

by Sylvie Bermann



ABSTRACT

The US-China rivalry is not just a battle between democracies and autocracies, in such a complex context the EU should find a path that transcends mere balance of power considerations. This competition – often referred to as a new Cold War – has not only a trade and economic dimension, with the technology as the main area of focus, but also a soft and hard power scope. In such a multifaceted scenario, the EU's decisions should be based on European interests on a case-by-case basis and should not be constrained by decisions taken in Washington. Brussels is still a powerful economic actor and should, as such, build a strategy that does not necessarily entail embracing US decoupling. Instead, while pursuing greater autonomy concerning technology and standard-setting, the EU should also develop a more realistic human rights policy toward China and strengthen its ties with other Indo-Pacific countries. Only by acknowledging its strength, the Brussels Consensus can find its spot alongside its American and Chinese counterparts. US-China rivalry, already established but exacerbated by the SARS-CoV-2 pandemic, will be the defining geopolitical framework for the coming decades. It will have an impact on the whole planet and particularly the EU, which will have to define its place and role.

US foreign policy | China | European Union | Transatlantic relations



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1. US-China rivalry

US-China rivalry embodies what Graham Allison called the "Thucydides Trap", with Washington – the hegemonic power – playing the role of Sparta, and Beijing, - the rising power, - the role of Athens. The first player tends to be paranoid, and the second is affected by hubris due to its undeniable geoeconomic and geopolitical success, confirmed by the efficient management of the pandemic and a rapid recovery. China ended with growth of around 2 per cent in 2020 while other G20 members suffered a recession or a dramatic drop in GDP. Beijing's successful campaigns in terms of masks and then of vaccines have strengthened its soft power in Africa, the Middle East, Latin America but also closer to Europe in the Balkans. Even if the reported number of deaths might not be totally accurate in China, the comparison is in any case detrimental to the United States, which has suffered a terrible death rate largely due to the disastrous mishandling of the health crisis by Donald Trump. And, since the vaccination campaign began, the US has not yet exported vaccines to these countries whereas China, with major publicity, is providing as many countries as possible with Sinovac or other Chinese vaccines. The Pew Research Center conducted an opinion poll at the end of Trump's mandate showing that, in these regions, China and Russia's leaders, Xi Jinping and Vladimir Putin, as well as their respective countries, were more popular than President Trump and the United States. The isolationist policy "America First" came at a price:

¹ Graham Allison, Destined for War. Can America and China Escape Thucydides's Trap?, Boston/New York, Houghton Mifflin Harcourt, 2017.

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the decline of US influence.

This shows that things are not as simple as a battle between democracy, represented by America and its allies, versus autocracies, represented by China and Russia. As a matter of principle, Beijing does not enter into alliances, but it has succeeded in creating a circle of friends or at least of countries that do not criticise China in the international arena. Beijing has managed to obtain the support of many states in the world, due notably to its huge financial support and the building of infrastructures mainly within the framework of the Belt and Road Initiative. It is interesting to note that, in the final document adopted by the Organisation of Islamic Cooperation (OIC) in October 2020, there was not a word about the situation of the Uighurs, the Turkic Muslim minority subjected to forced Sinification in China's western region of Xinjiang. Ankara went as far as to sign an extradition agreement with Beijing on 13 May 2017 that put around 50,000 Uighur refugees in Turkey at risk of being deported to Xinjiang.

This does not mean that all the countries concerned are happy with this situation of dependency, but at least they obtain something from it. And, of course, the two major victims of hostility and sanctions from the US administration, Beijing and Moscow, although reluctant to enter a fully-fledged alliance, have decided to enhance their partnership in many domains, including the military. They have organised joint exercises in the Far East, where they fought against each other fifty years ago, and also in the Baltic and the Mediterranean seas. They have even decided to cooperate in space, building and sharing the future lunar space station, and Moscow has provided assistance to Beijing for the deployment of a missile defence system. This is a very recent development. President Xi has referred to President Putin as his "best friend". Although this relationship is asymmetric and a complete reversal of what it was a few decades ago between the Soviet Union and an extremely poor and rural China, Beijing and Moscow know perfectly well what they can expect from this pragmatic contract, and consider it is in their best interests to cooperate against the attempts of the West to interfere in their domestic policy. In particular, they stick together in the United Nations Security Council, vetoing resolutions tabled by Western countries more often than not.

