

EPP Position Paper: EU-China Relations in a COVID-19 World and Beyond

adopted by the EPP Political Assembly

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Introduction

The coronavirus pandemic, exacting a toll in the European Union of over **140 000 lives** and a **projected economic** contraction of 8.3%, has revealed new vulnerabilities. Crucial discussions, requiring difficult decisions, remain as to how best to overcome the public health as well as economic crisis and their social impact. Ultimately, as with others in the past, this crisis reveals the reality of Member States', and the EU's, increasing limits of interdependency and the need for more effective multilateral cooperation. The EU, in particular, has a vital opportunity to act with clarity and competence on behalf of EU Member States, internally and internationally: to be a strong and viable partner for Western Balkan and Neighbourhood countries and a leader at global level in consistently promoting European interests and values.

The pandemic has clarified the growing importance of the EU's relationship with China. While the European Union and the West more broadly have for decades believed that not only modernisation but liberalisation would follow China's greater globalisation, China has instead become a geopolitical challenge for Western democracies. The time has come to redefine our approach and relationship with China and to recognise the challenge China poses; to ensure consistency in the EU's value-based foreign policy; and to strengthen cooperation with our democratic allies in defence of democracy, our core values and the international world order.

Like any country, China has the right to pursue its interest and achieve its potential, including by becoming a global leader. The responsibility of global leadership, however, requires respect for universal human rights and for the rule of law. The trajectory China takes — towards greater authoritarianism and aggression, or towards the values of democracy, transparency, rule of law and human rights — will have a decisive global impact.

EU-China Relations Framework

It is therefore fitting that no external relationship for the EU has come more into focus than that with China. Even before the current crisis, 2020 looked to be pivotal, with a regular EU-China Summit (held by video-conference on 22 June), a special EU Council-China Summit planned by the Germany Presidency (postponed indefinitely) and a hoped-for conclusion to the long negotiations on the Comprehensive Agreement on Investment. As the **European Parliament**, **European Commission** and **European Council** have all noted in recent years in official statements, a strategic partnership with China has developed over the course of decades, shaped since 2003 by the **Comprehensive Strategic Partnership**. As Lord Patten noted, 'There is no "golden age" in our relations with the Chinese Communist Party. We must work with China even while it suffers under a Communist dictatorship. But we should do so with our eyes wide open and while stripping away the mendacity and the cant.'

More specifically, the European Commission in Spring 2019 outlined four main categories for defining China as an interlocutor: 1) cooperation partner (e.g. on climate action); 2) negotiating partner (e.g. on investment and issues of connectivity); 3) economic competitor (e.g. in new technologies); and 4) systemic rival (in terms of fundamental values, most notably in the area of human rights). This final, new category — 'systemic rival' — has understandably garnered significant attention. At the same time, the European Union has consistently rejected as counterproductive and detrimental to EU interests a new regionalisation of the world into great-power politics. The EU continues to pursue, rather, a holistic international system built on cooperation, open trade and societal and corporate values, including foremost human rights.

These four categories are dynamic, expanding or contracting as new factors arise. These often contradictory categories have complicated attempts to formulate a consistent agenda for EU-China relations. So, too, has the familiar difficulty of forging consensus among Member States, each with its own unique interests and relationship to China.

China has made major progress towards eliminating dire poverty. In recent years, China has reiterated a commitment to multilateral cooperation: including, for example, via United Nations peacekeeping operations. After decades of strategic planning, the country is now recognised as a leading great power not only economically but militarily, with a corresponding increase in political influence both regionally and beyond. In his report at the 19th Communist Party Congress in 2017, Chinese President Xi Jinping openly vowed that by 2049 China would 'become a global leader in terms of composite national strength and international influence.' A critical analysis of China's goals, actions and policies is therefore crucial for the EU — especially for a more geopolitical EU — and for the future of the rules-based liberal world order.

