the CEE as a friendly entry point into Europe just over a decade ago, China's foreign policy analysis has shifted to perceive the region now as anti-Chinese from a values perspective.** Some go as far as to blame the Russian invasion directly for the loss of Chinese soft power in the CEE and Europe as a whole²²⁶.

With this in mind, Chinese communications are developing custom narratives for EU counterparts to mitigate the perception of China's support for Russia. The EU-facing narrative distances China from Russia, expresses concern over the war and speaks of China's positive role in nuclear deterrence against Russia²²⁷. This narrative exists in parallel with the Russia-facing and, to an extent, the Global South-facing narratives, which are anti-Western and supportive of Russia's theory of NATO and US hegemony as the root cause of the conflict.

European leaders should be mindful of the contradictory stories given to different partners during their meetings with Chinese counterparts in track 1 as well as track 1.5 formats and should not fully rely on China's framing, especially by avoiding public expressions of confidence in China's role as a mediator and crisis solver. **China's 'neutrality' vis-à-vis Russia's invasion of Ukraine is in fact an example of strategic ambiguity, allowing the state actors to tailor positions according to their counterparts.**

²²¹ European Commission, '[24th EU-China Summit: engaging to promote our values and defend our interests](#)', Press Release, 7 December 2023.

²²² Ministry of Foreign Affairs of the People's Republic of China, '[Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on April 1, 2022](#)', Press conference, 1 April 2022.

²²³ European Policy Centre, '[EU & China Think-Tank Exchanges](#)', Beijing (Chatham House Rule), October 2023.

²²⁴ U. A. Bērziņa-Čerenkova, '[The China Nuclear Taboo and Russia's War in Ukraine](#)', *Instituto Affari Internazionali*, Paper, July 2023.

²²⁵ M. Williams and J. O'Donnell, '[Ukraine Says it is Finding More Chinese Components in Russian Weapons](#)', *Reuters*, 17 April 2023.

²²⁶ Interview with a China-based academic, October 2023.

²²⁷ European Policy Centre, '[EU & China Think-Tank Exchanges](#)', Beijing (Chatham House Rule), October 2023.

5.3 Taiwan and the risks of a military conflict

Over the past few years, there has been increasing speculation that the Chinese leadership might have a timeline for its goal of ‘reunification’ with Taiwan, attention being focused on the year 2027. This is seen by some as the deadline set by Xi Jinping for the People’s Liberation Army to be prepared for an invasion²²⁸. Nonetheless, there is no public evidence to support any firm timeline and nor are there even official suggestions of a possible deadline, as the 2027 military modernisation deadline has likely been misinterpreted²²⁹. **The only clear deadline in official declarations is connected to the primary goal of the ‘great rejuvenation of the Chinese nation’ which is supposed to have happened by the 100th anniversary of the PRC in 2049.**

In a speech dedicated to Taiwan in 2019, **Xi Jinping referred to ‘reunification with Taiwan’ as being ‘critical to the rejuvenation of the Chinese nation in the new era’**²³⁰. This connection was later inserted in a key official document, the Resolution of the CCP Central Committee on the Major Achievements and Historical Experience of the Party over the Past Century: ‘[R]esolving the Taiwan question and realizing China’s complete reunification is [...] essential to realizing national rejuvenation’²³¹. In the past, **Xi has also referred to the idea that the ‘Taiwan question’ ‘cannot be passed on from generation to generation’**. His first reference was almost a decade ago, shortly after coming to power, during a meeting with a Taiwanese representative in 2013²³². This could be interpreted as presenting a shorter timeframe for ‘reunification’ than 2049.

While there is no available public evidence to indicate the existence of a fixed deadline, the risk of invasion is growing proportionally with China’s rising military power, but also in tandem with the intensification of tensions around Taiwan, to which China’s actions themselves are contributing. Over recent years, Chinese military forces have not only increased, but also normalised their operations and exercises in the vicinity of Taiwan, with spikes in activity at moments of political tensions, as was the case following then-US Speaker of the House of Representatives Nancy Pelosi’s visit to Taiwan in 2022²³³.

Over the coming years, as China’s military continues its modernisation and expansion, with the primary goal of preparing for a possible Taiwan contingency, China’s military manoeuvres surrounding Taiwan are likely to escalate. **These are intended not only to strengthen the People’s Liberation Army’s ability to wage war and to wear down Taiwan’s military position, but also to signal China’s commitment to take over Taiwan and to display its growing military might, in the hope that this will demoralise the public and elites in Taiwan, thereby forcing it to surrender without the need for an invasion.**

The impact on the EU of a military conflict in the Taiwan Strait would be significant, with its scale depending on the realities of the scenario that will unfold. **The worst-case would represent a direct, large-scale war between China and the USA, Japan and maybe even Australia or South Korea.** The economic costs of such a war have been estimated to be over USD 2 trillion²³⁴, but the impact could be even higher. Large-

²²⁸ M. Shelbourne, ‘[Davidson: China Could Try to Take Control of Taiwan In ‘Next Six Years’](#)’, *USNI News*, 9 March 2021; A. Willemyns, ‘[CIA director: China Ready for Taiwan Invasion by 2027](#)’, *Radio Free Asia*, 2 March 2023; A. Hawkins, ‘[Taiwan Foreign Minister Warns of Conflict with China in 2027](#)’, *The Guardian*, 21 April 2023.

²²⁹ J. Blanchette, B. Boland and L. McElwee, ‘[What is Beijing’s Timeline for “Reunification” with Taiwan?](#)’, *Center for Strategic and International Studies*, 26 May 2023; B. Hart, ‘[Bad Idea: Conflating Chinese Military Modernization Goals with a Timeline for Compelling Taiwan](#)’, *Center for Strategic and International Studies*, 21 December 2021; K. Hille, ‘[US Is Misleading In Its Assessment of China’s Taiwan Threat](#)’, *Financial Times*, 5 May 2021.

²³⁰ J. Xi, ‘[Working Together to Realize Rejuvenation of the Chinese Nation and Advance China’s Peaceful Reunification](#)’, *Wikisource*, 2 January 2019.

²³¹ The State Council, [Full Text: Resolution of the CPC Central Committee on the Major Achievements and Historical Experience of the Party over the Past Century](#), *The People’s Republic of China*, 16 November 2021.

²³² Reuters, ‘[China’s Xi Says Political Solution for Taiwan Can’t Wait Forever](#)’, 6 October 2013.

²³³ B. Lewis and A. Kung, ‘[Taiwan ADIZ Violations Database](#)’, *Google Doc*, 7 December 2023.

²³⁴ C. Vest, A. Kratz and R. Goujon, ‘[The Global Economic Disruptions from a Taiwan Conflict](#)’, *Rhodium Group*, 14 December 2022.

scale military operations in the East China Sea would affect most of the EU's trade with China, Taiwan and South Korea as well as part of its trade with Japan. Because of China's military bases in the South China Sea, a war or an intentional Chinese blockade of Taiwan could also affect the use of large swathes of the South China Sea, thus possibly also affecting the EU's trade with Vietnam, which is becoming a popular destination for relocating supply chains from China.

Another important cost would come in the form of economic sanctions imposed by the USA and those that the EU will also impose, either of its own volition or under public and allied pressure. **Judging by Beijing's behaviour of responding to foreign sanctions²³⁵, China is likely to reciprocate with official counter-sanctions, unofficial economic coercion and popular boycotts.** Because of the extent to which China is embedded within the global economy, these sanctions and counter-sanctions would have a vast impact on world markets. At the same time, a direct US-China war would lead to unprecedented and unpredictable market crashes, the scale of which would probably dwarf those caused by the 2020 COVID-19 pandemic and which would be unlikely to experience a similarly quick recovery. In turn, while it is difficult to predict the impact that such market crashes would have on the broader economy, which depends on the particular economic context, it is very likely that the combination of sanctions, counter-sanctions, market panic, disrupted trade and boycotts would lead to a recession and widespread economic issues in Europe, more intense than those caused by Russia's invasion of Ukraine.

While a large-scale US-China war represents the worst-case scenario, there are also other possibilities that, while involving a more limited military conflict, would come with considerable economic costs. For example, **Beijing could decide to stage military operations only to take over islands in the Taiwan Strait administered by Taipei, or to enforce a naval blockade of Taiwan.** The consequences of such scenarios would range from disrupted trade to the impact on particular companies of sanctions, counter-sanctions and boycotts.

It is very important to note that **the EU will be under intense pressure to respond to any attempt to change the status-quo through force with economic sanctions and it is difficult to imagine scenarios in which the EU could avoid any political or economic involvement in a Taiwan crisis.** As one EEAS official emphasised, 'the stability of the Taiwan Strait is a global interest and it is an interest for the EU'²³⁶. However, any sanctions will be met with Beijing's chosen responses, which are likely to be targeted in such a way as to inflict maximum political pain on the EU. Combined with US sanctions and disruptions in trade, **a Taiwan contingency will bring economic turmoil, shortages and supply-chain issues, inflation and possibly a recession.**

The costs of an invasion would also be high for China. Along with the uncertainty regarding the result of an invasion, the likely costs are one of the main factors that deter Beijing from such a decision. **Nonetheless, as China's military power increases and the balance of power in the Taiwan Strait moves further in its favour, Beijing is more likely to see an invasion as feasible and as likely to be successful. Moreover, as the Chinese leadership continues on its path of prioritising economic security and self-sufficiency, while preparing the country for possible sanctions, it could start regarding economic costs as less daunting.**

Another factor is **China's growing nuclear arsenal, estimated to have grown to 500 operational warheads currently and projected to reach over 1 000 by 2030²³⁷.** While the purpose of this massive

²³⁵ M. Szczepański, '[China's Economic Coercion Evolution, Characteristics and Countermeasures](#)', European Parliamentary Research Service, European Parliament, PE 738.219, 2022; A. Adachi, A. Brown and M. J. Zenglein, '[Fasten Your Seatbelts: How to Manage China's Economic Coercion](#)', *MERICs*, 25 August 2022; K. Drinhausen and H. Legarda, '[China's Anti-Foreign Sanctions Law: A Warning to the World](#)', *MERICs*, 24 June 2021.

²³⁶ Interview with an EEAS official, conducted in November 2023.

²³⁷ US Department of Defense, '[Military and Security Developments Involving the People's Republic of China](#)', Annual report to Congress, 2023, p. 104.

expansion is unclear, it could be motivated by a desire to improve China's ability to deter the USA from a consistent military intervention in case of a Taiwan war, by focusing on nuclear deterrence. While this gambit could fail to deter Washington's intervention, the nuclear expansion itself could embolden Beijing to pursue an invasion, under the belief that the risk of large-scale war is diminished by its conventional and nuclear military power, based on how Russia managed to deter any direct NATO intervention in Ukraine.

Finally, another important factor in Beijing's calculus regarding a potential Taiwan invasion concerns its internal politics and perception of Taiwan as well as the possibility of 'peaceful reunification'. As the Chinese economy slows and faces problems, Beijing is likely to try to blame the West in some way, thereby ramping up nationalism. As Taiwan is arguably the most nationalistically-charged subject in China, it will receive increasing focus. At the same time, tensions are likely to grow as Beijing increases military pressure on Taiwan, while the USA and its allies strengthen their engagement with Taipei. Western political contacts with Taiwan could strengthen deterrence, but they can also increase tensions and risks if they are not well-planned and executed. Over time, another important factor in Beijing's decision-making is its perception on whether 'peaceful reunification' with Taiwan is even still feasible, as China's 2005 Anti-Secession Law states that Beijing 'shall employ non-peaceful means' if 'possibilities for a peaceful reunification should be completely exhausted'²³⁸. **The increases in nationalism in China, the strengthening of party control and centralisation of power, the rising tensions between China and the West and in the Taiwan Strait as well as the growing opposition in Taiwan for political agreements with Beijing are all factors that increase the risk of war over the coming years.**

The recent victory of Lai Ching-te of the Democratic Progressive Party in the January 2024 presidential elections implies a likely continuation of the tense *status-quo* in cross-Strait relations for the next four years. Most probably, China will continue to expand and intensify its military presence in Taiwan's vicinity and continue to pressure Taiwan through a combination of military, economic, diplomatic and hybrid tools.

While the current balance of power as well as the risks and likely costs still deter Beijing from invading, existing trends are chipping away at this deterrence. These trends include China's growing power, intensified nationalism, Beijing's heightened focus on economic security along with strengthening self-reliance, but also the West's attempts to de-risk and reduce economic interdependence. Beijing sees Taiwan as 'the core of China's core interests'²³⁹ and will continue to focus its political and military attention on the island, while increasing its pressure on Taipei. As the risk of war grows, **Europe will need to prepare plans for a variety of contingencies, but at the same time try to communicate with Beijing and strengthen deterrence by transmitting its firm opposition to the use of military force.** However, it must tread carefully so as not to provoke Beijing and thus increase the risk of war. For example, using engagement with Taiwan as a way of publicly communicating political opposition to Beijing is likely to backfire.

6 Case study: EU-China competition in enlargement countries, especially in the Western Balkans

6.1 EU-China relations in Ukraine and Moldova

The Republic of Moldova (hereafter Moldova) established diplomatic relations with China in January 1992, which over the past 30 years has become a key economic partner, with bilateral trade rising from USD

²³⁸ The National People's Congress of China, [Anti-Secession Law](#), 14 March 2005.

²³⁹ Huaxia, [Xi Holds Trilateral Meeting with Macron, von der Leyen](#), 07 April 2023.

70 000 in 1992²⁴⁰ to USD 947.2 million in 2022²⁴¹. **In 2022, the amount of goods that Moldova imported from China represented around 10 % of its total²⁴², placing China in third place as Moldova's largest trade partner after Romania and Russia²⁴³.**

Both countries have continued to regard their relationship positively²⁴⁴ and in its quest for development Moldova has always adopted a pragmatic approach toward China²⁴⁵, welcoming Chinese investments, but at the same time aiming to become an EU Member State. Despite this desire to attract Chinese investments, China is not an important economic player in Moldova, having participated in only two important projects: the Port of Giurgiulești, on the Danube; and a photovoltaic park in Criuleni.

Moldova has been a BRI member since signing a Memorandum of Understanding in 2014²⁴⁶ and thanks to its geographical position and many agreements with the EU, the country **aims to become an 'investments hub' and 'transit zone'²⁴⁷ for Chinese goods.** One first step towards this goal was the China Shipping Container Lines agreement with Danube Logistics, the Moldavian company that operates the port of Giurgiulești, which is owned by Dutch company Danube Logistics Holding BV and the European Bank for Reconstruction and Development²⁴⁸. This agreement allows China Shipping Container Lines to increase its shipping services in Moldova²⁴⁹, with the aim of spurring Moldavian exports to China. According to the Giurgiulești International Free Port authority, in 2014 (before signing the agreement) '57 % of import containers originated from China and 76 % of the export containers were shipped from Giurgiulești International Free Port to Asian markets'²⁵⁰.

The other important project involved PowerChina. Opened in 2022, the EUR 3.7 million²⁵¹ Chinese-built photovoltaic park at Criuleni aims to produce an annual output of 4 million kilowatt²⁵². Criuleni is the biggest photovoltaic park in Moldova, built by way of a grant received from the Chinese government²⁵³. **In 2015 and 2016, Moldova received two non-refundable grants, one of RMB 50 million (EUR 7 million)²⁵⁴ and another of RMB 60 million (EUR 8.1 million)²⁵⁵ from China, which was intended to finance techno-economic projects,** such as the Criuleni photovoltaic park, a beltway around Chișinău and

²⁴⁰ MoldPres, '[Yan Wenbin: Sino-Moldovan bilateral relations will surely develop better and better](#)' [Relațiile bilaterale chino-moldave se vor dezvolta la sigur din ce în ce mai bine], 12 June 2022.

²⁴¹ National Bureau of Statistics of the Republic of Moldova, [Moldova in Cifre \(Moldova in Figures\)](#), 2023, p.34.

²⁴² Ibid.

²⁴³ Ibid.

²⁴⁴ Xinhua, '[Moldova's Deputy PM: 'China's Economic Vitality Is Impressive'](#)', 20 April 2023; MoldPres, '[Yan Wenbin: "Sino-Moldovan bilateral relations will surely develop better and better"](#)' [Yan Wenbin: "Relațiile bilaterale chino-moldave se vor dezvolta la sigur din ce în ce mai bine"], 12 June 2022.

²⁴⁵ S. Șclearuc, '[Moldovan-Chinese Economic Relations: Infrastructure Projects and the Belt & Road Initiative](#)' [Relațiile Economice Moldo-Chineze: Proiectele de Infrastructură și Inițiativa Belt & Road], *Asociația pentru Politica Externa*, 17 January 2023.

²⁴⁶ S. Șclearuc, '[Moldovan-Chinese Economic Relations: Infrastructure Projects and the Belt & Road Initiative](#)' [Relațiile Economice Moldo-Chineze: Proiectele de Infrastructură și Inițiativa Belt & Road], *Asociația pentru Politica Externa*, 17 January 2023.

²⁴⁷ S. Șclearuc, '[Dynamics and Perspectives of Moldovan-Chinese Trade Relations](#) [Dinamica și Perspectivele Relațiilor Comerciale Moldo-Chineze]', *Asociația pentru Politica Externa*, 17 January 2023.

²⁴⁸ Giurgiulești International Free Port, '[Operator and General Investor](#)', webpage, nd.

²⁴⁹ S. Șclearuc, '[Moldovan-Chinese Economic Relations: Infrastructure Projects and the Belt & Road Initiative](#)' [Relațiile Economice Moldo-Chineze: Proiectele de Infrastructură și Inițiativa Belt & Road], *Asociația pentru Politica Externa*, 17 January 2023.

²⁵⁰ European Union Border Assistance Mission to Moldova and Ukraine and Customs Service of the Republic of Moldova, [Giurgiulești International Free Port Study](#), nd, p. 29.

²⁵¹ Aid Data, '[Project ID: 85203](#)', webpage, nd.

²⁵² S. Șclearuc, '[Moldovan-Chinese Cooperation in the Field of Renewable Energy. Case Study: Criuleni Photovoltaic Park](#) [Cooperarea Moldo-Chineză în Domeniul Energiei Regenerabile. Studiu de Caz: Parcul Fotovoltaic de la Criuleni]', *Asociația pentru Politica Externa*, 17 January 2023.

²⁵³ TVR Moldova, '[Green Energy Gains More and More Traction in the Republic of Moldova: The Largest Photovoltaic Park Located in Criuleni](#)' [Energia Verde Capătă Tot Mai Mult Teren și în R. Moldova: Cel Mai Mare Parc Fotovoltaic ce se Află în Criuleni a Început să Funcționeze], nd.

²⁵⁴ Ministry of Foreign Affairs and European Integration, [Agreement no 2](#), Republica Moldova, 16 January 2015.

²⁵⁵ Government of Republic of Moldova, [Acord Privind Cooperarea Tehnica si Economica dintre Guvernul Republicii Moldova si Guvernul Republicii Populare Chineze \(Agreement on Technical and Economic Cooperation between the Government of the Republic of Moldova and the Government of the People's\)](#), 18 April 2016.

a traffic surveillance system for Chişinău²⁵⁶. Yet, whilst the park was completed, the beltway and surveillance system projects have both been abandoned.

Since Maia Sandu became president of Moldova in 2020, the country's foreign policy focus has been redirected towards the West, specifically the EU. The country has taken a firmer stance against Russia and has also become more reluctant regarding engagement with China. **Negotiations for a bilateral FTA with China that started in 2017 are now in limbo.** Hence, China's role and influence in Moldova are now very limited and the relationship has significantly cooled. The current Moldovan government is firmly pro-European and primarily focused on its EU candidate status. It must be said, though, that China's interest in Moldova over the years has never been extensive.