Identifying China as the enemy from the beginning of his mandate, President Trump initiated a new Cold War. Of course, it was not comparable with the twentieth-century Cold War between the United States and the Soviet Union, which principally had an ideological and military dimension. The Soviet Union was a military giant but an economic dwarf, Soviet GDP representing 46.4 per cent of that of the United States. And there was no interdependency. Moscow and Washington exchanged two billion dollars a year, whereas nowadays Washington

² "China's Xi Praises 'Best Friend' Putin During Russia Visit", in *BBC News*, 6 June 2019, https://www.bbc.com/news/world-europe-48537663.

³ Abram Bergson, "The USSR Before the Fall: How Poor and Why", in *Journal of Economic Perspectives*, Vol. 5, No. 4 (Fall 1991) p. 29-44 at p. 39, https://doi.org/10.1257/jep.5.4.29.

and Beijing are exchanging two billion a day. China, surpassed this year by Japan, was for many years the country to hold most US Treasury bonds. Everything started with a commercial war, Trump choosing to dramatically increase the tariffs on Chinese imports – without success, since Chinese exports continued to increase in 2020, as did the American trade deficit.

The trade war was followed by a blockade on high technology products such as semiconductors, on which the Chinese lagged behind, and a campaign to bar China's telecom giant Huawei from acquiring a dominant position in key markets, most notably Europe. Washington also expelled many Chinese students, whom it accused of spying. In turn, China decided to focus on domestic consumption and increase its high-tech capabilities such as artificial intelligence and semiconductors capacity. This technology competition is the main challenge the United States and China face in the twenty-first century.

From an ideological viewpoint, relations between Washington and Beijing are not comparable with the ideological competition opposing democracy and the free market on one side and communism on the other during the Cold War, with ramifications and proxy wars on all continents. Nevertheless, it cannot be denied that ideology is part of the equation, since Washington is keen to lead the so-called free world with the intention of creating (or recreating, since the United States already established one in 2000) a Community of Democracies. Both Chinese and Russian propaganda tend to exploit the current weaknesses of democracies, which they wrongly consider as in decline, to convince their own population of the superiority of an authoritarian state and a strong leader.

Lastly, there is a military side to the crisis, with rising tension in the South China Sea as the Chinese become more assertive with their neighbours through land reclamation and the subsequent militarisation of the small islands. China has increased its military activities around Taiwan, making forays into the island's air defence identification zone, and also reaffirming its right to use non-peaceful means if Taiwan tries to secede. This does not mean that China is on the verge of invading Taiwan. The Americans are also trying to organise China's containment within the framework of the Indo-Pacific strategy and the revival of the Quad (the United States, India, Japan, Australia), and the deployment of warships to enforce the freedom of navigation. They have also ostensibly enhanced the US' relationship with Taiwan, which is considered as a core interest by Beijing. It is important to avoid miscalculation and not to add fuel to the fire.

2. The EU response: Between non-alignment and cooperation

In this context, what role could the European Union play? Does the EU have to choose sides? Should it be aligned or choose its own path as a counterweight (puissance d'équilibre)? The question is not about equidistance. It is more about non-alignment. The EU, as a grouping of democracies, certainly shares more values

with the United States than with China, but its interests are not strictly identical to the US ones. Choosing sides means becoming more dependent on the chosen side. The EU's decisions should be based on European interests on a case-by-case basis. The EU welcomed US President Joe Biden's intention to resume cooperation with friends and allies (considered as despicable enemies during Trump's mandate), reengage in multilateralism and re-join multilateral institutions such as the World Health Organisation (WHO). But Europeans cannot simply be expected to follow American leadership.