The COVID-19 Space

The coronavirus pandemic has brought into stark relief several vital issues for the European Union: the interdependency of public health measures; the limits of globalisation; the EU's disproportionate reliance on foreign suppliers, particularly in China, for medicines, protective equipment and other essential goods; and China's growing economic and political leverage.

The June 2020 EPP Presidency proposal '**Calling for EU Health Sovereignty**' addresses the fundamental structural challenges to ensuring greater strategic autonomy in EU health policy. The Commission's upcoming Pharmaceutical Strategy and the announced EU4Health Programme will be vital next steps, among others. It will also be imperative that the EU strengthen its relevant agencies as well as its voice in global institutions; and that the EU continue to address the pandemic's global consequences, particularly in Africa and the EU neighbourhood.

Within this broader context, several facts or incidents arising during the coronavirus crisis stand out as uniquely relevant to EU-China relations:

First, we acknowledge and welcome the mutual aid given, first by the EU and then by China, to help fight the worst shortages of the pandemic. As President von der Leyen **stated** in March 2020: 'We need each other's support in times of need.' Equally, we also acknowledge multiple allegations that some of the aid delivered by China was faulty or that its true nature was not transparently communicated. European aid to China was not sufficiently acknowledged.

Second, we welcome China's ongoing participation in multilateral fora — including China's participation in the European Union's 4 May 2020 **Coronavirus Global Response International Pledging Event** — and China's recent promised contributions to global efforts to develop a vaccine. We reiterate our commitment to multilateral cooperation where feasible: only by working together, including in partnership and dialogue with China, can the European Union and the world overcome fundamental challenges such as dire poverty, climate change and deadly pandemics. We therefore wholeheartedly welcome the 19 May 2020 World Health Assembly **resolution** — led by the EU and its Member States and garnering more than 130 co-sponsors, including China — calling for a full and transparent investigation into the origins of the coronavirus crisis. We nevertheless regret the lack of agreement on the inclusion of Taiwan in the World Health

Organisation's Political Assembly, especially considering Taiwan's impressive response to addressing the pandemic.

Regrettably, we also recognise and condemn an ongoing lack of media freedom within China as relates to the current crisis. Whatever other causes there may have been for the initial spawn and global spread of COVID-19, the suppression of information and early whistle-blowers like the late Dr Li Wenliang within China itself played a key and harmful role and led to further loss of innocent lives; and invaluable time was lost. We are also concerned by reports of inaccurate or incomplete data provided by the Chinese government. As Cardinal Bo noted, it is the Chinese Communist Party's repression, lies and corruption that are responsible for this global crisis.

More than this, the Chinese Communist Party (CCP) has aimed to control the global narrative on COVID-19, including through **targeted influence operations and disinformation campaigns**, and has tried to deflect criticism of its own handling of the crisis, to sow confusion in European Member States and to erode citizens' trust in national as well as European institutions.

Chinese attempts to apply pressure by censoring analyses of EEAS EAST StratCom Unit and EU political declarations — as, for example, with regard to the 6 May 2020 **letter** published jointly by the EU ambassador to China and the ambassadors to China of all 27 Member States — must not be tolerated and must be a clear warning signal to strengthen European awareness and firmness at all levels vis-à-vis such practice.

These several cases in point have put front-and-centre both the reality of growing Chinese attempts to control the information space as well as the new reality of China's growing economic and political influence, including vis-à-vis the EU. In raising new questions — e.g. how did the virus originate? what early measures were or were not taken? how do current supply chains affect emergency preparedness? — the pandemic has revealed even more fundamental dynamics long at work.

It must also be acknowledged that the post-COVID-19 world appears to be one not only more distrustful of globalisation per se — as leaders face pressure to prioritise their own public health and economic exigencies over longer-term multilateral commitments promising fewer immediate political rewards — but one under increasing pressure from an intensifying US-China competition at risk of serious escalation, as we have already seen with the recent US-China trade war. Against this backdrop, the coronavirus crisis has underscored the urgency of a vital question: how to shape relations with an authoritarian China in order to best confront the challenges of the 21st century? The EU has a major independent role to play based on its values, interests and in coordination with its allies and partners.