Meanwhile, Moldova's neighbour, Ukraine, has been careful not to alienate China. Its pre-war bilateral relationship, launched with the establishment of diplomatic relations in 1992 and deepened by a 'strategic partnership' pledge in 2011, had been covering various sectors²⁵⁷, reaching down into municipal levels. This was largely seen at the time as mutually beneficial and complimentary by both countries. In 2021 before the war started, China had been Ukraine's largest trading partner, both in terms of imports and exports²⁵⁸, a position held since 2020²⁵⁹. In 2017, Ukraine had joined the BRI²⁶⁰, which led to the opening of a BRI trade and investment centre in Kyiv a year later²⁶¹. Yet, **by 2021 the total amount of Chinese FDI in Ukraine was still very limited, accounting for only USD 111 million²⁶² and representing a mere 0.3 % of Ukraine's total FDI²⁶³.** Among these investments, the Chinese state-owned food processing holding company COFCO's USD 50 million investment in Mariupol²⁶⁴ is the most important. However, Chinese companies were also engaged in different activities, such as dredging in ports such as Yuzhne and Chornomorsk, both near Odesa²⁶⁵. Other important investments are those made by the Chinese retailer Watsons and the solar plants built by China National Building Material Group. Today, China's possible economic interest in the post-war humanitarian and economic development of Ukraine is certainly possible, with the **country's Position on the Political Settlement of the Ukraine Crisis stating that it 'stands ready to provide assistance and play a constructive role'²⁶⁶ in post-conflict reconstruction.**

Geopolitically, Ukraine's government recognises the importance of preventing Beijing from providing diplomatic or military support to Russia. Furthermore, Ukraine has acknowledged that China's apprehension regarding nuclear threats voiced by Vladimir Putin aligns with its own interests. Ukraine praised the Chinese representative's participation in the consultation over the Peace Formula of President Volodymyr Zelenskyy, held in Jeddah during August 2023, and expressed a belief that 'China is ready to continue participating in this format'²⁶⁷. Taking a more cautious stance, certain Ukrainian strategic

²⁵⁶ Ministry of the Foreign Affairs and European Integration, ['The People's Republic of China \[Republica Populară Chineză\]'](#), Republica Moldova, March 2023.

²⁵⁷ Ministry of Foreign Affairs of the People's Republic of China, ['Relations between China and Ukraine \[中国同乌克兰的关系\]'](#), November 2023.

²⁵⁸ World Integrated Trade Solutions, ['Ukraine trade balance, exports and imports by country and region 2021'](#), World Bank, webpage, nd.

²⁵⁹ E. Wishnick, ['Ukraine: China's Burning Bridge to Europe?'](#), CNA, 4 February 2022.

²⁶⁰ Green Finance & Development Center, ['Countries of the Belt and Road Initiative \(BRI\)'](#), webpage, nd.

²⁶¹ E. Wishnick, ['Ukraine: China's Burning Bridge to Europe?'](#), CNA, 4 February 2022.

²⁶² Embassy of the Ukraine in the People's Republic of China, ['Trade and Economic Cooperation'](#), 16 May 2022.

²⁶³ B. Prokhorov, D. Goriunov and S. Sakhno, ['Chinese Economic Footprint in Ukraine'](#), Centre for Economic Strategy, 24 September 2021.

²⁶⁴ C. Devonshire-Ellis, ['China Retains Position As Ukraine's Top Trade & Potential Investment Partner'](#), China Briefing, 17 March 2023.

²⁶⁵ E. Wishnick, ['Ukraine: China's Burning Bridge to Europe?'](#), CNA, 4 February 2022.

²⁶⁶ Ministry of Foreign Affairs of the People's Republic of China, ['China's Position on the Political Settlement of the Ukraine Crisis'](#), 24 February 2023.

²⁶⁷ President of Ukraine, ['The most important outcome of the meeting in Jeddah is that we are one step closer to the implementation of the Peace Formula - Andriy Yermak'](#), 8 August 2023.

communication officials consider that **China will preserve a neutral stance for now and ultimately side with the victorious party**: ‘if Russia’s positions are pushed back, China will not support them’²⁶⁸. This is a possibility, especially given that China has not recognised Russia’s annexation of Ukrainian territories, such as the Donbas region or even Crimea.

However, Ukraine has also been clear in not signalling equidistance between the EU and China, reaffirming its goal of becoming an EU Member State. **Unlike China’s position on NATO, its officials are careful not to express any strict position against Ukraine’s accession to the EU**. Expert opinion analysis suggests that, given the current state of conflict, Beijing views the possibility of accession as a distant and unlikely prospect²⁶⁹, that as such does not merit a high priority. Yet, in China’s eyes the strong Ukrainian stance on Euro-integration, and especially NATO integration, ultimately falls into what Xi Jinping calls ‘Cold War mentality, unilateralism, bloc confrontation and hegemonism’²⁷⁰, which thereby limits any expectations that China will contribute to solving the conflict in Ukraine’s favour.

6.2 China’s relations with the Western Balkans

As of 2023, **five of the six Western Balkans nations hold the status of candidate countries for EU membership**. Whilst in December 2022 Kosovo²⁷¹ submitted an application for EU membership, it has yet to attain candidate status and thus is presently designated as a potential candidate. The approval of candidate status upon Bosnia and Herzegovina (B&H) in 2022 signifies that all the remaining Western Balkans countries – Albania, Montenegro, North Macedonia and Serbia – are officially recognised as candidates for EU membership, each navigating distinct stages of the accession process reflecting varying degrees of development.

Three Western Balkans nations, **Albania, Montenegro and North Macedonia have NATO membership, demonstrating a comprehensive commitment to the Euro-Atlantic partnership, both from a political standpoint and within the ambit of collective defence and security cooperation**. While the Western Balkans regional actors have prioritised this trajectory of European integration, the region has concurrently emerged as a focal point of interest for various global entities. Notably, **China has established a consequential presence through the cultivation of bilateral relationships**, the China-Central and Eastern European Countries (CEEC) cooperation platform (formerly known as the 16/17+1), and the execution of projects as part of the BRI Initiative across a number of countries in the region.

The extent of Chinese involvement in the Western Balkans varies among individual nations. Five countries have signed Memoranda of Understanding with China²⁷², formalising their BRI participation, and have been integral members of the China-CEEC cooperation platform since its inception in 2012. However, two noteworthy contrasts exist within the regional landscape. **China, by virtue of its non-recognition of Kosovo as an independent entity, lacks official diplomatic and political relations with the region, resulting in economic interactions that are constrained and significantly limited. In stark contrast, Serbia emerges as a conspicuously committed partner to Beijing, fostering a sustained, comprehensive and extensive collaborative relationship with China**.

Each of the remaining Western Balkan nations exhibits distinctive features in its collaboration with China, albeit with discernible commonalities. Cooperation has largely been manifested through **preferential**

²⁶⁸ Interview with Anayit Khoperiya, Head of the department for countering information threats to national security at the Center for Countering Disinformation, Ukraine, November 2023.

²⁶⁹ Center for Strategic and International Studies, ‘[How far has Ukraine gone to join the EU? \[乌克兰加入欧盟，走到哪一步了?\]](#)’, *China Think Tank Network*, 19 July 2022.

²⁷⁰ Ministry of Foreign Affairs of the People’s Republic of China, ‘[The Global Security Initiative Concept Paper](#)’, 21 February 2023.

²⁷¹ This designation is without prejudice to positions on status, and is in line with UN Security Council Resolution 1244(1999) and the International Court of Justice Opinion on the Kosovo declaration of independence.

²⁷² Green Finance & Development Center, ‘[Countries of the Belt and Road Initiative \(BRI\)](#)’, webpage, nd.

loan agreements extended by Chinese financial institutions to facilitate crucial infrastructure modernisation efforts across the region. Concurrently, there has been a discernible uptick in promotional endeavours, orchestrated either by Chinese official entities and embassies or notable regional figures, encompassing both current and former high-ranking politicians. However, China's status as an investor in the region remains somewhat constrained, excluding the case of Serbia. Whilst Chinese companies have injected EUR 4.5 billion²⁷³ into the Western Balkans nations since 2014, more than EUR 4 billion of that has been invested in Serbia²⁷⁴, albeit this figure positions China clearly behind EU Member States, whose collective investments amount to 61 % of the region's total FDI²⁷⁵ over the same period.

However, **Beijing's multifaceted approach in the region continues to expand, with Chinese companies being present in projects featuring the energy, mining and automotive industries.** Across the region, Chinese enterprises have demonstrated keen interest in expanding their footprint within the extractive and raw materials sector. This interest can be characterised as a confluence of demand-driven factors originating from both China and the Western Balkans. As it has been argued, China's involvement in the Western Balkans' extractive and raw materials industries is intricately tied to its overarching need for specific raw materials²⁷⁶. Furthermore, given the region's inherent limitations in autonomously developing these sectors due to capacity and resource constraints, the imperative for partnerships has driven Western Balkan countries toward collaborations with Chinese companies or international entities with substantial levels of Chinese ownership.

The challenges associated with Chinese engagement in the Western Balkans region parallel those observed in the broader CEE context, characterised by a notable dearth of specific outcomes. With the exception of Serbia, Chinese FDI has been relatively modest, while countries in the region have also become more cautious when considering bilateral loan agreements after an initial preparedness to engage with China. Nevertheless, Beijing persists as an appealing partner for select regional actors, progressively amplifying its influence and degree of presence.

A measure of political convergence between the Western Balkans nations and China is evident in their stance on Taiwan. **In line with aspiring to EU membership, all countries support the 'One China' policy and even Kosovo refrains from recognising Taiwan as an independent entity.** However, it is noteworthy that this alignment is not uniform, as certain countries exhibit a more adaptable approach to cooperating with Taiwan. **Their positions are nuanced and contingent on the extent of engagement and partnership with Beijing**²⁷⁷.

Thus, it is crucial to recognise that a significant portion of China's involvement in the Western Balkans has been **demand-driven**. The region, marked by its developmental disparities, sought accessible avenues for infrastructure development following the global financial crisis. In response, the Chinese government, banks and companies played a pivotal role in providing much-needed access to mechanisms for such development. Chinese-supported projects have been viewed as an alternative to financial schemes offered by Western financial institutions, primarily due to their perceived low or non-existent conditionality regarding the economic and financial justification of projects, as well as their economic sustainability. Additionally, **the fragile state of democratic development and weak democratic norms, coupled with a concentration of power, have facilitated engagements with China in specific Western Balkans**

²⁷³ Cumulative number of the countries' national banks data collected by the authors.

²⁷⁴ National Bank of Serbia, '[Balance of Payments](#)', webpage, nd.

²⁷⁵ European Commission, '[European Neighbourhood Policy and Enlargement Negotiations \(DG NEAR\). Enhanced EU engagement with the Western Balkans](#)', webpage, nd.

²⁷⁶ A. Krstinovska and V. Vuksanović, '["Win Some, Lose Some": China's Involvement in the Extractive and Raw Materials Industries in the Western Balkans](#)', *Association for International Affairs*, 2023, p. 5.

²⁷⁷ Ibid.

countries. This dynamic has supported the portrayal of China as a ‘provider of economic development’²⁷⁸, aligning with the official narrative of the CCP and corresponding with one of the BRI’s objectives: positioning **China as a benevolent partner that refrains from imposing conditions and establishes cooperative mechanisms with the singular goal of providing assistance.**

6.2.1 Limited success in China’s cooperation with Albania and North Macedonia

China’s presence in the region has been one of historical significance, with **Albania being the country that stands out when it comes to the longevity of high-level diplomatic cooperation.** However, it can be said that this historical context has not translated into the contemporary level of partnership.

In February 2023, Albania’s Prime Minister Edi Rama expressed the position that his country had not derived discernible benefits from its engagement in Chinese-led cooperation platforms such as China-CEEC and the BRI²⁷⁹. However, this is not to imply any immediate withdrawal from these cooperation mechanisms. Instead, Albania intends to maintain open channels of communication with Beijing²⁸⁰. Building upon this stance, the two countries further cultivated their relationship by signing a visa liberalisation agreement in January 2023²⁸¹. This accord enables citizens of both nations to travel between the two without short-term visa requirements, permitting stays of up to 90 days²⁸².

Nevertheless, in contrast to some Western Balkans countries, China’s influence in Albania has been notably restrained. **Albania stands alone among Western Balkans nations by maintaining official relations with China, despite abstaining from implementing any infrastructure projects through preferential loan agreements in the preceding decade.**

China’s presence in Albania is evident through various significant investments and collaboration agreements, although not all have proved to be sustainable. The most notable investment in Albania materialised in 2016 through acquisition of the Canadian company Bankers Petroleum by China’s Geo-Jade Petroleum for almost USD 0.5 billion²⁸³. With this acquisition, Geo-Jade Petroleum gained full development rights to Albania’s Patos-Marinza oilfield, recognised as the largest onshore oilfield in Europe²⁸⁴. This strategic move subsequently positioned the Chinese company as a key player, through its subsidiary Bankers, responsible for 95 % of Albania’s crude oil production²⁸⁵.

Chinese enterprises have also extended their influence into the mining sector within Albania. Notably, in 2014 Jiangxi Copper acquired a 50 % stake in Nesko Metal²⁸⁶, a Turkish-owned entity, thereby gaining control over the concessions held by the Turkish company in Albania. Analogous to the acquisition of Bankers Petroleum, **this transaction involved the purchase of a foreign company engaged in operations within Albania.** While not formally categorised as FDI, it has significantly contributed to the establishment of China’s economic presence in the country and the region.

²⁷⁸ Government of the Republic of Serbia, ‘[Chinese Investments Have Stimulated Serbia’s Economic Development](#)’, 5 November 2023.

²⁷⁹ A. Taylor, ‘[Albanian PM: No Economic Benefits From Chinese Cooperation](#)’, *Euractiv*, 23 February 2023.

²⁸⁰ *Ibid.*

²⁸¹ Cooperation Between China and Central and Eastern European Countries, ‘[China, Albania sign visa-free travel agreement](#)’, 18 January 2023.

²⁸² China Radio International, ‘[The Agreement on the Mutual Waiver of Albania-China Visas Enters Into Force on March 18 \[Marrëveshja për heqjen reciproke të vizave Shqipëri-Kinë hyn në fuqi më 18 mars\]](#)’, 2 March 2023.

²⁸³ European Council on Foreign Relations, ‘[Mapping China’s Rise in the Western Balkans: Serbia](#)’, 23 March 2022.

²⁸⁴ *Ibid.*

²⁸⁵ *Ibid.*

²⁸⁶ Balkan Insight, ‘[China in the Balkans](#)’, webpage, nd.

China's involvement in Albania serves as a notable illustration of the uncertainties inherent in collaborations with Beijing. In 2016, China Everbright, a state-backed Chinese company, acquired full ownership to operate the Tirana International Airport from AviAlliance GmbH, a German-American company, for around EUR 80 million²⁸⁷. At that time, the Tirana International Airport stood as the country's sole airport, marking a significant Chinese investment in airport infrastructure within a NATO member state²⁸⁸. However, within a mere four years, under circumstances that remain unclear, the Chinese company fully divested this concession to a local entity in a transaction valued at approximately EUR 71 million²⁸⁹. Overall, the Chinese FDI presence in Albania has remained limited. From 2014 to 2022, based on Bank of Albania data, Chinese FDI flows were just above EUR 9.6 million, which accounted for around 0.1 % of Albania's total FDI inflow during the same period²⁹⁰.

Beyond this modest economic impact, Albania's position concerning China is distinctly shaped by its unequivocal alignment with the Euro-Atlantic alliance, including a 100 % alignment with the EU's Common Foreign and Security Policy (CFSP) as well as NATO membership²⁹¹. Despite historical connections and involvement in various cooperation platforms, Albania does not emerge as a staunch ally of China, with the overall partnership being characterised by limitations and lack of substantive depth.

North Macedonia stands out as another Western Balkans nation demonstrating a commitment to the trajectory of Euro-Atlantic integration. Attaining NATO membership in 2020, coupled with initiation of the EU membership negotiation process in 2022, has solidified North Macedonia's foreign policy orientation, curbing any potential impact of misaligned foreign influences.

The **limited Chinese involvement in North Macedonia can be attributed, in part, to a negative episode in the execution of mutually agreed projects between the two parties.** Added to the challenges in joint economic projects, political cooperation between China and North Macedonia is limited and holds minor significance for their overall relations.

In 2012, the Chinese company Sinohydro was tasked with constructing two highways in North Macedonia. This endeavour evolved into one of the most significant corruption scandals in the history of the country, leading to the downfall of then Prime Minister Nikola Gruevski and his government²⁹². The combined length of these two highways spans 104 kilometres, with segments from Miladinovci to Shtip covering 47 kilometres and from Kichevo to Ohrid extending 57 kilometres. Initially valued at EUR 638 million and financed through a loan from the Chinese Export-Import Bank²⁹³, the project faced setbacks, to the extent that by the original completion deadline in 2018, whilst the former highway was completed, the latter was still only half finished. Consequently, three annexes to the initial contract were adopted, extending the deadline to 2021 and augmenting the total contract value by EUR 180 million²⁹⁴. In November 2023 incumbent Prime Minister Dimitar Kovacevski said that North Macedonia might revise this second motorway project, which could lead to abandoning the contract with Sinohydro and working with other companies to complete construction²⁹⁵.

²⁸⁷ V. Zeneli, [Chinese Influence in the Western Balkans and Its Impact on the Region's European Union Integration Process](#), *The Institute for Human Sciences*, nd.

²⁸⁸ Ibid.

²⁸⁹ Ibid.

²⁹⁰ Bank of Albania, '[Foreign Direct Investments Flow](#)', Quarterly, webpage, nd.

²⁹¹ I. Novaković and T. Plavšić, '[An analysis of Serbia's alignment with the European Union's foreign policy declarations and measures: Annual report for 2022](#)', *International and Security Affairs Centre*, February 2023, p. 5.

²⁹² A. Krstinovska, '[Exporting Corruption? The Case of a Chinese Highway Project in North Macedonia](#)', *China Observers*, 6 November 2019.

²⁹³ Ibid.

²⁹⁴ Ibid.

²⁹⁵ S.J. Marusic, '[North Macedonia Hints at Scrapping Stalled Motorway Project](#)', *Balkan Insight*, 3 November 2023.

In addition to the loan-based highway construction contract, North Macedonia has witnessed a certain level of Chinese FDI. Although this constitutes a relatively modest proportion of the overall investment landscape, it has reached EUR 136.95 million, representing 1.95 % of the country's total investment volume²⁹⁶. Notable investment initiatives include the Hesteel Group Company Limited's acquisition of ownership control over the mining and steel enterprise Maksi through a series of international mergers and acquisitions²⁹⁷. Similar to the analogous case in Albania, this transaction, involving the purchase of an international enterprise, is not categorised as FDI and is therefore excluded from aggregate statistics. Another noteworthy project underscores the influence of China in North Macedonia's railway sector. **Over the period from 2014 to 2020, the state-owned railway company entered into a contract with a Chinese counterpart for procuring a minimum of 10 diesel/electric-powered trains from China**²⁹⁸.

The current Chinese presence in North Macedonia exhibits a relatively more advanced stage compared to the collaboration between Beijing and Tirana. Nevertheless, the overarching state of partnership and key facets of cooperation bear striking similarities. Notably, internal political shifts in North Macedonia have prompted a reevaluation of the country's stance on collaboration with China. **Past unfavourable experiences have given rise to a more nuanced and cautious approach in its development of relations with China, with the future trajectory not indicating substantial advancement at this juncture.**

6.2.2 Complexity of China – Bosnia and Herzegovina cooperation

The intricate landscape of national policies and politics in B&H is mirrored in its relationship with China. Beijing has shown active engagement in the country, adopting a consistent approach to collaboration with both entities, namely the Federation of B&H and Republika Srpska.