The primary aim of European integration was to preserve peace and as stated in the Schuman Declaration of 9 May 1950, to make war between historic rivals "not merely unthinkable, but materially impossible". This founding principle has guided the EU (previously the European Communities or EC) for decades. It was first an internal project. The "internal peace" narrative was sufficient, and it worked well: it was mainly about organising relations between member states who were primarily inward-looking. EU member states were proud of their values, promoted virtue by example and considered their way of life enviable. And many countries were candidates for membership. But the "the end of history" scenario, affirming that the fall of the Berlin Wall and the implosion of the Soviet Union marked total victory for the free market, democracy and the Kantian concept of "perpetual peace" did not materialised. It became necessary to react differently to Europe's environment.

3. From looking inwards to paying attention to China

Soon after the end of the Cold War, the international situation deteriorated. The EU could no longer continue to be a "postmodern" entity based on consensus and compromise in a brutal world, as described by Robert Cooper, special adviser to the first High Representative for Common Foreign and Security Policy, Javier Solana. The EU was then obliged to consider the world around it, starting with the adjacent regions, and notably the Balkans. The United States tried to influence the EU in the framework of the transatlantic partnership. China then seemed very far away. And the EU did not really pay attention to or showed concern for the rise of it. There was also the illusion that China's accession to the World Trade Organisation in 2001 would lead to the emergence of a middle class, which would automatically push for democratisation.

Until recently, the EU did not have a real strategy regarding China. Finally, in 2019 a strategy was adopted, defining China as an economic competitor, a systemic rival and a strategic partner.⁵ The Europeans realised that the economic competition

⁴ Robert Cooper, *The Breaking of Nations. Order and Chaos in the Twenty-First Century*, London, Atlantic Books, 2003.

⁵ European Commission, *EU-China – A Strategic Outlook* (JOIN/2019/5), 12 March 2019, https://eurlex.europa.eu/legal-content/en/TXT/?uri=CELEX:52019JC0005.

was unfair, that public procurement was closed to Europeans while EU markets as a matter of principle were largely open. The European Commission was, until recently, more concerned with respect to fair internal competition between European companies than with unfair competition from gigantic Chinese companies. This is when the EU decided to adopt a screening mechanism for foreign direct investment in Europe. Even if it is erga omnes, it primarily concerns sensitive Chinese investments.

4. EU and US interests do not automatically coincide

Concerning the principles regulating commercial issues with China, EU and US interests are similar. The general aim is improved market access, more legal certainty, the banning of forced technology transfers and joint ventures. Washington already obtained concessions from China in January 2020 as part of the "Phase One" trade deal, whereas these were only obtained by the Europeans in the Comprehensive Agreement on Investment (CAI) concluded in principle on 30 December 2020. The European and American chambers of commerce in Beijing have been in close contact for many years on these issues. But, if there is agreement on fairer market access conditions, the reality is that the EU and the United States are also competitors in China, and the EU cannot be constrained in the future by a decision of the US Treasury as is currently the case in Russia where the European banks cannot finance European projects (the liquefied natural gas or LNG terminal built by Novatek and Total in the Yamal Peninsula had to be financed by the Silk Road Fund and Chinese banks). The EU also considers US extraterritorial sanctions as illegal and unacceptable. The initiative taken to counter these sanctions with the implementation of the Instrument for Supporting Trade Exchanges, called Instex, should be pursue.

Brussels is powerful because it is the largest trading bloc in the world. President Xi's first official visit to the EU institutions in March 2014 showed that China recognised the bloc's importance. Since the beginning of 2021, China has become the EU's main partner ahead of the United States. With 1.4 billion inhabitants, it is and will remain the largest market in the world, essential for the success of the EU's main companies. So, it is key to improve conditions, diversify EU supply chains and partially relocate for some strategic products but not to engage in decoupling. The US Administration itself, while hinting at decoupling, knows perfectly that it is imperative to get access to the Chinese market, as General Motors sells more

⁶ Elvire Fabry and Micol Bertolini, "Covid-19: The Urgent Need for Stricter Foreign Investment Controls", in *Jacques Delors Institute Policy Papers*, No. 253 (April 2020), https://institutdelors.eu/en/publications/covid-19-lurgence-dun-controle-renforce-des-investissements-etrangers.