The EPP's Commitments

Our core values

We will always be respectful of the rich tradition of Chinese culture and the historic achievements of the Chinese people. We firmly believe there is no incompatibility between Chinese culture and democracy: Hong Kong and Taiwan have for decades provided living proof of this. We are well aware of the difference between the CCP, on the one hand, and the Chinese nation, Chinese culture and Chinese citizens, on the other: to criticise the former is not to criticise the latter. We acknowledge our need in Europe for a better understanding of China and of Chinese through independent language and culture programmes addressing

all aspects of Chinese developments, while critically evaluating the role of cultural institutes run by Hanban (Confucius Institutes) in European universities.

Commitment to fundamental, universal values will always guide EPP policy. Guided by these values, we remain committed to dialogue and to working with China as an essential global partner on the basis of reciprocity and mutual respect, but also to countering its influence where it weakens democracy, freedom and the rule of law.

The EPP reiterates — as we did in our October 2019 '**Resolution in response to the ongoing protests in Hong Kong**' and in our June 2020 '**EPP Presidency Statement on Chinese Disinformation and the Situation in Hong Kong**' — our core belief, as expressed in our **2012 platform**, that 'Freedom is inherent in the nature of man' and our commitment, as expressed in our **2019 campaign manifesto**, to the principles of democracy, human rights, human dignity, freedom and responsibility, equality between men and women, solidarity, rule of law, justice, pluralism and tolerance. We share the EU's **stated concerns** that freedom of expression, assembly and the press do not fully exist in China. Especially concerning are systematic human rights violations, including against freedom of religion and in the discrimination of minorities, in Xinjiang and Tibet; renewed persecution of Christians; arbitrary and illegal detentions, notably the case of the Swedish citizen Gui Minhai; forced organ-harvesting from prisoners; and ongoing crackdowns in Hong Kong, where the Chinese government's increasing attempts to undermine free expression and democratic representation, most recently by unilateral introduction of a national security law, violate the agreed 'One Country, Two Systems' principle and call into question whether Hong Kong should any longer be considered an autonomous region.

The EPP calls on the EU to further respond to China's many human rights violations. We call for the release of arbitrarily detained and imprisoned human rights defenders, dissidents and others, including the Swedish citizen Gui Minhai.

We note with great concern the recent new reports of systematic human rights violations — including forced labour, internment, sterilisations and abortions — taking place in Xinjiang against Uyghurs and other mostly-Muslim minorities; and we demand an independent and urgent investigation into these allegations.

We stress the need for free access to Tibet, including for diplomats, journalists, tourists and Tibetans themselves.

We must ensure that all aspects of EU relations with China be guided by the values stipulated in the Treaties. We must ensure that the European Union speak out loud and clear in calling out human rights abuses in mainland China and in Hong Kong. To that end, the EPP supports swift finalisation of the EU's Global Sanctions Regime enabling the imposition of targeted sanctions on any Chinese officials responsible for human rights abuses.

Finally, we stress our expectation that the EU-China Human Rights Dialogue take place in China later this year, once COVID-19 restrictions are eased.

EU foreign and defence policy vis-à-vis China

Geopolitically, China under the leadership of the Chinese Communist Party has become not only a systemic rival to the EU but a challenge to liberal democracy more broadly.

China has employed various tactics to undermine European unity: intensifying contacts with the Western Balkans region, for instance, by increasing its investment in infrastructure and other key economic sectors. The EU remains the biggest trading partner for the Western Balkans, but closer ties with China have made the region more vulnerable to Chinese influence and to drift from EU values.

Careful analysis shows increasing military, technological and energy coordination on the part of China and Russia, aimed at least in part at bolstering an authoritarian model of governance and at weakening in turn both the alternative, democratic governance model and the rule of law as well as the organisations and alliances of the West. One theatre where this coordination could play a critical role is in the Arctic, where China has a growing presence.