A noteworthy success in Chinese policies, particularly in the context of deploying soft power, lies in the **active involvement of high-level political figures promoting cooperation with China**. This involvement is evident through official statements, bilateral visits and media advocacy of Chinese policies. Promoting collaboration with China finds support from Serbian and Bosniak politicians, as well as representatives of the Croat community. Primary advocates are those from the largest Serbian political party, the Alliance of the Independent Social Democrats, led by Milorad Dodik²⁹⁹, who serves as both the party president and the President of Republika Srpska. The partnership is frequently emphasised by Željka Cvijanović, a Serbian member of the B&H Presidency from the same party, who recently commended Chinese successes in a media appearance³⁰⁰. However, promoting the Chinese presence is not limited to current Serbian representatives. Mladen Ivanić, a former member of the B&H Presidency and an opposition politician in Republika Srpska, has also emerged as a vocal proponent of Chinese involvement in **B&H**³⁰¹.

²⁹⁶ National Bank of the Republic of North Macedonia, '[Stock of Direct Investments in Republic of North Macedonia](#)', webpage, nd.

²⁹⁷ A. Krstinovska and V. Vuksanović, '["Win Some, Lose Some": China's Involvement in the Extractive and Raw Materials Industries in the Western Balkans](#)', *Association for International Affairs*, 2023, p. 20.

²⁹⁸ B. Blazhevski, '[Behind the scenes: Chinese influence in North Macedonia](#)', *META. MK*, 8 March 2023.

²⁹⁹ G. Katić, '[Communists from China on Dodik's 'Field' \[Komunisti iz Kine na Dodikovom 'terenu'\]](#)', *Radio Free Europe*, 28 April 2023.

³⁰⁰ China Radio International, '[Cvijanović for KMG: China deserves every congratulations and support for its successes \[Cvijanović za KMG: Kina svojim uspesima zasluži svaku čestitku i podršku\]](#)', 10 June 2023.

³⁰¹ Nizami Ganjavi International Center, '[Another Message from NGIC Member Mladen Ivanić to China](#)', *Facebook*, video 0:04, 14 February 2020.

Beyond the Serbian community, the largest Bosniak political party, led by Bakir Izetbegović, has maintained a collaborative relationship with the CCP for over two decades³⁰². Additionally, Croat representatives regularly engage with Chinese officials in B&H³⁰³.

Beijing has effectively coordinated collaboration with various levels of policy-making in B&H, aligning with its established approach in CEE. This signifies that engagement with sub-national levels is not merely an exception, but rather standard practice. In the case of B&H, this is notably evident through established cooperation with the Sarajevo Canton. Edin Forto, former Prime Minister of the Canton³⁰⁴ and now Minister of Communication and Transport, has emerged as a prominent figure representing Chinese involvement in the country.

Hence, it comes as no surprise that projects backed by China have found implementation support from both the Federal and Republika Srpska governments. The focal point of these ventures lies within the energy sector, with the standout project being modernisation and expansion of the Tuzla thermal power plant. However, this initiative has suffered numerous delays, including the withdrawal of General Electric, a supplier contracted by the Chinese consortium, following which the project's future remains uncertain. Significantly, this was marked by the Bosnian state-owned energy company issuing its third termination warning in 2023³⁰⁵. Chinese involvement extends to several hydro-powered plants, mostly developed in collaboration with private entities on Republika Srpska's territory.

Beyond the energy sector, collaboration with Chinese companies is notably visible in transportation infrastructure. Chinese and Turkish companies have together been actively involved in 5 of the Federation's 12 highway sections, while in Republika Srpska contracts have been signed for the construction of 2 out of 3 ongoing highway sections³⁰⁶. An exceptional case in B&H is the concession-based construction of the section from Banja Luka to Prijedor, the only concession in the Balkans that includes a Chinese company (China Shandong International Economic and Technical Cooperation Group) in an infrastructure project, a unique regional occurrence. In addition to highway construction, Chinese companies are playing a role in modernising the tram system under the Canton of Sarajevo's governance³⁰⁷. This particular project has stirred questions due to the non-disclosure of contract details, despite funding by the European Bank for Reconstruction and Development³⁰⁸.

It should be noted that none of the projects mentioned above has been classified as FDI. **Assessing the extent of Chinese FDI in a country proves challenging due to the diverse levels of government process oversight and information flows.** To date, the B&H Central Bank has not recorded any Chinese FDI, distinguishing B&H as the sole Western Balkans country with established Chinese cooperation, but without documented FDI. Nevertheless, a significant level of collaboration and influence persists.

However, China's presence in B&H has not been purely benign and solely rooted in economic cooperation. In July 2021, the UN Security Council rejected a draft resolution aimed at terminating the powers and

³⁰² M. Arnautović, ['The leading parties in BiH cooperate more easily with the Chinese communists than with each other \[Vodeće partije u BiH lakše saraduju sa kineskim komunistima nego međusobno\]'](#), *Radio Free Europe*, 8 July 2021.

³⁰³ Parliamentary Assembly of Bosnia & Herzegovina, ['Deputy Speaker of the House of Peoples PBiH Dr. Dragan Čović held a meeting with the ambassador of the People's Republic of China in Bosnia and Herzegovina \[Zamjenik predsjedavajućeg Doma naroda PBiH dr. Dragan Čović održao sastanak s ambasadorom Narodne Republike Kine u BiH\]'](#), 9 March 2023.

³⁰⁴ Radio Sarajevo, ['KS Government Delegation in China: What Did They Discuss And What Did They Agree On? \[Delegacija Vlade KS u Kini: O čemu su razgovarali i šta su dogovorili?\]'](#), 12 June 2019.

³⁰⁵ V. Spasić, ['BiH Utility Sends third termination warning to Chinese Contractor on Tuzla 7 coal power project'](#), *Balkan Green Energy News*, 10 October 2023.

³⁰⁶ N. Kuloglija-Zolj, ['Chinese, Turkish Firms dominate infrastructure projects in Bosnia'](#), *Detektor*, 30 March 2023.

³⁰⁷ I. Pekmez, ['A secret contract for the reconstruction of the rails in Sarajevo with a Chinese company with a troubled past \[Tajni ugovor za obnovu šina u Sarajevu sa kineskom firmom problematične prošlosti\]'](#), *Detektor*, 19 April 2022.

³⁰⁸ *Ibid.*

closing the Office of the High Representative for B&H³⁰⁹. The vote resulted in 2 in favour (China, Russian Federation), 0 against and 13 abstentions, leading to rejection of the draft³¹⁰. The Chinese Embassy in B&H has sent an official diplomatic note expressing that the country's authorities do not recognise the legitimacy of Christian Schmidt as the High Representative in B&H³¹¹, a stance based on the premise that this draft resolution was not adopted³¹².

However, the enduring intricacy of Chinese involvement in B&H is poised to persist, given inherent complexities within the nation's decision-making apparatus. A pivotal catalyst prompting overtures from both Bosnian entities towards China for collaborative endeavours lies in the imperative for heightened efficiency and accessibility in infrastructure development. **Noteworthy is the congruence of China's approach with domestically-driven requisites.**

6.2.3 The case of Kosovo-China (lack of) cooperation

Collaboration between Kosovo and China faces constraints due to China's non-recognition of Kosovo as an independent nation. **A crucial determinant of Beijing's stance is its robust partnership with Serbia, underscored by a steadfast commitment to the principles of territorial integrity and sovereignty.** China's position is often articulated within the framework of international law, referencing UN resolutions, notably Resolution 1244³¹³.

Despite the absence of documented investments by Chinese companies in Kosovo and the lack of formal diplomatic relations, there exists a noteworthy degree of trade interaction. **Reports indicate that China ranks as the second-largest source of imports for Kosovo**³¹⁴.

Notably, Kosovo has recently adopted a clearer position regarding its relations with Taiwan. Although Kosovo has not extended formal recognition as an independent state to Taiwan, it has extended this official recognition to Kosovo. A significant development in collaboration between Taiwan and Kosovo is the establishment of a formal parliamentary friendship group in 2021³¹⁵.

While there are no diplomatic relations, it cannot be said that Kosovo has been immune to Chinese influence, albeit this can be seen as stemming indirectly from the development of cooperation and partnerships between China and other regional actors, most notably Serbia.

6.3 China's strategic influence in Serbia and Montenegro

The BRI has been promoted by Chinese officials as a model of development that comes without too many conditions. Western Balkans countries can best be described as developing nations and hence the necessity for: developing infrastructure; decreasing unemployment; as well as modernising the energy sector and outdated industrial complexes. **The case of Montenegro can be described as a cautionary tale for countries seeking an easy way to reach developmental goals and illustrates the potential negative consequences of relying on Chinese loans.**

³⁰⁹ United Nations, '[Security Council Turns Down Resolution That Would End Powers of Bosnia and Herzegovina High Representative](#)', SC/14585, 22 July 2022.

³¹⁰ Ibid.

³¹¹ Sarajevo Times, '[Chinese Embassy in BiH: We do not accept the legitimacy of Christian Schmidt as the new HR](#)', 17 August 2021.

³¹² Ibid.

³¹³ United Nations Peacemaker, '[Security Council Resolution 1244 \(1999\) on the situation relating Kosovo](#)', 10 June 1999.

³¹⁴ European Council on Foreign Relations, '[Mapping China's Rise in the Western Balkans: Serbia](#)', 23 March 2022.

³¹⁵ K. Chen, '[Taiwan Expands Relations With Kosovo With Mutual Parliamentary Friendship Groups](#)', *Taiwan News*, 21 December 2021.

A loan agreement for construction of a 42 km-long highway, initially valued at more than EUR 860 million, was signed in 2014 with the Montenegrin government led by the Democratic Party of Socialists, with an additional annex increasing the total to EUR 900 million³¹⁶.

Montenegro's national public debt surged to 103.5 % of GDP in December 2022³¹⁷. Most of this debt is owed to foreign lenders, representing 91.46 % of the country's GDP³¹⁸. The Chinese Exim Bank is Montenegro's largest bilateral lender, accounting for 17 % of the total foreign debt³¹⁹. In July 2021, the Montenegrin government and then Minister of Finance, Milojko Spajić, reached a hedge arrangement³²⁰ with a consortium of Western commercial financial institutions to mitigate the imminent crisis caused by Montenegro's near inability to repay the first tranche of the Chinese debt without further damaging financial stability. Subsequently, under the leadership of Dritan Abazović, the government decided to cancel this arrangement, contending that the move would be more advantageous for Montenegro in light of recent global financial market shifts³²¹. These developments were the reason why the new announcements of Montenegrin-Chinese cooperation and joint projects came as a surprise. With the arrival of a new Chinese ambassador to Montenegro, Fan Kun³²², Chinese representatives have adopted a more proactive approach in communicating with Montenegrin political elites, resulting in fresh developments and the initiation of joint projects. Montenegro recently formed a new government led by the former Minister of Finance, Milojko Spajić, who previously spearheaded the efforts to reach a hedge arrangement in 2021 to mitigate any fallout from the Chinese contract. However, meetings held after the elections but before the government's formation, as well as the initial contacts after the term began, indicated the possibility of new developments in Sino-Montenegrin relations in the future.

Initially, the former government, led by current member of the opposition and leader of United Reform movement, Dritan Abazović, agreed a contract in April of 2023 valued at EUR 54 million for construction of a 16 km motorway along the Adriatic coast, extending from Tivat to Budva³²³. This move occurred despite Abazović's vocal advocacy for mitigating Chinese influence in Montenegro. Subsequently, in June 2023 the same government's Minister of Finance, Aleksandar Damnjanović, announced that the government was exploring potential collaboration with the China Road and Bridge Corporation, the same company involved in constructing the EUR 900 million highway project, for the second section of the Bar-Boljare highway from Mateševo to Andrejevica³²⁴. Preceding this, **the Chinese ambassador openly declared Chinese companies' interests in new Montenegrin projects, highlighting the Adriatic coast as an especially attractive location for future Chinese investments**³²⁵.

Following these developments, Milojko Spajić, now also co-founder and leader of the Europe Now movement, became the newly appointed Prime Minister and as such held various meetings with the Chinese ambassador. Prior to his appointment, Spajić had emphasised assurances received during his visit to China, underscoring the potential for infrastructure development and advancement of new

³¹⁶ Government of Montenegro, '[Agreement on a preferential loan for the buyer for the highway construction project \(Smokovac - Mateševo section\) \[Ugovor o preferencijalnom zajmu za kupca za Projekat izgradnje autoputa \(dionica Smokovac - Mateševo\)\]](#)', 16 November 2021.

³¹⁷ CEIC Data, '[Montenegro Government Debt: % of GDP \(2010-2023\)](#)', *ISI Emerging Markets Group Company*, Quarterly, webpage, nd.

³¹⁸ Central Bank of Montenegro, '[Godišnji makroekonomski izvještaj CBCG 20](#)', 2020.

³¹⁹ Ibid.

³²⁰ Reuters, '[Montenegro Agrees Hedging Deals to Ease Chinese Debt Burden -Report](#)', 21 July 2021.

³²¹ L. Šćepanović, '[Montenegro Without a currency shield from the Chinese loan \[Crna Gora bez valutnog štita od kineskog kredita\]](#)', *Radio Free Europe*, 19 June 2023.

³²² Portal Analitika, '[Fan Kun Is The New Ambassador of China in Montenegro \[Fan Kun novi ambasador Kine u Crnoj Gori\]](#)', 23 September 2022.

³²³ M. Rudovic, '[Montenegro Pushes ahead with new Chinese project despite previous debt controversy](#)', *Radio Free Europe*, 26 April 2023.

³²⁴ S. Kajosevic, '[China's CRBC Keen to build Montenegrin highway's next stretch](#)', *Balkan Insight*, 12 July 2023.

³²⁵ S. Janković, '[China wants to continue investing in Montenegro \[Kina želi nastavak ulaganja u Crnu Goru\]](#)', *Radio Free Europe*, 22 March 2023.

technologies in fostering overall national development³²⁶. During his second meeting with the Chinese ambassador within a two-week period and now in his official capacity as Prime Minister, Spajic asserted that Montenegro and China share a robust friendship³²⁷. He further affirmed that the new Government of Montenegro, while adhering to the 'One China' principle, will continue to develop bilateral relations and foster practical cooperation³²⁸. In addition to political cooperation, the Chinese economic footprint in Montenegro has predominantly materialised through loan agreements, with FDI maintaining a low level. **In the 2015-2021 period, China's investments in Montenegro amounted to slightly over EUR 118 million, constituting a modest 2 % of total investments in that time-frame³²⁹.**

Montenegro stands out as an intriguing case due to its persistent willingness to broaden cooperation with China, despite a history of somewhat turbulent collaboration over the past decade. Notably, the Chinese ambassador has assumed an increasingly influential role as a political figure within the country. It is significant that even though they represent former governments and ruling majorities, former President Filip Vujanović³³⁰ as well as former President and Prime Minister Milo Đukanović³³¹ have vocally supported collaboration with China. This indicates a consensus within Montenegro's broader political elite, suggesting a prevailing belief that cooperation with China currently holds potential benefits for the country.

The extent and importance of Chinese influence in the Western Balkans exhibit a range of nuances, characterised by varying degrees of relevance and complexity. **For Serbia, the presence of Chinese-backed actors, the sectors in which they operate, the endorsement by the local leadership and the number of projects undertaken collectively contribute to a more advanced and developed scenario. The Chinese presence in Serbia can be characterised as strategic and comprehensive.** Although it has already achieved a substantial level of cooperation, it is noteworthy that this presence is still evolving and expanding.

In October 2023, Serbian President Aleksandar Vučić visited China for the Third Belt and Road Forum, illustrating the multifaceted relations that have evolved between Serbia and China over the past decade. This visit highlighted a comprehensive collaboration extending beyond mere economic and superficial political ties. During this Summit, President Vučić announced that a total of 18 agreements and contracts between the 2 nations had been signed³³². Of significance was the FTA, a development that raised concerns particularly because Serbia as a candidate for EU membership is expected to align its foreign trade policies with those of the EU. EU officials have asserted that, should Serbia become an EU Member, the FTA with China would need to be terminated³³³. The Summit also unveiled new loan agreements for infrastructure projects in Serbia.

While the total value of these joint projects varies depending on sources and project stages, data from the Serbian Ministry of Finance indicates that, by September 2023, Serbian external debt dedicated to the

³²⁶ K.B. Spajic, '[Spajic: My stay In China Convinced Me How Much Infrastructure Development And New Technologies Can Develop a Country](#)', *Vijesti*, 2 November 2022.

³²⁷ Embassy of the People's Republic of China in Montenegro, '[Ambassador Fan Kun met with the newly elected Prime Minister of Montenegro Miloško Spajic](#)' [Ambasador Fan Kun sastao se sa novoizabranim predsjednikom Vlade Crne Gore Miloškom Spajićem], *News*, 17 November 2023.

³²⁸ Ibid.

³²⁹ A. Krstinovska and V. Vuksanović, '["Win Some, Lose Some": China's Involvement in the Extractive and Raw Materials Industries in the Western Balkans](#)', *Association for International Affairs*, 2023, pp. 18-19.

³³⁰ F. Vujanović, '[Accusing China of Creating 'Debt Trap' for Montenegro Groundless](#)', *Global Times*, 21 April 2021.

³³¹ China Radio International, '[Đukanović: Beijing is trying to bring the countries of Southwestern Europe closer to the European Union](#)' [Đukanović: Peking pokušava da zemlje jugozapadne Evrope približi Evropskoj uniji], 31 March 2023.

³³² Beta, '[Vučić: Serbia Signed a Record 18 Agreements in China](#)' [Vučić: Srbija u Kini potpisala rekordnih 18 sporazuma], 18 October 2023.

³³³ J. Jevtić, '[New Serbia-China trade deal violates EU accession rules, but is celebrated anyway](#)', *Euractiv*, 3 November 2023.

repayment of Export-Import Bank of China loans amounted to EUR 2.5 billion³³⁴. Notably, Serbia has been servicing tranches for Chinese contracts since 2014, with projections suggesting repayments extending beyond 2040 for newly announced contracts on values potentially exceeding EUR 8 billion³³⁵. Despite this, Serbia's general public debt by late September 2023 stood at 51.7 % of its GDP³³⁶, reflecting a favourable position for financial stability. However, sustained economic growth is crucial in ensuring the country's ability to manage and repay its Chinese debts.

Serbia's attracting FDI is a pivotal strategy in maintaining its economic stability. **Remarkably, between 2014 and 2022, Chinese companies invested over EUR 4.1 billion in Serbia³³⁷, marking a substantial contribution compared to other investor nations.** Notably, in 2021 and 2022 China outpaced all individual countries in terms of investment, injecting EUR 1.37 billion and EUR 1.42 billion, respectively, while the EU27 collectively invested less³³⁸. China's presence in Serbia spans diverse sectors, with a predominant focus on mining, notably exemplified by Chinese Zijin Mining's investments, which in the future will reach almost EUR 4 billion, in two separate projects in Eastern Serbia's Bor region³³⁹. The automotive industry has also witnessed an increased Chinese presence, evidenced by the establishment of several car-parts factories across the country³⁴⁰.

This influx of investments has allowed Serbia's political elite, led by President Vučić, to present China as a significant contributor to Serbia's economic development³⁴¹. This narrative is often amplified by pro-governmental Serbian media³⁴². The Serbian Progressive Party, a former ruling party still influential in the government, has maintained close cooperation with the CCP over the past decade. In preparation for President Vučić's participation in the Belt and Road Forum, a delegation from the Serbian Progressive Party visited Beijing in July 2023, expressing praise for its collaboration with the CCP³⁴³. Subsequently, a Serbian government delegation, led by Prime Minister Ana Brnabić, visited Beijing and engaged with high-level CCP representatives, including Chinese leader Xi Jinping³⁴⁴, further underscoring the Sino-Serbian political ties' depth.