⁷ Marie-Hélène Bérard et al., "American Extraterritorial Sanctions. Did Someone Say European Strategic Autonomy?", in *Jacques Delors Institute Policy Briefs*, March 2021, https://institutdelors.eu/en/publications/american-extraterritorial-sanctions.

⁸ Elvire Fabry and Andreas Veskoukis, "Strategic Autonomy in Post-Covid Trade Policy: How Far Should We Politicise Supply Chains?", in *IAI Papers*, No. 21|33 (July 2021).

cars in China than in America, and Tesla is operating its Gigafactory of electric cars in Shanghai. Clearly the Europeans should avoid the illusory temptation of decoupling.

Regarding technology, US and EU interests do not necessarily coincide. The EU objective is more about acquiring autonomy in this field, strengthening for example the Franco-Italian firm STMicroelectronics, which produces semiconductors, rather than preventing China from becoming number one. The EU generally lags behind in a sector that is key for the future. There is a willingness to invest heavily in science and technology, and there is hope if we consider the success of the Galileo programme, whose signal is more precise than GPS even if companies have been slow to deploy it. At the beginning, the Americans were opposed to this project. Initially the Chinese wanted to join, but they finally deployed their own system, Beidou. Concerning Huawei, which is now a scapegoat for the Americans because of concerns about spying and technology theft, we should pay attention to what the Ericsson CEO said on the risk of banning it completely because Europe is two years behind in this technology.

With commercial and technological issues, the question of norms and standards is also at stake. The EU is largely a normative power and must remain so, because as a norm setter one holds a major economic leverage. That is the reason why the Chinese are interested notably in defining the new standards related to artificial intelligence.

5. How to address the question of human rights

The most sensitive issue is probably the question of democracy and human rights. The two should be differentiated. Western countries need to accept reality and stop believing in magical thinking or coercion in order to change a regime they do not like, which appears to be at the heart of American thinking. Such ancient, imperial, continent-sized countries as China and Russia will not change their political systems. They have a deep sense of pride and resent interventions by countries that humiliated them in the past. The principle of non-interference in domestic policies is their core principle in dealing with Western countries. Besides, China tends to consider that strong regimes handled the pandemic better than Western democracies, which are based on individualism. The West has no choice but to accept the reality of the necessary coexistence of democracies and autocracies. After all, Western democracies unquestioningly accepted pacific coexistence during the Soviet, Maoist and immediately post-Maoist periods when cooperation was paradoxically easier. Of course, China was at that time a very poor and undeveloped country and was not a rich and powerful competitor.

⁹ Richard Milne and Michael Peel, "Ericsson Chief Slams Europe's 'Non-Functioning' Telecoms Market", in *Financial Times*, 16 February 2021, https://www.ft.com/content/32b38192-8c77-412a-ab20-36f75d6f4995.

Accepting the reality does not mean that the EU should not raise the question of human rights abuses in Xinjiang or concerns regarding the restrictions to freedom in Hong Kong. The issue should not be put aside or forgotten, but it remains a complex issue to be addressed. Are sanctions appropriate tools? Normally these are used not to punish but to convince a government to change position or to come back to the negotiating table. So far this has not worked with Russia, which has been the target of nearly 1,000 American sanctions. Will it work better with China? There is another difficulty: for the first time since 1989 and the massacre of Tiananmen Square, the EU has decided to impose sanctions on China, on the basis of the new European Magnitsky Act adopted in December 2020. But, instead of strictly mirroring the European sanctions as Russia usually does, China decided to retaliate by imposing sanctions on European think tanks, members of the European Parliament including the head of the delegation in charge of relations with China, the European Parliament's Subcommittee on Human Rights and the EU's Political and Security Committee. If all those who are involved in relations with China are targeted, it will limit any future cooperation. The EU will stand by its decisions but should reflect upon this question in order to be more efficient in the future, and not only to please public opinion. It should also be noted that the Chinese reaction to American sanctions has been milder because Beijing usually considers the balance of power, and the EU appears weaker. The Americans are constantly pushing the EU, but we should bear in mind that the price is higher for the Europeans. In any case, this is an important issue and Europe should strike a balance: it cannot be the core of the relationship between the EU and China.