We also see the Chinese government engaged in supporting authoritarianism in Latin America — for instance, by providing support for the corrupt regime led by Socialist dictator Nicolás Maduro, who has plunged Venezuela into both economic and humanitarian crisis — and in Africa, where China's strategy has included not only deepening its investment in critical infrastructure but amassing leverage via credit and intelligence gathering. Partnership — based in common interests and values and goals — with Africa, the EU's **natural partner and neighbour**, is and must remain a clear priority of the European Union.

In Asia, whose development many predict will characterise the 21st century, China's growing influence is already having major implications for the EU. China has engaged in military expansionism in the South China Sea, openly disregarding the 2016 **ruling** of the Permanent Court of Arbitration and asserting control, by building illegal military bases on artificial islands, over an area to which it has no legal claim. As shipping lanes in these waters are of critical importance for the European as well as the global economy, China's actions here threaten EU interests. We therefore fully support efforts to strengthen EU cooperation with value partners in the Asia-Pacific, in particular Japan, South Korea, Australia, New Zealand and Taiwan.

The EPP strongly supports enabling Taiwan to practically and meaningfully participate in international fora, such as the WHO — as it did, with China's consent, as an official observer from 2009 to 2016. We condemn official Chinese threats made against European leaders expressing support for freedom and democracy in Taiwan, as happened in the case of Czech Senate Speaker Miloš Vystrčil at the end of August 2020. We also condemn China's increasing threats of potential military intervention on the island.

EU cooperation with partners in the Asia-Pacific should include joint projects in defence and security, regular joint naval operations, projects to strengthen cyber resilience and efforts to further deepen economic ties: the recent **EU-Japan EPA** is a good example of this. The EU should also explore the possibilities of greater cooperation with the Blue Dot Network.

The EPP similarly supports EU efforts to work with potential strategic partners in South, Southeast and Central Asia: for example, via joint projects to strengthen the resilience of democracy, freedom of expression, rule of law and economic incentives such as the EU's generalised system of preferences (GPA plus), or via possible FTAs or cooperation in defence and security policy.

To achieve its foreign policy aims, China has used a growing 'sharp' power to pressure not only countries but also organisations, companies and even individuals who contest the CCP line. This has raised the spectre of a new threat of '**digital authoritarianism**', given China's growing predominance in technical fields such as Artificial Intelligence (AI) and the increasing indispensability of the worldwide web. Chinese companies are becoming global leaders in exporting sophisticated surveillance technology and by deepening

ties with local law enforcement in countries with deplorable human rights records. Growing economic leverage in Asia and Africa has allowed China to better export its own technology regimes and standards and build strong coalitions internationally. Specific Internet of Things (IoT) devices, software and even mobile apps from China are prone to technical vulnerabilities and potential misuse of personal data. The EU must be firm in protecting fundamental rights such as individual data privacy and in setting the standards for cutting-edge technologies like AI. Just as we can never accept Chinese censorship or surveillance in Europe, we should also not accept that such practices extend outward from China to encroach on other parts of the world.

Europe's strength is in forming reliable networks and sustainable, multilateral partnerships. The EU must continue to build such networks, particularly in Asia: standing firm with partners who share common values and jointly champion the rules-based liberal order, the EU will thus be positioned to negotiate with China as well as to counter its influence where this undermines core universal values or EU interests. We welcome the EEAS's intention to update, together with EU Member States, the 2019 **Strategic Outlook** document to include new areas of action: e.g. innovation, international organisations, consolidation of the EU's strategic autonomy and combatting disinformation. Just as Member States formed a consensus in 2014 following Russia's annexation of Crimea, EU unity vis-à-vis China will also be vital. As in the past, the EPP must take a leading role.