While it can be said that Belgrade's reasoning for being so dedicated to the establishment of cooperation with China is clear, Beijing's motivation is somewhat more nuanced. In recent years, China has strategically utilised its partnership with Serbia to amplify its regional cooperation platform and showcase its accomplishments in Europe. A primary facet of this strategic alignment is Serbia's role as an exemplar of collaboration within China's engagement with CEE countries, as mentioned earlier, formerly organised under the frameworks of 16+1 and 17+1. **Despite the limited success and waning enthusiasm within this platform, evidenced by the departure of three Baltic countries in 2021 and 2022, the narrative of cooperation persists.** By February 2023, the number of European countries participating has been reduced to 14. Additionally, through these platforms China positions itself as a catalyst for economic progress, a narrative well-received by Serbia. **A key priority for China has been safeguarding Serbia from potential debt traps, given its commitment to maintaining Serbia's stable economy.** With

³³⁴ Republic of Serbia, '[Monthly Report](#)', Ministry of Finance Public Debt Administration, webpage, nd.

³³⁵ European Council on Foreign Relations, '[Mapping China's Rise in the Western Balkans: Serbia](#)', 23 March 2022.

³³⁶ Republic of Serbia, '[Monthly Report](#)', Ministry of Finance Public Debt Administration, webpage, nd.

³³⁷ National Bank of Serbia, '[Balance of Payments](#)', webpage, nd.

³³⁸ Ibid.

³³⁹ Government of the Republic of Serbia, '[Zijin Mining to Invest Another \\$3.8b in Serbia](#)', 9 September 2023.

³⁴⁰ S. Vladislavljev, '[How Did China Become the Largest Investor in Serbia?](#)', *China Observers*, 8 August 2023.

³⁴¹ Government of the Republic of Serbia, '[Chinese Investments Have Stimulated Serbia's Economic Development](#)', 5 November 2023.

³⁴² S. Vladislavljev, '[Big Brother: Serbia's Media Are Creating Nation of China Lovers](#)', *Balkan Insight*, 26 March 2021.

³⁴³ Kosovo Online, '[The SNS Delegation is visiting the People's Republic of China \[Delegacija SNS boravi u poseti Narodnoj Republici Kinij\]](#)', 30 July 2023.

³⁴⁴ Embassy of the People's Republic of China in the United Arab Emirates, '[Xi Jinping Meets with Serbian Prime Minister Ana Brnabić](#)', 6 November 2023.

Serbia's overall public debt standing below 52 %³⁴⁵, the perceived risks associated with joint projects – both economically and politically – are deemed minimal.

Beyond economic considerations, **political alignment between Serbia and China on the issue of territorial integrity plays a pivotal role in their partnership**. Both nations have demonstrated unwavering support for each other's territorial integrity³⁴⁶, acknowledging the sensitivity of this matter for Beijing and Belgrade alike. Recent communications from Chinese officials³⁴⁷ have emphasised Serbia's territorial integrity and sovereignty³⁴⁸, whilst Serbia has reciprocated by affirming its commitment to the 'One China' policy, recognising Taiwan as an integral part of China³⁴⁹. This strategic alignment holds clear benefits for Serbia, because China's position as a permanent member of the UN Security Council can lend support to Belgrade's efforts to contest Kosovo's independence. Simultaneously, **for China this alignment offers an opportunity to assert its stance on secessionism and independence movements, reinforcing its commitment to the principle of territorial integrity**. The intricate interplay of economic collaboration and shared political principles underscores the depth and strategic significance of this Sino-Serbian partnership.

However, such an elevated level of strategic cooperation between Serbia and China has not been without its share of challenges. Foremost are concerns raised by activists regarding the impact of Chinese companies on the environment. The city of Smederevo, for example, has experienced heightened air pollution concerns³⁵⁰, while the regions surrounding Bor grapple with apprehensions related to land and water pollution³⁵¹.

Transparency issues surrounding agreements negotiated with Chinese banks and companies³⁵² have also formed a focal point of conflict. While these agreements align with Serbia's legislative framework, established through an international contract signed between the two governments in 2009³⁵³, the central issue revolves around transparency of the negotiation process. Questions have been raised regarding potential oversights in adhering to procurement, tender and competition procedures.

Furthermore, Serbia's alignment with China on specific political issues has generated a position that is not in line with the EU's foreign policy³⁵⁴. Departing from EU efforts, declarations and restrictive measures, Serbia has notably sided with China. This is evident in **Serbia's support for Beijing's implementation of the national security law in Hong Kong**³⁵⁵, a stance that contrasts with the EU's position. Additionally, Serbia has taken a similar position regarding the **treatment of the Uyghur population in Xinjiang**³⁵⁶, further highlighting the divergence in geopolitical perspectives between Serbia and the EU.

Serbia maintains a multifaceted foreign policy strategy, characterised by a multi-vector approach. Despite declaring its primary foreign policy goal as joining the EU, the country continues its active

³⁴⁵ Republic of Serbia, '[Monthly Report](#)', Ministry of Finance Public Debt Administration webpage, 2023.

³⁴⁶ Government of the Republic of Serbia, '[China, Serbia Confirm Mutual Partnership, Support](#)', 6 November 2023.

³⁴⁷ Tanjug, '[Xi: Serbia Our Ironclad Friend, We Support Its Sovereignty, Territorial Integrity](#)', 18 October 2023.

³⁴⁸ Government of the Republic of Serbia, '[China's Consistent Support for Serbia's Sovereignty, Territorial Integrity](#)', 3 October 2023.

³⁴⁹ Government of the Republic of Serbia, '[Serbia-China relations at Their All-Time Best](#)', 4 November 2023.

³⁵⁰ Just Finance International, '[High Price for China's Investments in Serbian Steel Plant](#)', 1 November 2023.

³⁵¹ N. Pacic, '[Bor: Serbia's Pollution Crisis in Pictures](#)', *Balkan Insight*, 21 October 2021.

³⁵² M. Manojlovic, '[Red Flags: Chinese Project In Serbia Raises Familiar Concerns About Beijing's Balkan Investments](#)', *Radio Free Europe*, 10 February 2022.

³⁵³ Government of the Republic of Serbia, '[On the Confirmation of the Agreement on Economic and Technical Cooperation in the Field of Infrastructure between the Government of the Republic of Serbia and the Government of the People's Republic of China \[O Potvrđivanju Sporazuma O Ekonomskoj I Tehničkoj Saradnji U Oblasti Infrastrukture Između Vlade Republike Srbije I Vlade Narodne Republike Kine\]](#)', 20 August 2009.

³⁵⁴ S. Vladislavjev, '[Why Serbia Refuses to Stick to the EU's Line on China](#)', *China Observers*, 19 October 2023.

³⁵⁵ Cooperation Between China and Central and Eastern European Countries, '[Serbia Firmly Supports China in Safeguarding National Sovereignty, Security Regarding Hong Kong, Vucic Tells Xi in Letter](#)', 30 May 2020.

³⁵⁶ Permanent Mission of the People's Republic of China to the UN, '[Joint Statement on Xinjiang at Third Committee Made by Belarus on Behalf of 54 Countries](#)', 29 October 2019.

cultivation of relationships with partners in the East. China specifically has emerged as a prominent player within Serbian internal and foreign policy dynamics, extending its influence beyond the conventional realms of infrastructure development, trade relations and limited FDI. China's role in Serbia has evolved to include diverse sectors such as defence and security, telecommunications, culture, health and science.

Regarding defence, in April 2022³⁵⁷, Belgrade acquired FK-3 surface-to-air missile systems from Beijing, marking a significant progression within a span of less than two years since the initial military transaction. Before that, China delivered CH-92 drones to Serbia. Serbia's procurement of Chinese-produced weaponry has positioned it as the exclusive operator of Chinese drones and missiles in Europe, thereby carrying considerable geopolitical implications.

Despite Serbia's explicit declaration and adherence to military neutrality³⁵⁸ as a guiding principle, it has not curtailed its expansion of cooperative initiatives with various stakeholders, including both the USA and China. However, there are potential limitations to the sustainability of such an approach. With the status of candidate country for EU membership, Serbia currently still retains some latitude to shape sovereign policies in the defence and security domain. However, attainment of full EU membership necessitates alignment with the EU's CFSP, which without doubt would be a significant challenge for Serbia given China's substantial impact in pertinent areas. This issue is gaining prominence, especially bearing in mind assertions by the Serbian Minister of Defence Miloš Vučević during the third Belt and Road Forum in October 2023 in Beijing, that Serbia intends to continue³⁵⁹ its acquisition of Chinese-produced military weapons. This underscores the ongoing relevance of the equilibrium between Serbia's sovereign defence policy and the imperative of alignment with the EU's CFSP in light of China's influential role in the relevant domains. This expanding scope of cooperation underscores China's enduring presence in Serbia, affirming its status as a significant and relevant actor in the region. This observation holds particular significance, especially considering the potential scenario of Serbia being granted EU membership within the next decade. With the prospect of EU enlargement policies once again taking centre stage, China's sustained influence in Serbia remains noteworthy and indicates its enduring role in shaping the geopolitical landscape.

6.4 EU-China relations and competition in the Western Balkans

As mentioned earlier, the Western Balkans has been a focal point of interest for the EU, with five of the region's countries³⁶⁰ already having been granted candidate status. **Whilst the EU is actively engaged with integrating these countries into its framework through the enlargement process, China is at the same time significantly increasing its presence in the Western Balkans through a multifaceted approach to various projects.** Historically, the EU has been the primary partner for these countries in political and economic relations. According to statistics, 70 % of the region's foreign trade³⁶¹ is being transacted with the EU and EU companies account for 65 % of the total level of FDI in the region³⁶². However, China has emerged as a relatively recent and dynamic participant in the Western Balkans, marked notably by an escalated involvement in regional infrastructure development and heightened levels of FDI. **This discernible expansion of China's footprint positions Beijing as a notable competitor in challenging the EU's established regional role.** This intensified Chinese engagement underscores a

³⁵⁷ J. Knezevic, '[Serbia: The First and Only Operator of Chinese Drones and Missiles in Europe](#)', *Instituto Analisi Relazioni Internazionali*, 31 January 2023.

³⁵⁸ K. Đokić, '[Living on it's Own: What Does Serbian Neutrality Mean in Practice](#)', *Belgrade Security Forum*, 24 September 2019.

³⁵⁹ Hu Y. and Fan W., '[China-Serbia military cooperation supports Serbia's defense modernization, empowers defense capabilities: Serbian Defense Minister](#)', *Global Times*, October 2023.

³⁶⁰ Albania, B&H, Montenegro, North Macedonia and Serbia.

³⁶¹ WeBalkans, '[Competitiveness and growth](#)', webpage, nd.

³⁶² Ibid.

shifting geopolitical landscape, necessitating a nuanced examination of the region's evolving foreign policy dynamics.

The need to fortify the EU's significant role has been highlighted by tangible policy actions, exemplified by the adoption of a comprehensive approach, which includes the broader Global Gateway initiative³⁶³ on the global stage as well as the Economic and Investment Plan (EIP)³⁶⁴ for the Western Balkans, as a strategic response to perceived economic challenges posed, *inter alia*, by China. Central to the EU's strategy are the 10 flagship projects outlined in the EIP, with a focus on green energy and infrastructure initiatives totalling EUR 9 billion in grants³⁶⁵. **These funds, drawn from the Instrument for Pre-Accession Assistance, symbolise a deliberate effort to fortify the EU's influence in the Western Balkans, countering the economic inroads made by external actors.** Moreover, the EU aims to leverage additional investments amounting to EUR 20 billion from diverse sources, encompassing international financial institutions and private investors. This multifaceted approach signifies a calibrated response aimed not only at safeguarding the EU's economic interests, but also consolidating its geopolitical standing in the face of evolving regional and global dynamics.

Western Balkans' dynamics stem partly from some countries displaying an increase in authoritarian tendencies. **The lack of conditionality regarding the rule of law or environmental standards – crucial requirements within EU procurement legislation – has been regarded as more appealing to regional decision-makers and hence the establishment of cooperation with countries such as China.**

However, in practice the EU's strategy over recent years has had limited effectiveness, as witnessed by the enlargement process's stagnation, despite funds having been allocated for initiatives such as the EIP under the Instrument for Pre-Accession Assistance, all subject to meticulous planning and stringent conditions. The evolving geopolitical landscape, especially after Russia's invasion of Ukraine, is now introducing a potential shift in the paradigm. **If the EU prioritises enlargement for geostrategic reasons and downplays the imperative of completed reforms in the Western Balkans, it could potentially alter the enlargement process's trajectory.** The countries that have established close cooperation with China now face a significant issue, namely that their own democratic capacities do not satisfy the requirements of the newly established EU enlargement framework.

An emerging concern within the EU's regional positioning, contributing to an environment where alternative partners play a more significant role, pertains to information activities orchestrated by domestic actors. While not a universal characteristic across all countries in the region, this trend is notably pronounced in those with advanced levels of cooperation with China, Serbia being the prime illustration.

The COVID-19 pandemic's initial phase in the Western Balkans saw the EU facing criticism for perceived inaction, notably articulated by Serbian President Aleksandar Vučić. He contended that 'European solidarity is a fairy tale'³⁶⁶ and emphasised China as the sole country capable of aiding Serbia³⁶⁷ in fighting the virus. This public rebuke represents a rare instance of direct criticism and confrontation between China and the EU orchestrated by the Serbian president. Typically, the delicate balancing act between these two actors is conducted with more diplomacy, making Vučić's explicit stance a noteworthy departure from the

³⁶³ European Commission, '[Global Gateway Forum](#)', webpage, 2023.

³⁶⁴ W. Bartlett, M. Bonomi and M. Uvalic, '[The Economic and Investment Plan for the Western Balkans: assessing the possible economic, social and environmental impact of the proposed Flagship projects](#)', Directorate General for External Policies of the Union, PE 702.561, May 2022.

³⁶⁵ D. Tilev, '[Instrument for Pre-accession Assistance \(IPA III 2021-2027\): Is IPA III a new chance to deepen the accession reforms?](#)', Konrad Adenauer Foundation and the Institute for Democracy "Societas Civilis", Policy Paper No.28/2021, September 2021.

³⁶⁶ Z. Evans, '[Serbian President Labels European Solidarity 'Fairy Tale', Says Only China Can Assist in Coronavirus Response](#)', *Yahoo News*, 16 March 2020.

³⁶⁷ J. Simić, '[Serbia turns to China due to 'lack of EU solidarity' on coronavirus](#)', *Euractiv*, 18 March 2020.

prevailing tone. This development underscores the region's evolving dynamics and the nuanced interplay of geopolitical influences on the foreign policy landscape.

While the Serbian President praised cooperation with China in 2021 and criticised the level of engagement from the EU, a contrasting scenario unfolded for Montenegro during the same year. At that time, deputy Prime Minister Dejan Abazović appealed to the EU³⁶⁸ for assistance in repaying the initial tranche of a Chinese loan, which had significantly inflated Montenegro's public debt. This plea faced disapproval from European partners³⁶⁹, grounded in an apprehension that acceding to such requests could establish a dangerous precedent, providing an easy way out for countries entangled in contentious agreements with China.

This episode unveiled potential ramifications, **suggesting that cooperation with China could induce financial instability in the EU's immediate periphery**. While at first glance this could be seen as an example of the EU's reluctance to intervene in its own area of interest and mitigate the Chinese influence, a more discernible message emerges when viewed as a cautionary narrative. In other words, countries should have their own developed capacities to prevent or navigate through such challenges rather than anticipate an EU rescue.

The EU aims to help countries achieve this by offering additional funds and assistance for capacity-building processes within the region. The objective is to construct democratic institutions and foster collaborative partnerships with regional allies, thereby preventing the recurrence of such cases in the future. **The most important instrument within the EU's toolbox for addressing matters pertaining to the Western Balkans is its enlargement policy**. Within the contours of this policy, the ideal scenario envisions the cultivation of resilient institutions by the Western Balkan countries, capable of withstanding the negative aspects of authoritarian foreign influences, notably those emanating from increasing cooperation with China.

In this context, the confrontation between China and the EU in the Western Balkans assumes an indirect nature, predominantly observed through discrete interactions with individual countries rather than a direct clash between the two entities. The EU's positive discourse concerning the Western Balkans' European integration, coupled with the newfound emphasis on enlargement policies, presents an opportunity and engenders optimism within the Western Balkan countries. This fosters **a dedicated commitment to the European enlargement process, inclusive of all pertinent policies, particularly those designed to mitigate the negative aspects of China's presence within the EU**.

7 Economic issues, economic security, technology and strategic autonomy

7.1 EU's trade and tech dependency on China

China's growing economic importance has been a boon for Europe in recent decades, but increasingly presents a number of risks in the context of rising global tensions. Europe's economy is built largely around global trade and China has emerged as a top trading partner for the EU, accounting for roughly 9 % of EU exports and 20 % of its imports of goods³⁷⁰. In 2021, it even surpassed the USA as the bloc's largest trading partner in goods (though not in overall trade, when considering trade in services)³⁷¹.

³⁶⁸ Z. Trkanjec, '[Montenegro asks EU for help against China](#)', *Euractiv*, 29 March 2021.

³⁶⁹ Ibid.

³⁷⁰ Eurostat, '[China-EU - International Trade in Goods Statistics](#)', webpage, nd.

³⁷¹ European Commission, '[United States. EU trade relations with the United States. Facts, figures and latest developments](#)', webpage, nd.

As the volume of exchanges has increased markedly over the past two decades, so has the nature of economic relations between Europe and China evolved. The two economies were once largely complementary, but have now shifted into an era of more direct competition. China's industrial policy has transformed from supporting a model centred on low-wage manufacturing and heavy industry towards one oriented around high-tech industries and higher value-added segments of production.

As early as 2010, China began focusing its economic policies towards the growth of 'strategic emerging industries', with a list that has expanded steadily over the years to include: new energy technologies; telecommunications; biotech; advanced materials; and more recently AI; advanced semiconductors; as well as quantum technologies. From 2015, with the publication of its Made in China 2025 strategy, Beijing moved towards a goal of improving its technological self-reliance and mastering ever larger segments of value-added production chains for its strategic industries³⁷². While nominally this strategy has been shelved, the underlying ambitions remain. Indeed, **China's industrial strategy for more than a decade has been directed towards global leadership in the growth industries of the future.**

Europe, for its part, looks to these same industries to help drive the energy and digital transitions toward a future that is not only more globally sustainable, but also one that continues to ensure economic prosperity for its people. This more direct economic competition with China has been a driving force behind rebalancing the EU's China policy. The concern for Europe is not so much China's goals of improving its economic and technological competitiveness, *per se*. **Rather, concerns derive from: the distortionary means that Beijing has employed to achieve these goals; the dependencies on China that these market distortions have created in a number of critical sectors; the leverage that such dependencies create for Beijing and China's willingness to employ this leverage; as well as the Chinese leadership's broader ambitions.**

The case of solar photovoltaics is illustrative of how China's policies have facilitated market dominance³⁷³. Indeed, a broad range of public policy support over more than a decade has not only driven innovation, but also generated massive overcapacities and allowed China to carve out a dominant position wherein it controls 80 % or more of every segment of the solar photovoltaics supply chain today³⁷⁴. A similar situation is emerging in Lithium-ion batteries and more complex supply chains for electric vehicles³⁷⁵, while concerns arise that **wherever China's industrial policy goes, so will its supply chain dominance and resultant dependencies follow.**

Compounding concerns over supply chain dependencies are the perceived vulnerabilities created by China's investments into critical infrastructure in Europe, from ports to critical mineral processing to undersea cables³⁷⁶. Yet, China's achievements have at times been overestimated³⁷⁷. **Its policies have also encountered numerous failures³⁷⁸ and China itself perceives and experiences a broad range of dependencies, best illustrated by the case of advanced semiconductors³⁷⁹.** For Europe, a strong counter example to the narrative of an inevitable dependence on China is in the field of **space**, where clear

³⁷² Institute for Security and Development Policy, [Made in China 2025](#), Backgrounder, June 2018.