6. The EU should develop relations with other countries in the region

The last complex issue is that of EU policy in the region now called the Indo-Pacific. Should European states strictly adopt the US position of deterring or threatening Beijing, or even participate in new alliances and send army vessels, which in any case would not make a difference militarily? It seems to be more constructive to develop relations with other states in the region, such as India, which was ignored by the EU, Japan, Australia and South Korea, but also ASEAN countries, which will be the booming economies of the future. Channels of dialogue have already been established, but the truth is that, when there is an ASEAN/EU meeting, whether in Asia or in Europe, ASEAN ministers complain that the European ministers never show up.

Out of courtesy as well as efficiency, the Europeans should be more committed. As a response to the Belt and Road Initiative, the EU has developed a connectivity policy in the region. It should be explained and promoted. China understood before the Europeans did that in developing countries infrastructure was needed more than programmes on the rule of law, which have been delivered by the EU without great success. The EU should provide support to a democratic Taiwan and avoid

sabre rattling by supporting its participation, in one way or another, in multilateral organisations, such as the WHO, not only because it handled the sanitary crisis well but because there cannot be a black hole in the world's health systems at a time of possible new pandemic.

To sum up, the EU should take decisions based uniquely on its interests and on a just appraisal of the balance of power. The EU can coordinate with the Americans when such action makes the EU stronger, but preferably not within NATO because this is not the role of the alliance. There are plenty of issues on which the Europeans should cooperate with the Americans and the Chinese, such as climate change and health. Europe should continue to negotiate the opening of the Chinese market and try to obtain fairer competition. The French presidency of the EU during the first semester of 2022 might be confronted with the adoption and ratification of the EU-China investment agreement. The issue of a protection and control mechanism still remains to be resolved, and tensions should be defused. In the past, China supported European integration but, unfortunately, sanctions imposed by China have damaged goodwill in the relationship, which has been extremely counterproductive. As is often said in diplomacy, "It takes two to tango." This situation is unfortunate because the signing of this agreement, in spite of American pressures in the case of a diplomatic victory for China, was also a signal of autonomy and an economic victory for the EU.

7. Towards a "Brussels consensus"?

The EU should develop strategic autonomy or strategic sovereignty – whichever term is more acceptable for partners – and should not be afraid of the language of power. The EU used to believe that, in the past, this had led to two lethal world wars, hence its current focus on concrete cooperation and economy; but the world has changed. Growth and challenges have moved towards the Asia-Pacific region. President Barack Obama, who was less interested in Europe, decided to pivot towards Asia. This has continued with the two successive American presidencies. It would in fact be as much in the interest of Europeans as in the interest of the United States that Europeans assume more responsibilities on defence issues, notably in the Middle East and in the Sahel, where they are confronted with instability, which leads to terrorism and immigration that impacts on Europe. Recent initiatives, such as the European Defence Fund, have increased the EU's strength and credibility in the world, even if the initiatives are not directly related to China.

Europeans should acknowledge their strength and assets. For this, it is imperative, firstly, for the EU to achieve its vaccination rollout and, as the President of the Commission, Ursula von der Leyen, said, to become the pharmacy of the world. Secondly, Europeans need to make a real success of the economic recovery plan. The euro is also a valuable asset, with China and Russia keeping more than a quarter of their reserves in this currency, but it still has to be a real reserve currency to be able to counter the dollar's hegemony and its extraterritorial consequences.

Washington and Beijing will appraise the EU on its economic success and technological power, not on its words. That is what gives the EU leverage, and, in the end, power and autonomy. There should be a real triangle and, alongside the famous "Washington Consensus" and "Beijing Consensus", a "Brussels Consensus".

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