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Europe, the US and China

A love-hate triangle?

By Sophia Besch, Ian Bond and Leonard Schuette

Europe, the US and China: A love-hate triangle?

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- ★ COVID-19 has worsened tensions between China and the US, and Europe risks being caught in the middle. The EU faces the difficult task of managing its complex relations with Beijing and Washington in a way that protects the rules-based global order from further harm. This paper considers what the EU can do to reduce the risks of a China-US conflict and mitigate the effects of their bilateral confrontation, and what it should do to protect its own interests against pressure from both sides.
- ★ In the early post-Cold War period, the relationship between the EU, the US and China seemed to be mutually beneficial. That is no longer the case: both the EU and the US have tense relations with Beijing. But Donald Trump's hostility to the EU has made it harder for the West to manage those strains jointly.
- ★ Trump's hostility to multilateralism has given Xi Jinping the opportunity to exercise considerable influence in the global system. China's role creates a dilemma for the EU, which is instinctively multilateralist but sees that China's priorities and values do not coincide with its own.
- ★ The EU and the US depend on China for many critical products, but the dependency is mutual: China has not yet mastered all the technologies it needs to become self-sufficient. China is seeking to acquire some of those technologies by investing in Western companies and acquiring their intellectual property.
- ★ China's military power is beginning to match its economic power. Its goal is to have forces by 2049 that can fight and win global wars. China's strategy of 'military-civil fusion' is designed to incorporate innovative civilian technologies into military systems. The US and European states are seeking to tighten export controls to slow down China's defence and security modernisation.
- ★ China is investing in the Arctic in ways that could have security implications. NATO and the EU have been reluctant to treat the Arctic as a potential theatre of great power military rivalry, but if the Chinese presence in the region continues to grow they will have to take Arctic security more seriously.
- ★ China's assertiveness in the East and South China Seas threatens Europe's democratic partners in the Asia-Pacific region. Europeans should work with their partners on sharing intelligence and joint planning.
- ★ Europe is watching nervously to see whether China and the US are caught in the so-called Thucydides Trap, in which conflict between the rising power and the status quo power becomes inevitable. Despite historical examples of such conflicts, however, the US and China are not in the same situation as Athens and Sparta: they are economically interdependent and nuclear armed.

- ★ The EU cannot be equidistant between democratic Washington and authoritarian Beijing. Its values are bound to be closer to those of the US. But it needs to be autonomous enough to push back against ill-considered US policies.
- ★ The EU needs to:
 - ★ Invest in studying Chinese and American foreign policies towards Europe and each other, and their domestic roots.
 - ★ Adopt policy objectives grounded in a factual analysis of its partners, not wishful thinking.
 - ★ Take China more seriously as a security risk, and scrutinise exports and technology transfer more carefully.
 - ★ Hedge against a less reliable partnership with the US. Even if Joe Biden becomes president, the forces that brought Trump to power will not vanish.
 - ★ Work intensively with both the US and China to prevent the escalation of tension between them.
 - ★ Accept China's economic rise, but push back against unfair competition. Stopping China's development is probably impossible, but keeping its behaviour within international norms should not be.
 - ★ Combat deglobalisation, and make the case for open markets internationally.
 - ★ Compete more effectively with China for senior jobs in international organisations.
 - ★ Act in unity to defend and promote its values. Introducing the use of qualified majority voting for certain foreign policy issues would make the EU more effective.
 - ★ Provide a model of successful democratic governance. China (and other authoritarian states) argue that liberal democracy has shown itself ineffective. The EU and the member-states should prove otherwise.
- ★ Europe should not get sucked into a contest between China and the US for global hegemony. It should remain open to co-operation with China where that is in Europe's interest. It should use its influence to ensure that both China and the US use their power with restraint. For the foreseeable future, the triangular relations between the three powers will contain elements of attraction and elements of hostility. The EU should work with Beijing and Washington to pursue pragmatic policies that maintain stability.

There is no inherent reason for a global pandemic to trigger a geopolitical crisis, but COVID-19 has significantly worsened tensions between China and the US, and Europe risks being caught in the middle. China senses an opportunity to become the dominant power of the era, as its rivals struggle with the health and economic effects of the coronavirus. The US is floundering in its response to the pandemic, beset by political dysfunction and polarisation, and distracted by the prospect of its presidential election in November. Most EU member-states are focused on recovering from lengthy lockdowns and avoiding a prolonged recession.