³⁷³ I. Mazzocco, '[Cheap Solar \(Part 2\): How Solar Manufacturing Got Its Chinese Characteristics](#)', *Marco Polo*, 9 February 2021.

³⁷⁴ International Energy Agency, [Solar PV Global Supply Chains](#), IEA Special Report, July 2022.

³⁷⁵ International Energy Agency, [Global Supply Chains of EV Batteries](#), IEA Special Report, July 2022.

³⁷⁶ F. Juris, '[Security Implications of China-Owned Critical Infrastructure in the European Union](#),' Policy Department for External Relations, European Parliament, PE 702.592, 2023.

³⁷⁷ L.G. Branstetter and G. Li, '[The Challenges of Chinese Industrial Policy](#)', *National Bureau of Economic Research*, 18 May 2023.

³⁷⁸ Y. Y. Ang, N. Jia, B. Yang and K. G. Huang, '[China's Low-Productivity Innovation Drive: Evidence From Patents](#)', *Comparative Political Studies*, 2023.

³⁷⁹ N. Inkster, E.S. Weinstein and J. Lee, '[Ask the Experts: Is China's Semiconductor Strategy Working?](#)', *London School of Economics*, 1 September 2022.

ambitions to maintain technological independence have allowed Europe to maintain a strong and in some segments full level of autonomy³⁸⁰.

Nevertheless, China's increasing technological prowess and supply chain advantages are raising red flags. While its industrial strategy is driven in part by a social and political imperative to escape the middle-income trap and ensure continued growth and prosperity for its people, it is also motivated by geopolitical imperatives and ambitions. **The drive for 'self-reliance' in strategic sectors aims to lessen dependence on foreign technology, bolstering resilience and reducing vulnerability**³⁸¹. It also aims to place China in a central position within the global economy, from where it can more effectively wield its influence and pursue its geopolitical interests.

The 'dual circulation' logic that has emerged in China's policy discourse since 2020 illustrates this approach³⁸². Accordingly, **China will increasingly seek to focus value chain development within its borders to feed the Chinese domestic market, on the one hand, and fuel exports of higher value-added technology and capture global market share on the other hand**. Worryingly, these developments come in a political context in China wherein purely economic interests are increasingly supplanted by a logic of security, the so-called 'securitization of everything'³⁸³. There is also a drive to enhance 'civil-military fusion'³⁸⁴, which further blurs the lines between the economic and security domains in China.

All of this is happening in a geopolitical environment marked by territorial disputes and increasing tensions not only with the USA, but also with the wider West.

7.2 Beijing's weaponisation of trade and investment: Consequences for Europe

The experience over the past decade has shown that **China is willing to pursue a policy of economic statecraft, leveraging its economic strengths in the pursuit of broader foreign policy objectives**. In 2010, the reported stoppage of rare earth exports from China to Japan in the midst of a diplomatic row over the Senkaku/Diaoyu islands³⁸⁵ already provided an initial sign of how dependencies in critical supply chains could be leveraged in pursuit of political and diplomatic aims. While there is still debate over whether Chinese authorities had approved the measures taken against Japan³⁸⁶, the *de facto* embargo nevertheless had a lasting impact. Since then, others in the region have been targets of coercive economic action on the part of Beijing, in particular South Korea, the Philippines, Australia and Taiwan.

Furthermore, Europe has not been free of economic coercion from China. **Popular boycotts of products were a common source of pushback in China following positions from European governments on human rights in the 2000s and early 2010s**, such as official meetings with the Dalai Lama³⁸⁷ or a boycott of the opening ceremony for the 2008 Olympic Games in Beijing proposed by then-French president Nicolas Sarkozy³⁸⁸. From 2010, Norway ran into complications, notably with salmon exports, following the

³⁸⁰ D. Fiott, '[The European Space Sector As An Enabler of EU Strategic Autonomy](#)', Policy Department for External Relations, European Parliament, PE 653.620, 2020.

³⁸¹ L. Dudley, '[China's Quest for Self-Reliance in the Fourteenth Five-Year Plan](#)', *Council on Foreign Relations*, 8 March 2021.

³⁸² A. Garcia Herrero, '[What is Behind China's Dual Circulation Strategy](#)', *China Leadership Monitor*, 2 September 2021.

³⁸³ K. Drinhausen and H. Legarda, '["Comprehensive National Security" Unleashed: How Xi's Approach Shapes China's Policies at Home and Abroad](#)', *MERICs*, 15 September 2022.

³⁸⁴ E.B. Kania and L. Laskai, '[Myths and Realities of China's Military-Civil Fusion Strategy](#)', *Center for New American Security*, 28 January 2021.

³⁸⁵ K. Bradsher, '[Amid Tension, China Blocks Vital Exports to Japan](#)', *The New York Times*, 22 September 2010.

³⁸⁶ S. Evenett and J. Fritz, '[Revisiting the China–Japan Rare Earths dispute of 2010](#)', *Centre for Economic Policy Research*, 19 July 2023.

³⁸⁷ L. Patey, *How China Loses*, Oxford University Press, Oxford, 2021.

³⁸⁸ K. Bennhold, '[France Raises Idea of Boycotting Olympics Ceremony Over Tibet](#)', *The New York Times*, 8 March 2008.

Nobel Peace Prize being awarded to Liu Xiaobo³⁸⁹. More recently, as diplomatic relations between Sweden and China have soured, Swedish imports of graphite, a key component of battery materials for which China dominates global production, have reportedly been disrupted since 2020, with a complete stoppage in 2021 and 2022³⁹⁰. Lithuania also bore the brunt of its decision to host a 'Taiwan Representative Office' in the country, following which China halted direct imports from the country and threatened similar action on any product containing components produced there³⁹¹.

Since the summer of 2023, China's actions have become more targeted in the context of rising tensions in high-tech supply chains that included the October 2022 export controls on advanced semiconductors introduced by the USA³⁹², followed in 2023 by Japan³⁹³ and the Netherlands³⁹⁴. **China has moved to put in place or deepen a generalised export control regime via export licensing requirements for certain critical raw materials, namely germanium, gallium and graphite**³⁹⁵. In late December 2023, it also formalised restrictions on exports of technologies used to separate and refine rare earth metals, used in the production of rare earth permanent magnets³⁹⁶. While the effects of these recently introduced controls have yet to be seen, a broad limiting of access to these materials from China would have major impacts on a wide range of high-tech products, from semiconductors to solar panels, to electric motors and batteries. Some tentative lessons can be drawn from the experiences so far. For instance, the levers of economic coercion at China's disposal include: popular boycotts; various market access restrictions; channelling investment flows; and export controls. Such measures have often been **informal or procedural, affording Chinese authorities a degree of deniability**³⁹⁷ while nevertheless sending the intended message. Lithuania, for instance, was never formally sanctioned and stoppages of rare earths exports to Japan or graphite exports to Sweden were never made explicit. At the same time, China has responded to external pressure by honing more formal administrative tools in order to exercise leverage more explicitly. These include: the compiling of 'unreliable entities lists'³⁹⁸; legislation aimed at developing the extraterritorial application of Chinese regulations³⁹⁹; and restrictive export licensing procedures. Moreover, the procedures allowing for a limiting of critical raw material exports put in place in 2023 demonstrate that China understands the importance of critical chokepoints it holds in global supply chains and is signalling a willingness to leverage its position⁴⁰⁰. However, China has not as yet crossed the threshold of adopting coercive measures wherein it must also bear significant consequences for its actions.

To date, **China's economic coercion measures have targeted weaker partners or been focused primarily on sectors with minimal economic impact for its own companies**. The exception of rare earth export disruptions in Japan over a decade ago in many ways served to highlight the risks for China, as critical components produced in Japan containing rare earths could no longer find their way to Chinese assembly lines. In other words, **economic interdependence still seems to provide a level of deterrence**,

³⁸⁹ R. Milne, '[Norway Sees Liu Xiaobo's Nobel Prize Hurt Salmon Exports to China](#)', *Financial Times*, 15 August 2013.

³⁹⁰ European Commission, [Trade Barriers](#), webpage, 12 September 2023.

³⁹¹ K. Andrijauskas, [The Sino-Lithuanian Crisis: Going Beyond the Taiwanese Representative Office Issue](#), *IFRI*, Briefing, 8 March 2022.

³⁹² US Department of Commerce, [Commerce Strengthens Restrictions on Advanced Computing Semiconductors, Semiconductor Manufacturing Equipment, and Supercomputing Items to Countries of Concern](#), Bureau of Industry and Security, 17 October 2023.

³⁹³ N. Riho, '[Japan's New Chip Equipment Export Rules Take Effect Sunday](#)', *Nikkei Asia*, 23 July 2023.

³⁹⁴ Minister for Foreign Trade and Development Cooperation of the Netherlands, [Government Gazette of the Kingdom of the Netherlands](#), 18212, 23 June 2023.

³⁹⁵ A. Home, '[China Ups Critical Minerals Heat With Graphite Controls](#)', *Reuters*, 24 October 2023.

³⁹⁶ S. Cefai and C. Messecar, '[China adds technology, machinery for rare earth magnet production to prohibited export list](#)', *Fastmarkets*, 21 December 2023.

³⁹⁷ M. Szczepański, '[China's economic coercion Evolution, characteristics and countermeasures](#)', European Parliamentary Research Service, European Parliament, PE 738.219, 2022.

³⁹⁸ Ministry of Commerce of the People's Republic of China, [MOFCOM Order No. 4 of 2020 on Provisions on the Unreliable Entity List](#), 19 September 2020.

³⁹⁹ Investment Policy Hub, '[New Extraterritorial Jurisdiction Measures](#)' Investment Policy Monitor, webpage, 9 January 2021.

⁴⁰⁰ J. Seaman, '[China's Weaponization of Gallium and Germanium: The Pitfalls of Leveraging Chokepoints](#)', *IFRI*, 27 July 2023.

though Beijing is signalling that it intends to raise the stakes if necessary, particularly as its mastery of more complete supply chains improves.

7.3 Towards a de-risking strategy

In Europe, concerns over China's increasing technological prowess and deepening European dependencies are growing. As stated by Parliament China rapporteur Hilde Vautmans, 'our dependencies weaken us and can be used against us, as our dependency on Russian energy have showed'⁴⁰¹. **When related to European strategic autonomy, China poses an acute risk in supply chain resiliency, national security, the defence of values and sustainability, as well as technological competitiveness**⁴⁰². In order to deal with such challenges, in March 2023 Commission President Ursula von der Leyen proposed a 'de-risking' approach⁴⁰³. While de-risking has been designed as a response to an increasingly wide range of risks associated with China's commercial and technological power, it is also meant to respond to a more broad-based and profound approach of de-coupling that has gained traction in recent years, particularly in Washington⁴⁰⁴.

Behind this notion of de-coupling is a level of scepticism about the liberal international trading system and the last 30 years of globalisation. Yet, trade and openness are deeply engrained within the European project and **the more moderate de-risking concept is meant as a way to find a better equilibrium between seizing opportunities and managing risks**. Indeed, the vast majority of economic interactions with China pose no security risk and hence overshooting the response to the risks that do exist could have profound consequences for European interests. For the Commission, a de-risking approach is part and parcel of a broader economic security strategy, rolled-out over the summer of 2023 and designed to bolster European resilience⁴⁰⁵. While the de-risking approach is one that is explicitly aimed as a guide for the EU's China strategy, economic security has been framed in a country-agnostic light. The shift in the Commission's framing of China has also taken place against a wider backdrop of strategic challenges posed to Europe, made evident during the tumultuous years of the Trump presidency in the USA, the COVID-19 pandemic and Russia's continued war against Ukraine.

China is indeed a driving factor, underpinned by the narrative of de-risking and the notable concerns over civil-military fusion within its economic security strategy, but ultimately the Commission has pursued a broader, more principled approach. Economic security, along with the wider debate on strategic autonomy, has emerged at a time when Europe has awakened to the need for reducing a broader set of vulnerabilities and increasing its weight as a geopolitical actor on the global stage. The economic security framework identifies in turn four types of risk: **(1) risks to the resilience of supply chains, including energy security; (2) risks to the physical security and cybersecurity of critical infrastructure; (3) risks related to technology security and technology leakage; and (4) the risk of weaponising economic dependencies and economic coercion**⁴⁰⁶. In its initial phase, this strategy has begun detailed assessments and mapping exercises for each of these risks. Seeking to be precise in its definition of the goods, services and sectors concerned, it focuses on 10 key sectors and technologies⁴⁰⁷, with the Commission recommending in October 2023 4 sectors that present the most immediate risks to technology security

⁴⁰¹ Interview with MEP Hilde Vautmans, November 2023.

⁴⁰² T. Rühlig, '[Europe's Strategic Technology Autonomy From China](#)', *German Council on Foreign Relations*, 25 January 2023.

⁴⁰³ European Commission, '[Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre](#)', 30 March 2023.

⁴⁰⁴ D. Cave, '[What's De-risking and How Does It Compare to Decoupling](#)', *The New York Times*, 20 June 2023.

⁴⁰⁵ European Commission, '[An EU Approach to Enhance Economic Security](#)', JOIN(2023) 20 final, 20 June 2023.

⁴⁰⁶ Ibid.

⁴⁰⁷ European Commission, '[Annex to the Commission Recommendation on Critical Technology Areas for the EU's Economic Security for Further Risk Assessment with Member States](#)', C(2023) 6689, 3 October 2023.

and leakage, namely: Advanced Semiconductors; AI; Quantum Technologies; and Biotechnologies⁴⁰⁸. To address these challenges, the strategy lays out a three-pronged approach, which echoes the de-risking logic:

- (1) **Promote** the EU's competitiveness by: strengthening the internal market; boosting innovation; strengthening technological and industrial capacities;
- (2) **Protect** economic security through: a combination of new and existing tools;
- (3) Partner, notably with 'reliable **Partners**' to: address shared security concerns; diversify and improve trade agreements; bolster international rules and institutions; invest in sustainable development⁴⁰⁹.

On 24 January 2024, the Commission proposed a reinforced list of measures to enhance economic security, namely: looking at strengthening inbound investment screening; exploring outbound investment control measures; coordinating export controls across the EU; deepening support for research and development in technological domains with dual-use potential; and calling on the Council to recommend enhanced measures to support research security⁴¹⁰. Since de-risking was proposed, different interpretations have emerged regarding the extent to which the EU should pursue de-risking and the role of Brussels in implementing a broader economic security strategy. Concerns have also arisen about how the economic security and de-risking concepts are understood and operationalised by key partners, notably the USA. In this context, it is worth analysing the three dimensions covered in this three-pronged approach.

7.4 'Promote': Offensive de-risking

Over recent years, particularly since the COVID-19 pandemic, **the EU has begun pursuing a range of proactive measures to diversify supply chains and boost industrial as well as technological competitiveness in order to improve resilience and strategic sovereignty in areas such as technology together with digital and green transitions**⁴¹¹. Indeed, the pandemic laid bare the dependencies and supply chain vulnerabilities, particularly with regard to China. The goal is ultimately to build European competencies through: investments in research and innovation; upgrading human capital; and the pursuit of an increasingly robust industrial strategy.

At EU level, this strategy has manifested itself through a range of **Important Projects of Common European Interest and broader initiatives such as the EU Chips Act and the Green Industrial Plan**. Within the latter, the Net-Zero Industry Act, for instance, proposes a benchmark for Europe to achieve a 40 % manufacturing capacity for its needs in annual deployment of strategic net-zero technologies by 2030⁴¹². The Critical Raw Materials Act, meanwhile, also sets 2030 benchmarks (not to be confused with targets) for EU production (10 %), transformation (40 %) and recycling (15 %) of its critical mineral needs and limiting dependence on a single third-party supplier to 65 %⁴¹³. In parallel, many Member States have also begun to advance their own strategies to boost scientific research, technological competitiveness and industrial capacity. In the pursuit of such measures, a number of risks and challenges necessarily arise. One fundamental question concerns the state's role in the market and in particular the use of state aid to advance strategic policy goals. Indeed, the European single market has been built around robust competition policy and limiting state intervention.

⁴⁰⁸ European Commission, [Commission Recommendation of 03 October 2023 on Critical Technology Areas for the EU's Economic Security for Further Risk Assessment with Member States](#), C(2023) 6689 final, 3 October 2023.

⁴⁰⁹ European Commission, ['An EU Approach to Enhance Economic Security'](#), JOIN(2023) 20 final, 20 June 2023.

⁴¹⁰ European Commission, ['Advancing European economic security: an introduction to five new initiatives'](#), COM(2025) 22 final, 24 January 2024.

⁴¹¹ European Council, ['EU Industrial Policy'](#), webpage, 11 December 2023.

⁴¹² European Commission, [The Net-Zero Industry Act: Accelerating the Transition to Climate Neutrality](#), European Commission, 16 March 2023.

⁴¹³ European Commission, ['Critical Raw Materials Act'](#), COM(2023) 161, SWD(2023) 68, 16 March 2023.

At the same time, China's state aid policies, while also producing massive amounts of waste and overcapacity, have contributed to strengthening its economic and technological position, putting Europe and others at a disadvantage. Many of Europe's partners have also begun pursuing proactive industrial policies⁴¹⁴, some of which are distinctively more protectionist or veer towards economic nationalism⁴¹⁵.

The EU and many of its Member States are following an increased global trend in pursuit of more proactive industrial policies.

By enacting robust industrial policies, two risks emerge for Europe. One, analysed in the 'Partner' subchapter, is **furthering protectionist trends, deepening global economic fragmentation and hardening strategic rivalries**, particularly with China. The other is **eroding the single market's coherence and undermining European cohesion**. In the latter, managing the disparity in capacities among Member States to pursue strategic investments and provide state aid to industries is of particular concern. Indeed, states with greater financial and technical means to pursue industrial policy, for instance France and Germany, are already moving ahead. For instance, of the EUR 672 billion in state aid approved and mobilised under the 'Temporary Crisis Framework', Germany and France have accounted for 77 %⁴¹⁶. **In its pursuit of offensive de-risking, Europe must therefore find a balance between: enhancing its competitiveness; managing inequalities; and avoiding a broader turn toward economic nationalism.**

7.5 'Protect': Defensive de-risking

As the EU seeks to enhance its resilience through proactive industrial policy, it also looks to increasingly **enhance its economic security and manage risks by elaborating on a number of defensive tools**. Once again, while China is a major source of concern, these tools have been designed as country agnostic, seeking rather to uphold a principled approach rather than specifically targeting China or any other country of concern. In broad terms, two sets of tools are being developed: those that fall under the competence of the Commission, namely relating to trade defence measures; and those that ultimately fall under Member State competence, for which the Commission offers a set of guidelines and assistance. As such, each alternative presents a different set of challenges.

The first set of measures is aimed at **counterbalancing market distortions**, where China is a primary source of concern, and seeking to broadly pursue a level economic playing field and ensure reciprocity. These measures include the IPI and trade defence measures such as anti-subsidy and anti-dumping instruments. Here, the EU enjoys exclusive competence and these measures are complementary to the 'offensive' aims of reducing dependencies by boosting European competitiveness. As in the case of industrial policy, there is an inherent danger that such tools become the instruments of a wider protectionist agenda; hence, the Commission is quick to note that they are intended to uphold rather than undermine international trade rules by re-levelling the playing field and ensuring reciprocity⁴¹⁷. In the second set of defensive measures, the Commission has sought to develop guidelines, toolkits and policy coordination mechanisms aimed at insulating strategic and critical industries as well as infrastructure from malign foreign influence, countering weaponisation of dependencies and preventing technological leakage. These measures include: an inbound investment screening mechanism; a 5G toolbox designed to ensure the security and resilience of telecommunications networks; a toolkit on tackling foreign interference in research and innovation; together with a newly enacted ACI aimed at coordinating Member State action in responding to coercive economic practices⁴¹⁸.