Regarding Europe's traditional defence: China's use of sharp power in the Indo-Pacific theatre is significantly of great strategic concern to Europe's most important security partner, the United States, which has security commitments not only with NATO allies but also with Japan, South Korea, Australia and others. As the EPP has consistently stated, while the EU and its Member States can and must do more to strengthen their own defence capacities, these efforts should complement — never undermine — the essential role of NATO in our security architecture; true burden sharing for the EU means having the capacity to act independently when fundamental US interests are not at stake. An equal transatlantic partnership must therefore remain paramount for the European Union: this partnership is based in shared historic values and is the cornerstone of Europe's security and defence. There is no equidistance between China and the US. The EU should pursue strategies for regions, and in areas, of common EU-US interest. The EU and the US must work together to address the common challenge posed by the CCP. The May 2020 **US Strategic Approach** to China provides a relevant and important list of common transatlantic interests and areas of cooperation with regard to our relations with China.

Firm commitment to the transatlantic partnership does not exclude cooperating with the Chinese government where such cooperation is beneficial. The European Union has shown solidarity, vision and leadership on critical issues such as data privacy, green energy and development aid. On many of these issues, the EU has worked, and will continue to work, constructively with the Chinese government. The agreed framework of the **UN's Sustainability Development Goals** and the **Paris Agreement** are notable examples. Fighting climate change and the European Commission's Green Deal are top EU priorities and should remain so when cooperating with the Chinese government, especially since China, like Europe, aims to become the world leader in green energy and sustainability.

Other notable examples of cooperation are the **Joint Comprehensive Plan of Action**, the **Connectivity Platform** and the still-to-be concluded **Comprehensive Agreement on Investment** (CAI). Another is the bilateral **agreement on Geographical Indications** (GIs) concluded in November 2019, which will protect 100 European GIs in China and 100 Chinese GIs in the EU. Still another is the 30 April 2020 agreement reached by the EU, China, Canada, Australia, New Zealand, Mexico, Brazil and several others to form an **interim dis-**

pute mechanism within the framework of the WTO and in light of the inoperability, since December 2019, of the WTO's Appellate Body.

Forging a strong position in defending and promoting EU interests also means, however, that unfairness in any relationship or institution must be addressed. China under the CCP has taken advantage of the openness of free and democratic societies while increasingly restricting foreign access in turn. This has served to support the CCP's survival, domestically, and to strengthen China's hand in claiming its system of governance as most effective and best suited for the 21st century. This has had not only a political but also an economic dimension.

Trade and investment

The EU must establish and enforce a level playing field with China. This means reciprocity and clear rules to prevent market distortions: by maintaining product standards and safety, by protecting against the distortive effects of state-owned enterprises and heavily subsidised strategic industries and by enforcing intellectual property rights, including against forced technology transfers. It means fair competition in third markets — for example, and significantly, in the context of China's Belt and Road Initiative and the Made in China 2025 manufacturing strategy. And it means stronger EU competitiveness, including by making certain critical supply chains less dependent on China, even as the EU must continue to pursue an agenda of free and rules-based trade within a cooperative multilateral framework.

The EU is China's biggest **trade** partner, China the EU's second-biggest (after the US). Yet China is the EU's most restrictive trade partner and continues to engage in dumping and unfair subsidies: in its latest **report**, the European Commission notes that 2/3 of its 2019 trade defence measures focused on imports from China. Such trade defence measures should be strengthened even further, particularly in support of Small- and Medium- Sized Enterprises, in line with a broader strategy to strengthen the competitiveness of European businesses.

Regarding foreign direct investment (FDI), China restricts its market far more than the EU does for China, and there remains much to be desired as to China's commitment to transparency and to environmental, labour and competition standards, as reported by the EU partner present on the ground, the European Union Chamber of Commerce in China. The CAI aims to correct these imbalances. The agreement should contain enforcement mechanisms, should enable improved market access for EU investments in China, should protect and incentivise sustainability — and should ultimately be concluded as soon as possible.