In recent months, China has imposed a new security law on Hong Kong that effectively ends the 'One country, two systems' arrangement set out in a treaty with the UK prior to Hong Kong's return to Chinese control in 1997. Beijing has stepped up its persecution of the Muslim Uyghur minority in Xinjiang. It has clashed with Indian troops on their disputed border, and made territorial claims against neighbouring Bhutan. It has aggressively pressed its claim to almost all of the South China Sea, sinking a

Vietnamese fishing boat in April and attacking another in June. And it has suggested that it might take control of Taiwan by force, while making increasingly aggressive military manoeuvres near the island. It has imposed tariffs and other sanctions on Australia for proposing an international inquiry into the origins and spread of the COVID-19 pandemic. Meanwhile, Chinese diplomats have used strident language to respond to any foreign criticism of China.

On the other side of the Atlantic, Donald Trump has repeatedly lashed out at China, slapping tariffs on billions of dollars of Chinese products and blaming Beijing for the pandemic. But he has also railed against America's traditional allies in Europe, criticising them for not spending enough on defence and accusing them of unfair trade practices. According to his former National Security Adviser, John Bolton, Trump described the EU as "worse than China, only smaller". The transatlantic partnership is fragile; if Trump is re-elected it might not survive another four years of his hostility to alliances and multilateral diplomacy.

“The EU and US saw China as a country whose system would converge with their own.”

Even if the Democratic candidate, Joe Biden, wins the election, however, there is no guarantee that transatlantic relations will instantly return to 'business as usual', or that Europe will be at the centre of the new administration's attention. Like Trump, Biden is likely to focus on developments in the Asia-Pacific region and the threat to American primacy that China poses. In an article setting out his foreign policy, Biden said that the US needed to get tough with China.¹ One of his main Asia advisers, Ely Ratner, put his name to a bipartisan report to Congress that stated that "the erosion of conventional deterrence in Asia would threaten to undermine the full range of US

economic and political interests in the region" and called for a "new American way of war" to counter the threat from China.²

The EU faces a difficult task: to manage its complex relationships with Beijing and Washington in a way that protects the rules-based global order from further harm. The consequences of failure could be fatal to an international system already suffering from many serious underlying problems, ushering in an age without rules, where undemocratic and unscrupulous governments can flourish.

This policy brief looks at the economic interdependence between the EU, China and the US. It analyses China's place in the international system and the attitudes of the US and the EU to the rules-based international order. It examines China's increasing military power and what it means for Europe and the US. And it asks whether proponents of the 'Thucydides Trap' are right to think that conflict between the US and China is inevitable, regardless of what the EU or its member-states might do. Finally, it makes recommendations on what Europe can do, if anything, to reduce the risk of great power conflict between the US and China, and to mitigate the impact of confrontation on European interests. Ultimately, Europe has to find a way to defend its values, which implies being aligned with like-minded democratic states and taking a firm line with China; but without following the US lead unquestioningly, regardless of whether that serves European interests.

A history of disillusionment

In the post-Cold War period, as the Chinese economy grew rapidly, the relationship between the EU, the US and China seemed to be win-win-win. Despite the Communist Party's brutal suppression of the Tiananmen Square protests in 1989, the West was quick to resume normal business (with the exception of US and EU arms embargos which remain in place even now). China wanted investment and know-how, which the EU and the US could provide; the EU and US wanted a source of low-cost manufactured goods, which China could provide. The EU and US largely saw China in the same light, as a country whose system would converge with their own as it became more prosperous, and a 'responsible stakeholder' in global efforts to face shared challenges. And – with occasional but important exceptions, such as the Iraq war and climate change policy – European countries and the US were generally on the same side of most international issues, in particular in supporting a rules-based international order, within which

competition between states could be managed and co-operation maximised.

The picture in 2020 looks very different: all three legs of the relationship are buckling under the strain of disputes. In relation to China, the Trump administration now speaks of "the long-term strategic competition between our two systems"³ The relationship has been deteriorating for more than a decade, as the US became increasingly concerned about China's rise to become a peer competitor, both economically and militarily. Rather than seeing China as a potential partner, whose influence in the international system would inevitably have to be accommodated as it became a more prosperous country, politicians and strategic thinkers in the US increasingly came to view China as a threat to American interests.