⁴¹⁴ D. Irwin, ['The Return of the International Policy'](#), *International Monetary Fund*, June 2023.

⁴¹⁵ J. Hansen, ['Techno-Nationalism: An Industrial Policy for the Twenty-First Century'](#), *The National Interest*, 20 February 2023.

⁴¹⁶ J. Allenbach-Ammann, ['EU Commission's Vestager Proposes Change to State Aid Rules'](#), *Euractiv*, 13 January 2023.

⁴¹⁷ Interview with Commission officials, November 2023.

⁴¹⁸ European Commission, ['An EU Approach to Enhance Economic Security'](#), JOIN(2023) 20 final, 20 June 2023.

Since 2023, the Commission has also begun considering the development of an **outbound investment screening mechanism**, focused on a narrow set of technologies (for instance quantum, AI and advanced semiconductors) that could enhance military and intelligence-gathering capabilities⁴¹⁹. The overarching challenge for this second set of tools is policy coordination. The EU can provide only recommendations and eventually assistance and coordination, but the competencies and responsibility remain with Member States, many of which view these tools with differing degrees of interest and importance:

- Six years after the development of an *inbound investment screening mechanism* for the EU was first set in motion, there are still wide disparities between the robustness and scope of national screening regimes⁴²⁰.
- Likewise, in spite of efforts to coordinate approaches to the roll-out of *5G infrastructure*, important divergences in the up-take of these measures remain across Europe. Huawei hardware represents 100 % of installed 5G Radio Access Network infrastructure in Cyprus, 72 % in the Netherlands, 59 % in Germany, 38 % in Poland and Spain, 17 % in France and 0 % in 10 countries, including Czechia, Denmark, the Baltic states and Sweden⁴²¹.
- With regard to *the ACI*, while in principle the EU has found a level of convergence to counter economic pressure from China, the internal divisions⁴²² stoked by the case of Lithuania⁴²³ suggest that mobilising collective responses to coercive economic behaviour may still prove difficult in practice.

In essence, while the EU has increasingly found convergence on an overall approach toward China, seen as a partner, a competitor and a systemic rival, the practice of de-risking still finds a wide degree of divergence that needs to be overcome. Herein, **the degree to which China will be a partner in the pursuit of Europe's immediate and long-term technological and industrial goals, either by design or by necessity, remains an important and open question**. Nominally, as analysed in the Strategic Autonomy subchapter, China supports European strategic autonomy. In practice, China also remains an important partner in the advance of scientific and technological knowhow in a wide range of fields fundamentally important to both digital and energy transitions.

One illustration is in battery technology, where Chinese firms have become important investors in European manufacturing⁴²⁴. During talks in Beijing in July 2023, for instance, French economy minister Bruno Le Maire stated that '[w]e want China to make investments in France in electric vehicles [...] In the climate transition, there is a place for Chinese investment in France, which allows us to reinforce our economic relations and also speed up action against global warming'⁴²⁵.

In many fields, European firms also look to the Chinese market and Chinese partners not only for research and development opportunities, but also as a source of technology. **Ultimately, the de-risking approach proposed by the Commission may be considered one of risk mitigation or management, rather than a cleansing exercise**. Indeed, many companies, Member States and even the Commission seek generally to maintain avenues of economic and technological cooperation, ensuring that China remains a partner for Europe in areas that do not constitute a palpable risk for Europe's security. At the same time, many in China have interpreted Europe's more complex China approach, in broad terms, and the development of defensive economic tools, in particular, as a sign of increasing European hostility. Finding the balance

⁴¹⁹ R. Arcesati and F. Ghiretti, '[Why Europe Can't Ignore Biden's New Plan for US Investment in China](#)', *MERICs*, 29 September 2023.

⁴²⁰ L. Bencivelli, V. Faubert, F. Le Gallo and P. Négrin, '[Who's Afraid of Foreign Investment Screening?](#)', *Banque de France*, 16 October 2023.

⁴²¹ J. Strand, '[Ban Huawei? Not Europe](#)', *Center for European Policy Analysis*, 12 January 2023.

⁴²² R. Milne and K. Hille, '[Lithuania Tests the EU's Resolve on Chinese Economic Coercion](#)', *Financial Times*, 13 February 2022.

⁴²³ S. Pióciennik, '[Germany and the Trade Conflict Between Lithuania & China](#)', *OSW Centre for Eastern Studies*, 4 February 2022.

⁴²⁴ G. Sebastian, '[Watts the Plan, Europe – Chinese Battery Investments On or Off?](#)', *MERICs*, 31 July 2023.

⁴²⁵ J. McDonald, '[France's Le Maire Presses China on Market Access and Lobbies for Electric Car Investment](#)', *AP News*, 30 July 2023.

between economic openness and security with regard to China as well as achieving an understanding from China on the need for such a balance therefore remains a challenge which must be overcome.

7.6 'Partner': Collaborative de-risking

The third pillar of the EU's approach to de-risking and broader economic security is the deepening of relationships with 'reliable partners' to address economic security concerns and more generally to bolster resilience through a diversification of supply chains. Self-sufficiency is an unrealistic, even undesirable goal for the EU. **Managing reliable partnerships, or collaborative de-risking, thus becomes a key component of enhancing resilience. Policy coordination is also important to ensure that the impact of economic security policies on third countries is mutually beneficial, while negative externalities are kept to a minimum.**

One aspect of collaborative de-risking is managing and enhancing relations with key partners, notably the USA and others, such as Japan or South Korea, which have made bolstering economic security a policy priority. Bilateral fora such as the Trade and Technology Council with the USA or the High-Level Economic Dialogue with Japan have been important for improving policy coordination. Mini-lateral formats such as the G7, where a joint statement was agreed in May 2023 on 'Economic Resilience and Economic Security', have also gained in importance and relevance⁴²⁶. At the same time, managing competition with these key partners in areas such as industrial policy and attracting investments has become a significant obstacle, particularly in relations with the USA.

The Inflation Reduction Act, which notably favours domestic sourcing and production requirements for clean energy subsidies in the USA, is a clear example of how 'offensive' de-risking can quickly veer towards protectionism⁴²⁷. **Deepening relationships with developing countries is also an important aspect of de-risking through a broader diversification of global value chains, thereby offering greater development opportunities for a larger number of partners while improving resilience overall.** Indeed, many partners in the Global South have been seeking more investment in infrastructure and value chain development in areas such as the transformation of critical minerals and the local expansion of associated value chains. Europe's Global Gateway and the G7 Partnership for Global Infrastructure and Investment, which during the 2023 G7 in Hiroshima achieved a USD 600 billion commitment until 2027⁴²⁸, will be key instruments in helping to match the EU's search for greater resilience with local demands for development. If done effectively, such partnerships could also help to reduce dependence on China among third countries, where China's growing influence has become an increasing source of concern⁴²⁹.

Yet here as well, in its relations with the Global South, challenges remain for Europe. For its part, **China has become a key investor in developing economies, offering accessible technological solutions and development opportunities.** In Indonesia, for instance, Chinese firms represent nearly two thirds of foreign investment into nickel transformation and battery production⁴³⁰. Meanwhile, the EU and some Member States, while making steps in the right direction on sustainability, have complicated market access by imposing environmental restrictions such as the carbon border adjustment mechanism and the new EU Battery Regulation. **To ensure supply chain diversification in a better way and work with a broader range of partners, the EU may have to tailor its expectations to improve alignment with local realities, on the one hand, and engage in a broader effort to accompany sustainable development**

⁴²⁶ European Council, [G7 Leaders' Statement on Economic Resilience and Economic Security](#), Statements and remarks, 20 May 2023.

⁴²⁷ C. Scheinert, '[EU's Response to the US Inflation Reduction Act \(IRA\)](#)', Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, PE 740.087, 2023.

⁴²⁸ Ministry of Foreign Affairs of Japan, [Factsheet on the G7 Partnership for Global Infrastructure and Investment](#), 21 May 2023.

⁴²⁹ D.C. Murphy, *China's Rise in the Global South*, Stanford University Press, Stanford, 2023.

⁴³⁰ A. Tritto, '[How Indonesia Used Chinese Industrial Investments to Turn Nickel into the New Gold](#)', *Carnegie Endowment for Peace*, 11 April 2023.

and the energy transition among partners, on the other hand. Efforts such as the Just Energy Transition Partnerships are steps in the right direction. However, there are clear needs not only to deliver on investment, but also to ensure EU market access.

The USA, for its part, has gone in a different, more distinctly geopolitical direction with the Inflation Reduction Act, excluding access to US subsidies for end-products using materials developed by ‘foreign entities of concern’, a veiled reference to China⁴³¹. **The multilateral institutional framework is another important dimension of partnership and one that also faces challenges.** The EU considers it important to ensure that the shift toward an economic security logic and the drive to pursue industrial policy among a broad range of partners does not undermine international rules and institutions, but rather strengthens them by correcting many of the disparities and loopholes that existed previously. This requires not only working within multilateral fora such as the G20, the UN and multilateral development banks, but also particularly reforming the WTO. At the same time, this has become an increasingly challenging task as many of these fora have now become the domain of geopolitical influence and great power competition.

7.7 Can the EU de-risk?

Given many of the challenges explored above, does the EU still have the political will to de-risk relations with China? In many ways, **Europe is still in the assessment phase of de-risking and economic security, evaluating the extent of dependencies and vulnerabilities, a process that will help to clarify the scope and depth of the de-risking agenda.** A 2022 report by the European Think-tank Network on China demonstrated that there are wide variations of interest, understanding and action across the Union and Europe as a whole with regard to the question of dependence on China⁴³².

Since then, within the context of its economic security strategy, the Commission has begun conducting detailed assessments together with Member States, a process that appears to be sensitising national governments to the issues associated with economic security in general and risks related to China in particular. Nevertheless, the Council has yet to endorse the Commission’s Economic Security Strategy and hence many of its components, both on the industrial policy and the defensive toolboxes, remain merely proposals from the Commission. **The new economic security initiatives proposed by the Commission on 24 January 2024 ultimately underline that measures put in place so far, such as inbound investment screening, have fallen short of expectations and that for others, such as export controls or research security, there is still a clear need for more robust coordination among Member States and a stronger stance by the Council.** Beyond the broader discussion of economic security, the concept of de-risking in relation to China has to date yet to find broad consensus among Member States.

Diverging economic interests is one important factor; another reflects differing views on the role that the state should play in the market and to what extent it should weigh on business as well as investment decisions. The case of Germany provides one illustration. Despite a national China strategy that broadly supports a de-risking approach⁴³³, Berlin has in practice been a reluctant partner in the EU’s approach. The German Chancellery has emphasised that de-risking should be left to companies⁴³⁴. Today, while many small and medium sized firms in Germany reportedly perceive the risks posed by China, many larger firms have interpreted de-risking as a need to double down on their presence in China in order to ensure access to technology or research and development opportunities offered by China’s vast, ever-

⁴³¹ J. Nakano and Q. Robinson, [U.S.-China EV Race Heats Up with Forthcoming Guidance on 'Foreign Entity of Concern' Rules](#), *Center for Strategic and International Studies*, 2 November 2023.

⁴³² J. Seaman, F. Ghiretti, L. Erlbacher, X. Martin, M. Otero-Iglesias (eds.), [Dependence in Europe's Relations with China: Weighing Perceptions and Reality](#), *European Think-tank Network on China*, April 2022.

⁴³³ Government of the Federal Republic of Germany, [Strategy on China](#), July 2023.

⁴³⁴ G. Chazan, L. Pitel and P. Nilsson, ['Germany Warns Companies to Reduce Dependence on China'](#), *Financial Times*, 13 July 2023.

shifting market⁴³⁵. In essence, de-risking is effectively applied by some major firms in the opposite direction – risks coming from US or European pressure and perhaps fears of Chinese pushback have motivated corporate decisions to strengthen and insulate their China business⁴³⁶.

The case of France provides another point of view on the complexities of de-risking. Paris has long pushed for a more interventionist approach in areas such as industrial policy and investment screening, while at the same time French president Emmanuel Macron has been reluctant to endorse positions that openly antagonise China. By contrast, the French government has effectively been enacting policies that would limit China's presence in important sectors, such as telecommunications infrastructure⁴³⁷ and the electric vehicle market⁴³⁸. Indeed, allowing corporate, profit-seeking decisions to outweigh the country's broader interests is seen in France as one factor that led to the hollowing out of industry, resulting in strategic dependencies and vulnerability. French reluctance on EU economic security and de-risking then seems rather to be guided by the logic that much of economic security and many of the tools needed to ensure it lie within the exclusive competences of Member States.

Yet, despite hesitations and diverging approaches in many domains – as witnessed for instance in the mobilisation of national funds by France, Germany and Italy to pursue diversification of critical mineral supply chains⁴³⁹ – **Member States are aggressively moving to pursue many of the measures that effectively advance their de-risking agendas and as they do, maintaining European cohesion on the 'promote' side of the agenda will be a challenge.**

Upholding economic openness and rules-based principles as well as avoiding securitisation and a turn toward protectionism represents another challenge. Some have proposed that Europe should avoid the broader protectionist trap by shedding its principles-based, country-agnostic approach to economic security and focusing more squarely and explicitly on pursuing a de-risking approach to China exclusively⁴⁴⁰. However, at the same time despite its size China remains only one concern among many in the domain of economic security.

Indeed, de-risking is synonymous with diversification. In many ways, the objective of de-risking is to achieve an acceptable level of strategic autonomy for Europe and bolster its relevance as a geopolitical actor, capable of pursuing and defending its own interests in relation to China, but also in relation to others, be they partners such as the USA, or rivals such as Russia. At the same time, de-risking and the Commission's economic security strategy seek to head off the trends toward deeper de-coupling of the global economy driven by geopolitical tensions, ultimately aiming to limit global economic fractures to specific, security-related fields and to bolster a global rules-based order. In such a vision, interdependence remains an important feature of international economic relationships and the notion of de-risking appears more as an exercise in risk mitigation or risk management. As such, **the extent to which interdependence still provides a relevant deterrent to economic coercion should be considered. Assessments of dependence, vulnerability and risk should also be accompanied by assessments of Europe's strengths and indispensability not just in relation to China⁴⁴¹ but globally⁴⁴².**

⁴³⁵ C. Steitz, S. Marsh and M. Martinez, '[How German Companies Are Tackling China Risk](#)', *Reuters*, 19 October 2023.

⁴³⁶ A. Kratz, N. Barkin and L. Dudley, '[The Chosen Few: A Fresh Look at European FDI in China](#)', *Rhodium Group*, 14 September 2022.

⁴³⁷ A. Coutures, '[5G : le bannissement à bas bruit de Huawei dans les villes françaises \(5G: the Low-Noise Ban of Huawei in French Cities\)](#)', *Challenges*, 26 June 2023.

⁴³⁸ M. Penne-Lassus, '[France Reforms EV Subsidy to Freeze Out China-Made Cars](#)', *Nikkei Asia*, 19 September 2023.

⁴³⁹ J. Wettengel, '[France, Italy, Germany Launch Joint Push for Securing Critical Raw Materials](#)', *Clean Energy Wire*, 27 June 2023.

⁴⁴⁰ V. Bohman, '[The Coming Decoupling from China: Consequences for the EU's Economic Security Strategy](#)', *Swedish National China Centre*, 17 July 2023.

⁴⁴¹ T. Gehrke and J. Ringhof, '[Indispensable Leverage: How the EU Can Build Its Technological Edge](#)', *European Council on Foreign Relations*, 12 September 2023.

⁴⁴² A. Aydıntaşbaş, J. Barnes-Dacey, S. Dennison, M. Dumoulin, F. Grare, M. Leonard, T. Murphy and J. Torreblanca, '[Strategic Interdependence: Europe's New Approach in a World of Middle Powers](#)', *European Council on Foreign Relations*, 3 October 2023.

7.8 The EU's strategic autonomy and China's perspectives

EU strategic autonomy denotes the EU's ability to operate independently, free from reliance on other nations, in key policy domains. **Debate over the reach of this concept encompasses a wide array of areas, from defence policy to economic matters and also includes the capability to maintain and promote democratic values**⁴⁴³. Striving for strategic autonomy also introduces new foreign policy tools for Brussels, such as the ACI. However, there is a lack of unanimity among Member States on the exact nature of European strategic autonomy/sovereignty, with some using it as a shorthand for ideas about increasing the EU's geopolitical power and transforming it into a global player. Not all Member States are on board with this level of ambition. Yet, there is nevertheless wide consensus that it is about European capacity to choose its dependencies⁴⁴⁴ to contribute to the Union's long-term economic security.

European prospects for strategic autonomy have been a consistent aspect of China's communication *vis-à-vis* the EU for at least seven years⁴⁴⁵. 'China supports the strategic autonomy of the EU and the unity and prosperity of Europe'⁴⁴⁶, Xi Jinping has communicated consistently to his high-level EU counterparts, including to the President of the European Council Charles Michel, during their December 2022 meeting.

However, it is evident that the EU's and China's fundamental understanding of the concept differs. The Chinese reading is exclusively centred on the EU's geopolitical distancing from the USA: 'France and other countries believe that, in the long term, the USA is still unreliable, [the EU] needs to develop an independent defence force'⁴⁴⁷. It is unclear if this misconception is sincere or an attempt to shape the development of strategic autonomy in China's preferred direction, that of an EU distanced from the USA in politics, security, values and economy. It can also be claimed that, to match this perception, China internally exaggerates, perhaps intentionally, the positions within the larger EU Member States that actually do promote political and security autonomy from the USA.

It is consequential that China's perspective on the EU's quest for strategic autonomy has been predominantly positive. Chinese officials and state media often frame the EU's move towards strategic autonomy as an opportunity for more balanced and mutually beneficial relations between China and Europe. From China's viewpoint, although hardly achievable at the moment, **a more autonomous EU could serve as a counterbalance to US dominance in global affairs, potentially leading to a more multipolar world order where China's influence is more readily accepted.**

Rallying anti-USA sentiment has been an objective of Chinese official messaging for a number of years and has included inauthentic behaviour. For example, an orchestrated campaign spreading across Twitter, Facebook and YouTube employed a combination of fake and recycled accounts to promote content about the USA, emphasising contentious topics such as gun legislation and racial politics. This campaign promoted a narrative portraying the USA as having a problematic human rights history⁴⁴⁸. In Europe specifically, for instance via social media posts, the USA is presented as an actor that does not respect national sovereignty, persuading Europeans about the PRC market's economic benefits over those of the USA⁴⁴⁹.

⁴⁴³ M. Damen, '[EU Strategic Autonomy 2013-2023. From Concept to Capacity](#)', European Parliamentary Research Service, European Parliament, PE 733.589, 2022.

⁴⁴⁴ Interview with Abigaël Vasselier, MERICS, October 2023.

⁴⁴⁵ Ibid.

⁴⁴⁶ Ministry of the Foreign Affairs of the People's Republic of China, '[Xi Jinping Held Talks with European Council President Michel](#) [习近平同欧洲理事会主席米歇尔举行会谈]', 1 December 2022.

⁴⁴⁷ S. Peng, '[The status and development trends of EU strategic autonomy](#) [欧盟战略自主的状况与发展趋势]', *People's Daily*, 16 March 2023.

