



**2023/2072(INI)**

24.10.2023

# **OPINION**

of the Committee on International Trade

for the Committee on Foreign Affairs

on the security and defence implications of China's influence on critical infrastructure in the European Union  
(2023/2072(INI))

Rapporteur for opinion: Iuliu Winkler

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## SUGGESTIONS

The Committee on International Trade calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Highlights the fact that, in 2022, China was the EU's second largest trade in goods partner; expresses concern about the increasingly unbalanced trade and investment relationship between the EU and China, which is also highlighted by the EU's record trade deficit of EUR 396 billion in 2022 and its dependence on Chinese imports and investments in some critical sectors; highlights China's unbalanced international trade policy in the context of its dual circulation strategy; asks the Commission to raise the EU's concerns with China on its managed trade practices;
2. Is mindful that the positive image that products originating in the EU enjoy among the growing Chinese middle class, which already outnumbers the entire population of the EU, has been key to the success of EU exports to China, which exceeded a combined value of EUR 230 billion in 2022;
3. Notes that China was the seventh biggest investor in the EU in 2021 and that Chinese investments in Europe continued to decline in 2022, reaching a 10-year low of EUR 7.9 billion, following a different pattern than the global recovery in foreign direct investment (FDI) flows seen in 2021; notes the shift in Chinese FDI from mergers and acquisitions towards greenfield investments, which have reached a 10-year high, including in battery technology, which is a key sector for the green transition<sup>1</sup>; notes that, according to an evaluation by the European Court of Auditors on 2000-2020, Chinese FDI has also shifted towards strategic areas such as transport and infrastructure, information and communication technologies and energy; welcomes undistorted Chinese investment provided that it does not harm security or public order; emphasises that, at the same time, adequate investment screening must be pursued;
4. Points out that the political system in China provides for investors based on a combination of private and state actors or of state-owned enterprises, closely linked to the ruling party, and therefore brings ambiguity regarding the interest behind their investments in third countries' critical infrastructure;
5. Acknowledges the conclusions on China adopted by the European Council at its meeting of 29 and 30 June 2023; is equally convinced that the trade and investment relationship between the EU and China is of strategic importance, bears strategic challenges and should be fair, transparent, sustainable, reciprocal, balanced and rules-based with international labour and environmental agreements at its core, whether at a bilateral level or under the multilateral trading system; notes that China should support ambitious reform of the World Trade Organization in this context;
6. Regrets that this is not the case today, considering, in particular, the longstanding absence of reciprocity owing to the practices of the Chinese Government and the companies that it controls; believes that the EU trade toolbox, with autonomous

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<sup>1</sup>Rhodium Group, '[Chinese FDI in Europe: 2022 Update](#)', 9 May 2023.

measures such as trade defence instruments, FDI screening, the international procurement and foreign subsidies instruments, the Enforcement Regulation<sup>2</sup>, the Critical Raw Materials Act, the Net-Zero Industry Act, the anti-coercion instrument as well as the European economic security strategy, is of major importance when it comes to foreign ownership of, control of or access to EU critical infrastructure; calls on the Commission to fully implement such measures in order to address the unbalanced trade and investment relationship and mitigate EU vulnerabilities; notes that Chinese investments in the EU should be in line with EU and national law; advocates strong EU action against unfair Chinese regulations affecting trade and investment;

7. Emphasises that trade and investment should be key drivers of sustainable growth, job creation and innovation and that the EU should therefore maintain its economic openness<sup>3</sup>; stresses, however, that a strategic balance must be found between, on the one hand, the open character and investment attractiveness of the EU single market, and, on the other hand, the defence of EU critical infrastructure and autonomy, considering the EU's security vulnerabilities, especially concerning economic coercion or threats to the integrity of EU critical infrastructure;
8. Acknowledges that, in certain cases, foreign trade and investment can create security vulnerabilities, including with regard to foreign ownership of, control of or access to EU critical infrastructure;
9. Is concerned about China's assertive geopolitical and economic rise, which has a considerable impact on global economic and political developments, particularly in the Global South, through its Belt and Road Initiative (BRI); calls on the Commission and the Member States to screen with particular attention China's acquisitions of critical infrastructures in the Western Balkans and the EU neighbourhood countries; calls on China to increase transparency on BRI projects, given the numerous BRI loans that have underperformed and become financially unviable;
10. Stresses that, as a reliable partner, the EU should engage on an equal footing with partner countries, building long term, mutually beneficial partnerships; calls on the Commission and the European External Action Service to ensure that EU investments, notably via Global Gateway projects, in partner countries support them in their own just and sustainable transitions, delivering benefits on the ground in line with international climate agreements, International Labour Organization conventions, the EU Common Security and Defence Policy and international humanitarian law and human rights;
11. Welcomes the new 'de-risking' approach in the proposed European economic security strategy<sup>4</sup> of 20 June 2023, which aims to maximise the benefits of the EU's economic openness and to protect, promote and strengthen the EU's open strategic autonomy, while minimising the risks resulting from economic dependencies and their possible