We must ensure consistency and adherence to our values in the context of trade and investment. The European Parliament in its June 2020 **resolution** on Hong Kong stated that it will take the human rights situation in China, including in Hong Kong, into consideration when asked to endorse either the CAI or any future EU trade deal with China. We as the EPP insist that a human rights clause be part of any such agreements.

As the current economic downturn increases even further the risks of harmful foreign investment, critical European infrastructure — such as ports and airports but also including roads, railways or recharging infrastructure — have become attractive targets of foreign investment. Unfair practices and subsidies disadvantaging our domestic companies and our strategic autonomy should therefore be prevented. The Commission's 2019 **FDI screening regulation** — supplemented with additional **guidance** in March 2020, in the context of the pandemic and in preparation for full implementation in October 2020 — can play a crucial

role by helping to protect EU interests from potentially insidious investment. We join the Commission in urging Member States who have not yet established their own, complementary national screening mechanisms to do so; continuous exchange of information and best practices among European stakeholders will be essential.

Of course, China is not the only source of potentially problematic FDI for the EU; but it is a major source. Among the most sensitive vulnerabilities in this regard is the EU's critical infrastructure. The European Union's historic openness to FDI cannot come at the cost of vigilance in ensuring long-term resilience and strategic autonomy. These concerns were reiterated in NATO's 2019 **London Declaration** emphasising the security of communications, including via 5G. We therefore welcome as an important step the **measures** outlined by the Commission in January 2020 for mitigating security risks associated with 5G. The EU's long-term security, including by guarding against malign intelligence operations, cannot be taken for granted and must be our top priority.

Another critical area — and yet one not covered by existing EU FDI screening regulations or export controls — is the field of Research and Development (R&D). The EU needs a more clear-eyed view of research collaboration with China. As financial acquisitions and other equity investments have become more scrutinised, Chinese companies have stepped up efforts at R&D collaboration with EU companies, universities and governments, among other entities. Resilience is needed against attempts by the CCP to capture Western universities and other knowledge centres. Future regulations must address these vulnerabilities in protecting sensitive EU technologies and know-how.

Conclusion

For the EU to defend and promote the interest of European citizens in this increasingly interconnected world, now riven by new tensions, we must work together in solidarity in pursuit of shared goals. Unity will be essential to any alternative, strategic vision for global engagement we put forward: whether on common defence, climate change, public health, research and innovation, trade, regulatory standards or other issues. China is simultaneously partner, competitor and rival to the European Union. Guided by our values — foremost our commitment to preserving the freedoms inherent in liberal democracy — we must act with strategic vision, boldness, unity and cohesion in addressing the challenge posed by China and to ensure effective and strategic multilateral cooperation. It is, therefore, the right time to redefine our relations and approach towards China, engaging positively with the Chinese people while ensuring a values-based and consistent approach towards the Chinese Communist Party.

The EPP endorses shaping EU-China relations by maintaining and strengthening partnership on key geopolitical issues in our mutual interest. Cooperation is especially needed for global climate efforts to succeed and to ensure a green recovery. We insist on a level playing field with China to ensure fairness and competitiveness. As the family of Christian Democratic, conservative and like-minded parties, we are particularly concerned by China's mono-party system. We deplore the lack of full civic freedoms and party-political pluralism that prevents China from unleashing its full potential and becoming a prospering democracy and a driving force for peace and cooperation in the service of citizens and in line with their universal human rights.

We must be prepared for China's economic rise and global leadership, and for the key question: will China's

'one country, two systems' paradigm ultimately become 'one country, one authoritarian' — or 'one country, one democratic' — system? The CCP is currently set on the former; and yet the responsibility of global leadership ultimately requires respect for democratic freedoms, human rights and the rule of law. This is why the EU must work together with partners and allies: to take a stand for the bedrock values and norms which must — for our sake as well as China's — shape our 21st-century world.

**If you have any question
you would like to ask please
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