⁴⁴⁸ R. Burley, '[Revealed: Coordinated Attempt to Push Pro-China, Anti-Western Narratives on Social Media](#)', *Centre for Information Resilience*, 5 August 2021.

⁴⁴⁹ T. Rühlig, '[China's Digital Power Assessing the Implications for the EU](#)', *Digital Power China*, January 2022.

Among Chinese think tankers, the issue of China's push for European distancing from the USA tends to be paired with Europe's distaste for the China-Russia partnership, perhaps in an attempt to hint towards bilateral compromises: 'EU worries about Russia-China, and China worries about Washington-Brussels'⁴⁵⁰. Even though it is implausible that if the EU moves further away from the USA, China might reciprocate by politically distancing from Russia, the EU should be mindful of this aspect and be prepared for a bargaining aspect to be included in the conversation.

While the EU's move towards strategic autonomy aligns with some of China's global strategic interests, it presents a complex challenge for European policy-makers. **The EU must navigate this path, balancing its need for autonomy with the realities of existing alliances and the geopolitical implications of a more independent stance.** At this point, China continues to support the EU's strategic autonomy publicly, driven by the goal of diminishing US influence, in the hopes that a Europe independent of the USA would go back to being pragmatic, pro-trade and pro-interdependence. These expectations illustrate that the Chinese side has still to come to terms with the EU's *Zeitenwende*.

8 Education, culture and people's perceptions

8.1 Challenges for future research, education and people-to-people cooperation

People-to-people cooperation can be seen as the third pillar of EU-China relations⁴⁵¹. In 2012, the 'High-Level People-to-People Dialogue' was formally established, adding to the previous two pillars represented by 'EU-China High-Level Strategic Dialogue' along with the 'High-Level Economic and Trade Dialogue'. **This step indicates societal exchanges' growing importance for both the EU and China in their relations over recent years, albeit such exchanges in EU-China relations have been taking place for a much longer time.**

The first student exchanges between the PRC and some European countries can be traced back to the 1950s. Especially for the former Eastern European Communist countries, this era established foundations such as the first academic institutions focusing on Chinese studies educating the first generation of China experts in these countries. However, people-to-people exchanges have started to develop more dynamically only since China's reform and opening-up policy was initiated in 1978. Among other things, Deng Xiaoping announced that China would send three to four thousand students abroad every year for studies⁴⁵², mainly to the developed countries in North America and Europe.

Today, **China is the country that provides the most international students in the world, numbering about a million in total**⁴⁵³. EU countries have been among the main recipients of this student flow, with the number of Chinese students in Europe increasing tenfold over the years from 2000 to 2010⁴⁵⁴. Similarly, the number of EU students in China has also increased substantially.

Currently, there are approximately 300 000 Chinese students in the EU, most in Germany (over 30 000), followed by France (over 20 000) and others such as Italy, Spain, the Netherlands, Sweden, Finland, Ireland and Belgium⁴⁵⁵. These relatively high numbers make Chinese students the largest foreign cohort in most EU countries. At the same time, the EU countries and universities attract significantly fewer Chinese students than English-speaking countries such as the USA, the UK, Canada and Australia, where several

⁴⁵⁰ European Policy Centre, '[EU & China Think-Tank Exchanges](#)', Beijing (Chatham House Rule), October 2023.

⁴⁵¹ European Commission, '[Elements for a New EU Strategy on China](#)', JOIN(2016) 30, 22 June 2016.

⁴⁵² S. Thøgersen, '[Chinese Students in Europe](#)', *Global Dialogue*, 21 February 2021.

⁴⁵³ UNESCO Institute for Statistics, '[Global Flow of Tertiary-Level Students](#)', webpage, nd.

⁴⁵⁴ T. Christiansen, E. Kirchner and U. Wissenbach, *The European Union and China*, Springer Nature, London, 2019.

⁴⁵⁵ Eurostat, '[Learning Mobility Statistics](#)', webpage, September 2023.

universities depend to a significant extent on tuition fees paid by Chinese students, which is not the case in the EU.

The EU's efforts in higher education exchanges with China started to develop only in the 1990s⁴⁵⁶, with European Documentation Centres being established in six Chinese universities and the Chinese Academy of Social Sciences. European studies programmes at a large number of Chinese universities were generally supported at this time, including through the EU's Lifelong Learning Programme and particularly the Jean Monnet Action programme. **The relatively rapid development of EU-China educational exchanges was driven partly by funding from both the EU and China, but was also a result of Chinese interest in learning from European experiences as well as the presence of prominent academic and cultural institutions from the larger EU countries**, such as Germany, France and the UK⁴⁵⁷.

In 2012, the European Commission and China launched their '**High-Level People-to-People Dialogue**'⁴⁵⁸ with the official aim of bringing together decision-makers and practitioners in the areas of education, culture, youth, sport and gender to exchange ideas and good practices on how to address areas of common interest. The EU-China Higher Education Platform for Cooperation and Exchange was also created, aimed at upgrading policy dialogue and exchange of best practices in the field of higher education.

Recent geopolitical tensions and technological rivalry between China and the USA have negatively affected the US-China research cooperation⁴⁵⁹, but there is apparently no such visible effect on EU-China collaboration. Indeed, between 2013 and 2022, co-publications increased, between Chinese authors and those from EU institutions⁴⁶⁰.

At the same time, EU-China research exchanges have increasingly become an issue of attention over recent years. **It is generally accepted that there are risks which need to be taken into account, stemming mainly from the political differences and strategic distrust present on both sides.** For instance, the Chinese Party-State imposes much more control over the people who participate in exchanges than the EU does, where academia and civil society are much more autonomous.

Moreover, from the EU's perspective, Chinese actors could use the research collaboration with their EU counterparts to derive research insights into subjects to which they would otherwise not have access. **These research findings could then contribute to China's military build-up and/or actions which would be seen as morally problematic from an EU perspective.** These include: state surveillance; repression; or other actions undermining the human rights of people in China (and possibly elsewhere). Furthermore, China could even use the cover of research collaboration for spying and intelligence activities. Finally, exchanges with Chinese counterparts may create dependencies for EU researchers and institutions, impacting on their choices and perhaps leading to self-censorship. Hence, **research collaboration could end up being more beneficial for China's economic development than the EU's interests, thus contributing to China's technological advances.**

These and potentially other risks clearly need to be taken into account. However, when designing mitigating policies it is important to balance potential risks with benefits. It would be wrong and counterproductive for the EU automatically to consider Chinese researchers simply as agents of the

⁴⁵⁶ Z. Xie, 'A Quiet Success: The EU-China Higher Education Cooperation Program (1997-2001)', in M. van der Wende, et al. (ed.), *China and Europe on the New Silk Road: Connecting Universities Across Eurasia*, Oxford University Press, Oxford, 2020.

⁴⁵⁷ A. Santiago, C. Rodrigues, S. Diogo, J. Tavares Da Silva, '[Challenges on the European Union-China Cooperation in Higher Education From 'People-to-People Dialogue' Perspective: The Case of Health-Related Joint Projects](#)', *International Journal of Chinese Education*, Vol 11, No 3, 2022.

⁴⁵⁸ Ask the EU, [EU-China High Level People to People Dialogue \(HPPD\) since 2012](#), Ref. Ares(2020)2125053, 29 April 2020.

⁴⁵⁹ R. Arcesati, F. Ghiretti and S. Schwaag Serger, '[In Research Collaboration, Drawing Red Lines with China Isn't Easy](#)', *MERICs*, 24 October 2023.

⁴⁶⁰ *Ibid.*

Chinese state. It is in the EU's interests to sustain and even deepen people-to-people exchanges with China, including research collaboration, as a way of projecting ideas and visions to Chinese counterparts who are likely to be from the more liberal sections of Chinese society. Generally, **people-to-people exchanges can be considered as a way of improving mutual understanding and the chances of a functional if not friendly relationship between the EU and China, besides their concrete contribution to furthering the EU's own research capacity in areas where Chinese researchers have made significant leaps forward.**

Particularly in terms of research collaboration, China has become a leading technological power in various key technological areas, such as biotechnology, 5G and 6G, nano-materials and electric batteries⁴⁶¹. Moreover, EU countries usually appear immediately below the USA and compete for third spot with the UK, Japan and South Korea. **It is in the EU's interests, therefore, to collaborate with China in these and other sectors⁴⁶² as a way of supporting its own research and technological advances, while also producing findings for the benefit of both China and the EU, with potential applications for instance to mitigate climate change.**

EU Member States have so far used various toolkits to deal with the issue, including investment screening, export controls, as well as guidelines and screening for high-tech areas⁴⁶³. It could also be of benefit to **designate national contact points** which could offer consultations to relevant institutions and work in partnership with them⁴⁶⁴. EU Member States' security institutions should also be mindful of potential espionage.

As a rule of thumb, there should be no strict no-go zones⁴⁶⁵ or red lines⁴⁶⁶, as even potentially high-risk research in sensitive areas could overall be beneficial and in line with the EU's best interests. Thus, **effective screening and oversight should be sensitive and implemented on a case-to-case basis and in close cooperation with individual institutions.**

Finally, an obvious danger is that implementing more controls on research collaboration between China and the EU prevents researchers from engaging closely with each other. Indeed, there has been growing pressure to effectively cut and not enter into any research collaboration with Chinese counterparts⁴⁶⁷, even without clear legal requirements and frameworks in place.

8.2 Public perceptions of China in Europe and the EU in China

Over recent years, as China's relations with the West have deteriorated, its image in foreign countries has also suffered, with more and more people perceiving the country's behaviour in a negative light.

Various public opinion surveys have been conducted recently studying European public opinion towards China, with the general picture being largely the same: **Europeans have an increasingly negative opinion of China.** According to a Eurobarometer survey from 2022, only 22 % of Europeans had favourable

⁴⁶¹ J. Gaida, J. Wong-Leung, S. Robin and D. Cave, [ASPI's Critical Technology Tracker - Sensors & Biotech Updates](#), *Australian Strategic Policy Institute*, 22 September 2023.

⁴⁶² I. d'Hooghe, [Strict Ban on China Will Cost Us Dearly in Science](#), *Clingendael Institute*, 9 May 2023.

⁴⁶³ R. Arcesati, F. Ghiretti and S. Schwaag Serger, ['In Research Collaboration, Drawing Red Lines with China Isn't Easy'](#), *MERICS*, 24 October 2023.

⁴⁶⁴ I. Karásková, F. Šebok and V. Blablová, ['How to Do Trusted Research: China-Specific Guidelines for European Stakeholders'](#), *AMO*, December 2022.

⁴⁶⁵ Ibid.

⁴⁶⁶ R. Arcesati, F. Ghiretti and S. Schwaag Serger, ['In Research Collaboration, Drawing Red Lines with China Isn't Easy'](#), *MERICS*, 24 October 2023.

⁴⁶⁷ Ibid.

views of China – down from 36 % in 2018⁴⁶⁸. While there are some differences across EU countries, no Member State has overly positive views of China.

Most negative perceptions were those of the Swedish (8 %), Germans (12 %), Luxembourgers (13 %) and Dutch (14 %)⁴⁶⁹. Even the most positive opinions were neutral or slightly leaning towards the negative sentiment: the Bulgarians (50 %), Cypriots (49 %) and Maltese (44 %)⁴⁷⁰.

According to Pew Research Center, Hungarian and Greek populations were also split on China, with 50 % and 51% respectively reporting unfavourable views⁴⁷¹. In other EU Member States negative views were clearly prevalent: 58 % in Italy, 66 % in Spain, 67 % in Poland, 72 % in France, 76 % in Germany, 77 % in the Netherlands and 85 % in Sweden⁴⁷². Indeed, **current sentiments towards China are the most negative they have been over the past 20 years** that Pew has been conducting these studies.

Another country found to be split on China was Latvia where, especially due to more positive views by the local Russian minority, the overall image of China was even somewhat positive⁴⁷³. In another survey with different wording, Globsec asked about the perception of China as a threat in the CEE region. According to the results, **China was predominantly not seen as a threat**, with only 15 % Bulgarians, 20 % Latvians, 22 % Romanians, 27 % Hungarians, 38 % Slovaks and 43 % Polish seeing it as such⁴⁷⁴. Only Lithuanian (51 %) and Czech (60 %) respondents leaned towards seeing China as a threat⁴⁷⁵.

A Sinophone Borderlands survey from 2020⁴⁷⁶ covered 10 EU countries and included insights from the European Think Tank Network reports⁴⁷⁷ on relations with China in individual EU Member States. According to this report, **China's worsening image in the EU correlates with instances of China's so called 'wolf warrior' diplomacy coming to the fore**⁴⁷⁸. China has arguably toned down this more confrontational approach of late, albeit the country's image in Europe will take much longer to improve⁴⁷⁹.

Furthermore, according to an in-depth analysis based on Sinophone Borderlands surveys of 56 countries worldwide, including 2 waves of surveys involving 16 EU countries, **attitudes towards China in the EU are primarily driven by negative perceptions of its political values, more so than the assessment of its foreign policy**⁴⁸⁰. In turn, the economic importance of China or perceptions of Chinese culture play a weaker role⁴⁸¹. In other words, while adjusting its diplomatic posture towards the EU would help somewhat, China's domestic political situation and its foreign policy in general (including issues such as Taiwan, the South China Sea and tensions with the USA), will inhibit improvement of its image in Europe.

⁴⁶⁸ Eurobarometer, [EP Spring 2022 Survey: Rallying Around the European flag - Democracy as Anchor Point in Times of Crisis](#), European Union, June 2022.

⁴⁶⁹ Ibid.

⁴⁷⁰ Ibid.

⁴⁷¹ L. Silver, C. Huang and L. Clancy, '[China's Approach to Foreign Policy Gets Largely Negative Reviews in 24-Country Survey](#)', Pew Research Center, 27 July 2023.

⁴⁷² Ibid.

⁴⁷³ U.A. Bērziņa-Čerenkova, R. Turcsányi, M. Šimalčík, K. Kironská, R. Sedláková, [Latvian Public Opinion on China in the Age of COVID-19](#), CEIAS, 2021, p.2.

⁴⁷⁴ D. Hadju, P. Szicherle, V. Musilová and K. Klingová, J. Kazaz, [Globsec Trends 2023](#), GLOBSEC, 2023, p.39.

⁴⁷⁵ Ibid.

⁴⁷⁶ Sinofon, '[Global Views on China](#)', webpage, nd

⁴⁷⁷ European Think Tank Network on China, '[Reports](#)', webpage, nd.

⁴⁷⁸ B. Jerdén, T. Rühlig, J. Seaman and R. Turcsányi, '[Chinese Public Diplomacy and European Public Opinion during COVID-19](#)', *China Review*, Vol 21, No 2, 2021, pp. 5-34.

⁴⁷⁹ X. Duan and Y. Liu, '[The Rise and Fall of China's Wolf Warrior Diplomacy](#)', *The Diplomat*, 22 September 2023.

⁴⁸⁰ Sinofon, '[Global Views on China](#)', webpage, nd; R. Turcsányi, A. Gerstl, K. Kironská, K. Dubravčíková, J. Iocovozzi, P. Gries, M. Šimalčík, K. Tsimonis, J. Magano, E. Doğan, J. Essa, B. Toettoe, T. Ruehlig, U. A. Bērziņa-Čerenkova, D. Jiang and H. Aubie, [Trans-Atlantic public opinion on China Great power competition amidst Russian invasion of Ukraine](#), CEIAS, December 2022.

⁴⁸¹ Ibid.

It is also important to recognise, that these negative attitudes towards China, to some extent spill over into a negative image of Chinese people, albeit many respondents differentiate more clearly between the country and the people⁴⁸².

While Europeans, on average, do not like China, they nevertheless not only recognise its power and influence, but also expect it to grow in future. According to the German Marshall Fund, Italians, French, Dutch, Germans and Spanish respondents expect China to be the most influential actor in global affairs over next five years. Conversely, Lithuanians, Polish, Portuguese and Swedish see the USA in this position⁴⁸³. The EU was regarded as much less influential in all surveyed countries than both the USA and China⁴⁸⁴.

Concerning preferred policies towards China, the most popular option across the EU and in most individual Member States was **cooperation on global issues, ahead of addressing cybersecurity as well as advancing human rights and democracy**. Interestingly, promotion of trade and investments scored as less popular in most countries⁴⁸⁵. For instance, in Germany 60 % of respondents were willing to accept higher consumer prices to reduce economic dependencies on China⁴⁸⁶.

Turning towards China, understanding public perceptions has its specifics due to the authoritarian and closed nature of its political system. Still, there have been various public opinion surveys conducted in China which can be seen as relevant⁴⁸⁷.

China clearly differentiates between the USA and the EU. While the USA was found to be the most negatively perceived country among 25 countries Chinese respondents were asked about, the EU and its Member States were seen quite positively. Germany is seen most favourably by roughly two-thirds of respondents⁴⁸⁸. However, even other EU countries are seen positively, to the extent that **none of the 13 EU countries covered in both surveys was seen in negative terms**. Such a finding is not counterintuitive. Chinese diplomacy generally approaches the USA more negatively than other countries, including those in Europe. This is visible also in the Chinese diplomatic discourse⁴⁸⁹.

What explains these positive attitudes towards Europe in China? Sinophone Borderlands survey asked Chinese respondents to write 'first associations' for both the USA and Europe⁴⁹⁰. The first impressions of the USA among Chinese respondents show that the USA is recognised as being a 'hegemon' as well as a 'powerful' and 'advanced' country, yet also 'bossy' and 'sowing discord'⁴⁹¹. In turn, the first impressions of Europe tend to be positive. It is seen as 'wealthy, developed in all kinds of ways – economy, technology, culture – and as an exciting travel destination with rich culture and history'⁴⁹². For Europe, Chinese respondents also used descriptions such as 'romantic' and a place for 'fashion' and 'luxury goods'⁴⁹³. Europe

⁴⁸² P. Gries and R. Turcsányi, '[Chinese Pride and European Prejudice: How Growing Resentment of China Cools Feelings toward Chinese in Europe](#)', *Asian Survey*, Vol 61, No 5, 2021, pp. 742-766.

⁴⁸³ German Marshall Fund of the United States, [Transatlantic Trends 2023](#), September 2023. p.9.

⁴⁸⁴ Ibid.

⁴⁸⁵ R. Turcsányi, M. Šimalčík, K. Kironská, R. Sedláková, J. Čeněk, A. Findor, O. Buchel, M. Hruška, A. Brona, U.A. Bērziņa-Čerenkova, M. Esteban, B. Gallelli, J. Gledić, P. Gries, S. Ivanov, B. Jerdén, M. Julienne, T. Matura, T. Rühlig and T. Summers, '[European Public Opinion on China in the Age of COVID-19](#)', *Palacky University Olomouc and CEIAS*, 2020.

⁴⁸⁶ T. Rühlig, '[Two New Papers: German Public Opinion on China & European Public Opinion on 5G Cooperation with China](#)', *timruhlig.eu*, nd.

⁴⁸⁷ R. Turcsányi, K. Dubravčiková, K. Kironská, T. Wang, J. Iocovozzi, P. Gries, V. Vaseková and A. Chubb, '[Chinese Views of the World at the Time of the Russia-Ukraine War](#)', *Palacky University Olomouc and CEIAS*, May 2022.

⁴⁸⁸ Ibid, p. 7.

⁴⁸⁹ M. Mochtak, and R. Turcsanyi, '[Studying Chinese Foreign Policy Narratives: Introducing the Ministry of Foreign Affairs Press Conferences Corpus](#)', *Journal of Chinese Political Science*, Vol 26, 2021, pp. 743–761.

⁴⁹⁰ K. Kironská, Y. Chen, and R. Turcsanyi, '[What Do Chinese People Really Think About Some of China's Important Partners?](#)', *The Diplomat*, 28 July 2022.