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<sup>2</sup> Regulation (EU) 2021/167 of the European Parliament and of the Council of 10 February 2021 amending Regulation (EU) No 654/2014 concerning the exercise of the Union's rights for the application and enforcement of international trade rules, OJ L 49, 12.2.2021, p. 1.

<sup>3</sup> Commission communication of 18 February 2021 entitled 'Trade Policy Review – An Open, Sustainable and Assertive Trade Policy' (COM(2021)0066).

<sup>4</sup> Joint communication from the Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 20 June 2023 on 'European Economic Security Strategy' (JOIN(2023)0020).

weaponisation, and foreign control of or influence over critical infrastructure; welcomes the fact that the strategy explicitly recognises that risks to the physical and cyber security of critical infrastructure are key security vulnerabilities for European economies; is highly concerned by the growing number of EU-based businesses that have been targeted for blackmail, industrial espionage, sabotage, or trade-relevant data theft; is equally concerned by the fact that China has become the second most common country of origin of these attacks; is convinced that the protection of critical infrastructure should be a key element in the implementation of the strategy; calls on the Commission and the Member States to deliver on open strategic autonomy in all fields where the EU risks overdependence on China owing to its dominant position;

12. Underlines that EU responses must be built around an augmented understanding of the relevant strategic picture centred on cross-policy and cross-national threat assessments and vulnerability studies on critical infrastructure; is of the opinion that a decentralised or lacunal perception, lacking clear visibility and scrutiny over projects with strategic significance for Europe's defence and security, could greatly harm the Union's geopolitical interests<sup>5</sup>; recalls vulnerabilities linked to foreign interference, specifically in the information space, and the interplay between FDI projects and information manipulation operations by malign foreign actors;
13. Urges the Commission and the Member States to ensure that the main use of EU infrastructures is preserved and protected in order to allow for the normal development of EU economic activity and trade, notably transport (ports, airports, rail and roads), energy and telecommunications infrastructures; calls on the Commission to periodically report to Parliament on:
  - (a) the detection of the possible dual use of strategic infrastructures that provide logistical and intelligence support to China;
  - (b) the full respect of EU trade legislation, especially concerning due diligence, anti-coercion and goods made with forced labour entering the EU market;
14. Calls on the Commission, in coordination with the Member States, to design a rapid response mechanism for the detection of the dual use, or misuse, of infrastructures in the EU under Chinese ownership, participation or concession, that could be used to terminate the rights of concession and/or suspend the capacity of domain in the cases of ownership and participation;
15. Calls on the Commission and China to explore coordinated ways to boost trade and investment, with the aim of better adapting China to EU legislation and to international and multilateral trade provisions;
16. Recalls that the Regulation on the screening of FDI<sup>6</sup> addresses risks to security and public order resulting from investments from outside the EU; notes that critical infrastructure is among the factors that may be taken into consideration by the Member

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<sup>5</sup> Policy Department for External Relations of the Directorate-General for External Policies of the Union, 'Security implications of China-owned critical infrastructure in the European Union', June 2023.

<sup>6</sup> Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79 I, 21.3.2019, p. 1).

States or the Commission when determining whether an investment is likely to affect security or public order; reiterates the key added value of the screening mechanism as a pertinent tool that gives the EU and the Member States a better strategic overview and situational awareness of the trends, targets, means and methods deployed by foreign actors to increase their economic and political influence; is strongly concerned by the fact that not all Member States have in place or use mechanisms for screening foreign investment in critical infrastructure;