⁴⁹¹ Ibid.

⁴⁹² Ibid.

⁴⁹³ Ibid.

is also perceived through a strong association with the EU, including its Euro currency, but also as associated to NATO and seen as a 'US ally'⁴⁹⁴. The three most mentioned countries were France, Italy and Germany⁴⁹⁵.

The USA and Europe are seen relatively similarly among Chinese respondents when asked about culture or trust in vaccines⁴⁹⁶. **However, when asked to assess their foreign policy, the differences become visible.** The EU's foreign policy is seen in slightly positive terms and significantly better than those of the USA, Japan, or India⁴⁹⁷. In contrast, US foreign policy is seen very negatively, while Russian foreign policy is assessed very positively, only slightly less so than China's own⁴⁹⁸. Similarly, **Chinese respondents recommend that China adopts the toughest foreign policy towards the USA while in terms of the EU, they are split between taking a tough or friendly attitude**, hence being significantly more positive towards Europe than not only the USA, but also Japan, India and Canada⁴⁹⁹.

In terms of power, Chinese respondents recognise the EU as economically powerful, albeit trailing behind China and the USA, but still being ahead of Japan, Russia and India⁵⁰⁰. Interestingly, **the EU is seen as even more important for China's economic development than the USA**⁵⁰¹. In the militarily sphere, though, Russia was seen as substantially more powerful than the EU and on a par with the USA and China (at the time of data collection in March 2022)⁵⁰².

Hence, there are some major differences between how Chinese and Europeans perceive each other, according to public opinion surveys. **While Chinese respondents see Europe in a positive light, but often underestimate its power, European respondents see China in a negative light, but recognise its power.** As a result, EU policy-makers are perhaps under greater pressure when it comes to navigating EU-China relations because their public holds stronger and more negative views of the other. Moreover, the EU might struggle to receive recognition in China. Conversely, Chinese policy-makers may have more leeway in conducting relations with the EU in a more pragmatic way, given that the Chinese public often underestimates the EU and does not view it as sensitively as the USA, Japan or Taiwan.

9 Conclusions and recommendations

Following changes in China's domestic politics and foreign policy over the last decade, EU-China relations have also undergone fundamental shifts and remain in a state of flux. The EU, driven by an active Commission, has adopted a firmer approach towards China and hence has begun developing and implementing numerous policies and tools, culminating in the inauguration of its new de-risking approach. Nonetheless, problems continue to exist in the EU's approach to China, which remains hobbled by a lack of unity, albeit the vast majority of EU Member States share similar perspectives.

Most importantly, the EU lacks a comprehensive geopolitical vision encompassing the future of its relations with China and the global order. Consequently, **without any clear goals in this relationship, the EU lacks a comprehensive and consistent long-term strategy towards China, that can chart and drive its future actions and policies**, which to date have largely been reactive and defensive. While the EU's current approach broadly conforms with the EP's six-pillar proposal, it has been driven by *ad-hoc* measures rather than long-term planning. Over the past five years there has been a clear increase in the amount of attention

⁴⁹⁴Ibid.

⁴⁹⁵Ibid.

⁴⁹⁶R. Turcsányi, K. Dubravčíková, K. Kironská, T. Wang, J. Iocovozzi, P. Gries, V. Vaseková and A. Chubb, [Chinese Views of the World at the Time of the Russia-Ukraine War](#), Palacky University Olomouc and CEIAS, May 2022, p.15.

⁴⁹⁷Ibid, p. 7.

⁴⁹⁸Ibid.

⁴⁹⁹Ibid, p. 20.

⁵⁰⁰Ibid, p. 16.

⁵⁰¹Ibid, p. 18.

⁵⁰²Ibid, p. 17.

dedicated to China and the number of actions taken by the Commission, but they have not been embedded into a coherent vision or strategy. At the same time, while greater resources have been dedicated to China, there is still a need for more China expertise not only at EU level, but also especially among Member States.

While **the triptych** has been a successful addition to the EU's playbook and has seen widespread adoption, it requires better communication, especially regarding the 'systemic rival' component. Furthermore, **its nature also needs to be clarified as it is too often wrongly seen as presenting an EU strategy towards China, rather than a simple description of current EU-China relations**, which have multiple facets.

In regards to systemic rivalry, the EU has lacked a vision of how to deal with the global geopolitical and systemic changes taking place, without articulating a preferred end goal that goes beyond preserving the *status quo*. At the same time, while lacking a successful strategy itself, China has been busy promoting its various perspectives on a new global order and the country's expanding role therein. Although the EU has taken the important step of highlighting the existence of this systemic rivalry, especially by including it as a component of the triptych, it has been less successful in articulating and selling a competing vision, especially for the Global South, with the notable exception of the emerging Global Gateway strategy, a process which has yet to be fully developed and hence in need of greater attention and more resources.

Nonetheless, the EU has been reasonably successful *vis-à-vis* its systemic competition with China in the European neighbourhood, particularly the Western Balkans, Ukraine and Moldova, where most governments are focussing on European integration, clearly prioritising Euro-Atlantic integration over economic or political cooperation with Beijing. While a European trajectory has been clear in Ukraine, Moldova, Albania and North Macedonia, in Serbia as well as B&H, for example, China has managed to increase its economic presence and political ties. This should explicitly signal that the EU must increase its attention towards the Western Balkans and help strengthen democracy, civil society and the rule of law. However, further afield, **as with Southeast Asia, the EU has been less successful when competing with China, largely for economic reasons.** Yet, increasing geopolitical tensions with China certainly create a space for the EU to increase its engagement and assume the role of preferred 'third actor' in the region – after China and the USA.

The new European approach of de-risking, inaugurated in 2023, is still in the process of being designed and builds upon steps already taken by the EU over the past few years, such as: the FDI screening mechanism; the ACI; the EU Chips Act; and the Critical Raw Materials Act. **De-risking is strongly tied to the EU Economic Security Strategy that goes beyond China, albeit still an important factor considering the numerous EU dependencies to which it is connected.** The three-pronged approach of Promote, Protect and Partner creates a framework for future steps, the design and implementation of which the EU must prioritise over the next few years.

Addressing dependencies, risks and supply chain vulnerabilities will require skilful balancing for the EU between the risk of not doing enough and the threat of doing too much, by veering into protectionism and threatening the global economic order. De-risking has been specifically proposed as an alternative to calls for de-coupling and should be seen as an exercise in risk mitigation or risk management, instead of a wholesale remaking of economic relations in order to eliminate all risks. The policy of de-risking is therefore connected to diversification of the EU's economic ties and the quest for strategic autonomy, by building Europe's capacities and ability to act as a geopolitical actor.

Taking together the variety of subjects that are part of EU-China relations and have been covered in this study, the EU has made noticeable progress on many of them over the past five years, ranging from **improved understanding and consensus building to tangible measures and policies. However, while embedded into the triptych description of EU-China relations proposed in 2019, the EU has yet to**

embed these actions regarding China not just into a coherent vision, but also a comprehensive strategy.

The EU has taken measures and actions in a wide variety of fields ranging from economy, investment and trade, to people-to-people ties, education and research, or from EU-China bilateral relations, multilateral diplomacy and the global order, to geopolitical and security issues. **But without a comprehensive strategy, there is a considerable risk that these measures will lack coherence, synergy and efficiency, while also leading to unfilled gaps between various unconnected approaches.**

9.1 Recommendations for EU institutions and the EP

The EU should develop a broader strategic vision and narrative to underpin what up to now has been a more tactical framing of its approach to China and a largely defensive position regarding foreign policy. With the international system in a state of flux and the liberal rules-based order being called into question, the EU must develop a strategic vision of its own preferred international order and a guiding foreign policy vision. **A comprehensive and consistent long-term China strategy should be embedded within the scope of a broader strategic vision.** Without this, the EU will be forced to adopt *ad-hoc* defensive positions on current problems and challenges, without shaping the strategic environment or driving the global narrative.

The ‘partner, economic competitor, systemic rival’ triptych has been successfully embraced by most European stakeholders and represents a good way to describe the multifaceted EU-China relations concisely. Nonetheless, there are certain **communication problems** that can and should be addressed:

- Firstly, within the EU there needs to be a broader understanding that the **triptych simply describes the current state of EU-China relations, but does not constitute a strategy** in that it prescribes no goals, principles or actions for the EU in regards to China.
- Secondly, especially outside the EU, some features of the triptych have been misunderstood. The ‘systemic rivalry’ component has been criticised in China for making it an enemy, while the ‘partner’ component was seen negatively by some who considered it as a continued EU naivety on China. **The EU should better communicate what systemic rivalry means and what it implies.**

While the EU has settled on a way to describe relations with China – the triptych – and is working on a variety of follow-up policies and actions, it also needs to **design a comprehensive and consistent long-term strategy, which must include end-goals, an overarching vision and guiding principles** that can help chart a strategic path for its relations with China and how it should deal with China’s present and future actions, policies as well as influence on the global stage.

After the 2024 European elections, **the EP and especially AFET should continue to engage with the European Commission and press for the development of a comprehensive and consistent long-term China strategy that goes beyond a descriptive phrase, individual policies or sector-specific strategies (such as the economic security strategy).** The EP can also take the lead in the development process of such a strategy by proposing goals that the EU should pursue in a China strategy.

Meanwhile, in the absence of a strategy **the Commission should continue leading the way on subjects and policies regarding China**, as it has done over the past few years. The Commission and the Parliament should deepen engagement on these subjects, while accepting that achieving full consensus across the entire Union on ambitious policies is unlikely or impossible. Nonetheless, a lack of unity does not preclude progress, which can be substantially achieved if most Member States work together, as many actions or policies that can be implemented regarding China do not fall under EU exclusive competences.

The EU should establish a China-knowledge institution, staffed by a few dozen experts specialising in China covering various fields, such as: international relations; economics; politics; society; and military issues. The role of this China-knowledge institution would be to provide briefings, information, guidance, recommendations, feedback and support to any interested EU or Member State institution that has to deal with China directly or address a related subject. Considering the wide variety of issues that this might involve, it is clear that not all EU or national institutions can have in-house China expertise and hence the resultant lack of proper understanding of China could lead to flawed policy or improper implementation. Accordingly, an institution providing knowledge and understanding for all institutions requesting support could improve policy-making regarding China both at European and national levels.

In the security realm, **a military conflict in the Taiwan Strait over the next two to three decades is a real possibility and poses grave risks for the EU.** Such a conflict would probably lead to a US-China war, with cataclysmic consequences. **It is therefore vital for the EU not only to consider such scenarios seriously and prepare response options, but also to work to reduce the risk of war or prepare the EU for the consequences, in case of failure.** European leaders should discuss the risk of military conflict in private discussions with Chinese leaders and try to convince them that the use of force is not in China's interests because a US-China war would bring disastrous consequences for China's economy, development and internal stability. At the same time, the EU should exercise caution in conducting any engagement with Taiwan, especially openly public contact, so as not to increase tensions and heighten risks.

Regarding Russia's invasion of Ukraine, the EU should be cautious regarding China's 'neutrality' and its framing, as Beijing is interested in creating space for tailoring positions according to its counterparts, thus presenting a constructive image in relations with the EU. **The EU should avoid publicly expressing confidence in China's role as a mediator or crisis solver.**

The EU should deepen and broaden its engagement with democratic partners and allies in the Indo-Pacific, not as a response to China's actions, but in order to pursue and strengthen shared values and interests. This includes **engagement in the security and military fields, including involvement with naval deployments or exercises, in which the EU can help by working and coordinating with interested Member State governments as well as engaging with Indo-Pacific allies.**

The EU should also deepen its engagement with traditional allies and in fora such as the G7. It will be important to discuss and coordinate China policies and actions, especially when it comes to deterrence and preserving peace in East Asia. This should be done in a low-key, non-public manner, as public pronouncements regarding China are likely to be unproductive and could raise tensions without any tangible benefits. Engagement with traditional allies should also go beyond China, to encompass a positive agenda for global development and progress of the liberal world order. The EP can play a greater role in this process by increasing engagement with parliaments and governments from allied countries and helping shape the intergovernmental agenda.

The EU should not only continue to promote human rights and democratic values, but also openly criticise abuses wherever and whenever they happen. As other European institutions have been more reserved in this area, the EP can continue to lead on this subject and campaign for a greater role for human rights in European foreign policy. Nevertheless, when it comes to China the EP would also be better served by the development of a comprehensive and consistent long-term strategy, which can guide future actions and pronouncements. In this way, the EP and the EU itself would not simply engage in promoting human rights merely through statements but focus on effective actions and policies that serve to bring tangible results as well as improvements in defending human rights and fostering democratic values.

In the economic realm and specifically de-risking, the EU must continue to refine the definition of economic security and its associated strategy. The increasing securitisation of the economic realm and weaponisation of supply chain dependencies, notably from China, present real risks for Europe, as an open economy. **The**

core pillars of the Commission’s Economic Security Strategy – Promote, Protect, Partner, and the principles of proportionality and precision – offer a useful framework for responding to these risks and should serve as a guide for enhancing the EU’s strategic autonomy, both relative to China and more broadly.

The EU should seek greater cohesion among Member States on the concept and strategic aims of de-risking relative to China and the broad framework of economic security. Without a high level of common understanding and convergence on its overall objectives, the EU risks developing an increasingly broad set of tools without an overall purpose. The Council should move to find consensus on the overall approach to economic security as a basis for de-risking the EU’s relations with China. Importantly, though, de-risking should be understood not as a process of risk elimination, but rather its mitigation and management.

Europe must avoid the temptation of – or halt the slide toward – protectionism and economic nationalism, as Europe’s prosperity is still anchored in global economic integration. The Commission, the Council, the Parliament, but also national capitals need to ensure that the broad logic of economic security does not ultimately translate into a protectionist economic agenda. **Trade defence instruments such as anti-subsidy measures are meant to enforce reciprocity, promote a level playing field and more broadly support a rules-based system in global trade.** While aiding correction of market distortions and supporting European industrial competitiveness, they should be disassociated with a more precise logic of enhancing security.

When looking at economic relations with China, **European leaders should not overlook the value of interdependence as well as the real and potential sources of European strength.** Economic interdependence and the deterring effect that mutual economic costs provide against coercive actions remain a relevant factor influencing China’s behaviour. As such, the EU should look to ensure that it not only remains competitive, but also stands as an indispensable economic and technological player, both for China and a wider set of international partners. The EU should not lose sight of the leverage that this interdependence provides and the effect it could have on China’s actions if used wisely, especially towards the goal of maintaining peace in the region.

At the same time, **the EU should deepen its coordination with like-minded partners** not only to ensure the development of more resilient supply chains, but also to ensure that economic security policies do not usher in an era of economic and technological nationalism. Just as EU Member States cannot de-risk and achieve economic security on their own, the EU will find it hard to achieve its goals in isolation and hence working with partners will enable greater progress and efficiency.

Europe should deepen, expand and refine its partnerships with the Global South, which should be an integral and important part of the EU’s broader strategic vision for the international order and foreign policy. Europe’s partners in the Global South are also wary of over-dependence on China and seek to diversify their economic relationships. In this regard, **the EU should explore how to amplify legitimate third-party expressions of discontent over China’s vision of an alternative modernity, avoiding it being presented as primarily a Western grievance.**

Providing additional incentives is helpful in regions where China’s rapidly expanding influence is contributing to self-censorship. To this end, the EU is better positioned than the USA, as it is not seen as engaging in some geopolitical rivalry with China. **The EU should also invest in creating a global public communications infrastructure through which to promote its vision and values around the world, especially in the Global South where China has successfully invested resources in publicly promoting its vision and perspectives.**

Initiatives such as the Global Gateway must integrate the need to diversify supply chains, but in order to be effective they must also be responsive to local development needs and the interests of Europe’s

partners. The EU must ensure that directives designed in Brussels with a view to promoting sustainable development and upholding the highest environmental, social, and corporate governance standards do not overshoot their target and ultimately alienate partners, thereby undermining the EU's strategic goals in the process. **There is therefore a need to combine the attainable pragmatism that has made China's projects attractive with a more sustainable approach in tune with local needs, something many Chinese-led projects have struggled to do.**

The EU should avoid creating an impression that the Global Gateway is a response to or a competitor of China's BRI and that it is, thus, a geopolitical strategy rather than a development initiative. **It should focus on implementing concrete projects and only then promoting successes, whilst at the same time avoiding over-promising and under-delivering.** The EU should also learn from the BRI's mistakes and focus on building a good brand for the Global Gateway, one based on a portfolio of successfully implemented projects that bring tangible benefits for local stakeholders.

To expedite crucial infrastructure development in the Western Balkans, the EU should persist in advancing investment mechanisms, notably through the Economic and Investment plan and the Global Gateway initiative. By continually enhancing these tools, the EU can empower the Western Balkans with the necessary resources for sustainable growth, reducing the imperative to seek cooperation with other countries such as China. The EU should aim to provide robust and competitive options for the Western Balkans' development, so that collaboration with external partners, including China, would end up being pursued only selectively. This would help ensure that the EU remains the primary driver of developmental processes in the Western Balkans, fostering economic stability and reinforcing the region's ties with European values and standards.

The EU should strategically prioritise its enlargement policy as a pivotal tool for fostering the development of democratic culture, practices and institutions in the Western Balkans. This proactive approach would aim to cultivate resilient societies capable of mitigating the potentially adverse impacts of China's presence in the region. To achieve this overarching goal, the EU should implement a multifaceted strategy that combines diplomatic engagement, capacity-building initiatives and targeted investments.

The Western Balkans countries maintain an unwavering commitment to the process of European integration. Hence, **to ensure a balanced and constructive engagement with China, it is advisable to formalise cooperation within the framework of EU enlargement.** In doing so, the aspects of collaboration should strictly adhere to set principles covering the rule of law, environmental standards and human rights. As candidate countries aspiring to EU membership, the Western Balkans should align their foreign policies with the Union's CFSP. This approach would not only strengthen the region's path towards European integration, but also foster responsible and harmonious international partnerships.

As China-US and China-EU tensions deepen, with societal contacts having decreased especially because of the pandemic and China's image in the EU having deteriorated sharply, the EU should take measures to prevent a similar deterioration in perceptions of Europe in China. **The EU still benefits from a relatively good image in China and it should therefore deepen its public engagement with the Chinese people to maintain these positive perceptions.** Accordingly, it should provide a better explanation of its policies and pronouncements, such as the systemic rivalry narrative, in order to pre-empt any perception that the EU is 'anti-China' or aiming to harm China's development and progress. Public perceptions of Europe in China will continue to be important even if EU-China relations continue to deteriorate and could even help prevent a steep decline in relations. Dedicating greater resources to this area of European promotion in China should be a priority over the next few years.

In the context of de-risking and the economic security strategy, **the EU should take a targeted and careful approach to education and research exchanges and collaborations.** Cooperation with

individuals and entities from China, private or public, can bring both benefits and risks; hence, each needs to be weighted separately on a case-by-case basis, avoiding broad restrictions that could undermine Europe's interests and prosperity.

The EU should craft a comprehensive approach in response to China's multifaceted political interference, cyber and hybrid attacks, disinformation campaigns and influence operations in Europe. It should also provide support and make more tools available to Member States to be able to confront such threats, challenges or risks, especially to those less equipped to deal with the wide variety of operations with which they can be targeted. A joint, coordinated approach would be more effective than individual, uncoordinated responses or lack of responses.

While the EU has achieved considerable progress on China over the past few years, many issues remain and the importance of establishing the right position regarding China will only continue to grow. **A new EP and Commission will be taking office in 2024: with China at the top of its agenda, it is a perfect opportunity for the EU to adopt not only a coherent vision, but also a comprehensive and consistent long-term China strategy that can successfully guide its steps in the coming years.** AFET can play a vital role in kick-starting this process.

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