17. Calls on the Commission to consider ways of making its opinions on FDI screening more impactful, in order to avoid distortions of the single market and a race to the bottom among Member States, and fit for purpose in the current global security context; calls on the Commission and the Member States to increase harmonisation, including by building appropriate expertise, and to fully implement the FDI screening mechanisms; calls on the Commission and the Member States to pay attention to the investments by and political influence of non-EU companies, which could be controlled by China; believes that there is scope and the need for the Regulation to be strengthened in its upcoming review at the end of the year; encourages the Commission to present an ambitious legislative proposal on a revised Regulation addressing all the loopholes that have emerged during its implementation, and to swiftly evaluate the possibility of a legislative proposal on a screening mechanism for outbound investments; recommends building the proposed outbound investment screening mechanism on an impact assessment that includes appropriate consultation with businesses to minimise any potential negative consequences on European competitiveness;
18. Highlights the role of the EU as a promotor of quality infrastructure projects abroad, through initiatives such as the Global Gateway or the G7 Partnership for Global Infrastructure and Investment; underlines the EU's need to deliver on its value-based and sustainability-driven rhetoric on international infrastructure projects, acknowledging the vital geostrategic role such programmes can play at the level of diversification, supply chain resilience, standard setting and regulatory alignment;
19. Calls on the Commission and the Member States to strengthen EU strategic autonomy, notably by building diversified, secure and resilient supply chains and by increasing its actions in key areas such as research and development, cutting-edge technologies, critical raw materials, reindustrialisation and new infrastructures;
20. Argues that a key area of EU critical infrastructure is its network of research institutes and research and development facilities, which play an important role in the EU's ability to deliver on its green and digital transitions, alongside key arenas such as space defence; recalls the security vulnerabilities linked to forced technology transfers, intellectual property theft and knowledge leaks, both in the EU and abroad; calls for increased vigilance when accounting for such threats to the EU's ability to innovate and foster growth;
21. Calls on the Commission to design actions to reduce risks to the EU's own security and to develop internal resilience by strengthening the security and integrity of its critical infrastructures, supply chains and technology base, notably the 5G and 6G networks, which are all essential for normal EU economic activity and trade; calls on the Commission and the Member States to review their network security toolbox;

22. Calls for the Commission, the EU institutions and the Member States to terminate any research funding to Chinese companies that are active in areas of critical and strategic importance to the EU, such as information and communications technology, and to channel the risks related to contracting operators using Chinese equipment;
23. Calls on China to put in place and implement a responsible digital governance, with respect for privacy rights, freedom of expression and the rule of law in its digital governance policies, in the framework of World Trade Organization and multilateral standards; calls on the Commission to assess other areas at risk such as semiconductors, quantum computing, blockchains, space, artificial intelligence and biotechnologies, and to consider legislation or tools to provide further protection against malicious software and cyber espionage;
24. Calls on the Commission to share with Parliament, before the end of this parliamentary term, a detailed analysis of the trade risks linked to technologies such as semiconductors, quantum computing, blockchains, space, artificial intelligence and biotechnologies and the possible need for EU action in these fields.

## INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	24.10.2023
<b>Result of final vote</b>	+: 27 -: 0 0: 1
<b>Members present for the final vote</b>	Anna-Michelle Asimakopoulou, Saskia Bricmont, Jordi Cañas, Raphaël Glucksmann, Danuta Maria Hübner, Miapetra Kumpula-Natri, Danilo Oscar Lancini, Bernd Lange, Margarida Marques, Sara Matthieu, Helmut Scholz, Joachim Schuster, Sven Simon, Kathleen Van Brempt, Marie-Pierre Vedrenne, Jörgen Warborn, Iuliu Winkler, Jan Zahradil, Juan Ignacio Zoido Álvarez
<b>Substitutes present for the final vote</b>	Reinhard Bütikofer, Marco Campomenosi, José Manuel García-Margallo y Marfil, Svenja Hahn, Seán Kelly, Javier Moreno Sánchez, Urmas Paet, Pedro Silva Pereira
<b>Substitutes under Rule 209(7) present for the final vote</b>	Dacian Cioloș



## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

<b>27</b>	<b>+</b>
ECR	Jan Zahradil
ID	Marco Campomenosi, Danilo Oscar Lancini
PPE	Anna-Michelle Asimakopoulou, José Manuel García-Margallo y Marfil, Danuta Maria Hübner, Seán Kelly, Sven Simon, Jörgen Warborn, Iuliu Winkler, Juan Ignacio Zoido Álvarez
Renew	Jordi Cañas, Dacian Cioloș, Svenja Hahn, Urmas Paet, Marie-Pierre Vedrenne
S&D	Raphaël Glucksmann, Miapetra Kumpula-Natri, Bernd Lange, Margarida Marques, Javier Moreno Sánchez, Joachim Schuster, Pedro Silva Pereira, Kathleen Van Brempt
Verts/ALE	Saskia Bricmont, Reinhard Bütikofer, Sara Matthieu

<b>0</b>	<b>-</b>

<b>1</b>	<b>0</b>
The Left	Helmut Scholz

**Key to symbols:**

+ : in favour

- : against

0 : abstention