In the economic sphere, the Trump administration has moved on from inevitable arguments over unfair

1: Joseph R Biden Jr, 'Why America must lead again: Rescuing US foreign policy after Trump', *Foreign Affairs*, March/April 2020.

2: Ely Ratner and others, 'Rising to the China challenge: Renewing American competitiveness in the Indo-Pacific', Center for a New American Security, January 28th 2020.

3: 'United States strategic approach to the People's Republic of China', whitehouse.gov, May 20th 2020.

competition and intellectual property disputes – regular issues in previous administrations' dialogues with China. It is pursuing a much broader effort to reduce China's role in supply chains for advanced technologies, and in some cases to cripple Chinese companies that it accuses of posing a threat to national security.

Though US military power vastly outweighed that of China, from the mid-1990s the US began to worry that China was developing capabilities that would enable it to call into question the US's dominant position in the Western Pacific and its ability to defend its allies there. From 2002 onwards, the US Department of Defense has produced an annual report to Congress on China's military power, tracking Beijing's acquisition of new weapons systems and its evolving strategy. The report has documented China's increasingly advanced weapons technologies and its growing assertiveness, first in seas near China and then further afield.

As Secretary of State under Barack Obama, Hillary Clinton spoke of a US "pivot to new global realities", and called for the US to invest more diplomatic, military and economic effort in the Asia-Pacific region.⁴ Though Clinton made clear that the Obama administration's aim was to shift resources from Afghanistan and Iraq, and that it still regarded Europe as "a partner of first resort", the concept of the pivot led to European worries that the US would turn its back on its transatlantic partners. These worries were only partially allayed when Clinton reframed the pivot to Asia as being a shift with Europe, not from it.⁵

"Europeans were focused on the commercial opportunities offered by a billion increasingly prosperous consumers."

Though some EU member-states worried about China's human rights record, and its territorial claims in the South and East China Seas, most Europeans were slower than Americans to perceive China as a strategic threat. Even after there was clear evidence that China was perpetrating large-scale human rights abuses in Xinjiang, and was creating military bases in the South China Sea, the EU continued for some time to behave as though China was still on a course of convergence with the West. After the EU-China Summit in Beijing in 2018, European Council President Donald Tusk spoke of "a fruitful meeting in which we agreed to develop the EU-China strategic partnership further".⁶ If the US was divided between those who saw China as an economic partner and those who saw it as a long-term rival, Europeans were more focused on the commercial opportunities offered by a billion

4: Hillary Clinton, 'America's Pacific century', *Foreign Policy*, October 11th 2011.

5: 'Hillary Clinton's remarks at FP's 'Transformational Trends' forum', *Foreign Policy*, November 30th 2012.

6: 'Remarks by President Donald Tusk after the EU-China summit in Beijing', European Council press release, July 16th 2018.

increasingly prosperous consumers; perhaps Beijing's military might was a problem for the US and its allies such as Japan and South Korea, but China was a long way from Europe. Europe's sense of China as an economically vital partner was reinforced by Beijing's contribution to keeping the global economy afloat after the 2008 global financial crisis.

It was not until March 2019 that the European Commission and the European External Action Service referred to China in a paper to guide European Council discussion as a "systemic rival promoting alternative models of governance" – and even then the document also described it as "a co-operation partner with whom the EU has closely aligned objectives".⁷ The new line reflects the fact that over the last decade the EU-China relationship has deteriorated from the warmth of early co-operation in the G20 framework. There have been disputes over trade issues, such as the dumping of cheap Chinese steel on European markets, and the sense that China competes unfairly by subsidising its firms. There has been friction over the transfer of intellectual property to China, as Europeans realised that it was moving up the value chain in part by using Western technology either squeezed out of investors as the price of gaining entry to the Chinese market, or simply stolen. And Europe is increasingly concerned about the future of the international order, in which China is no longer seen as a potential 'responsible stake holder', but as the proponent of a rival set of values and institutions.

Even China's soft power carries risks for the target country. Much Chinese language teaching at the school and university level in Europe (and the US) is carried out by or under the auspices of Confucius Institutes, affiliated with China's education ministry. Every country in Europe except Sweden (which closed its last one this year) hosts at least one. Confucius Institutes are controversial. On the one hand, they give access to a reliable standard of Chinese language teaching; on the other hand, they promote the Chinese Communist Party's world view, avoid discussion of 'difficult' subjects like the Tiananmen Square protests, and use their financial muscle in the (often cash-strapped) universities that host them as a means of encouraging foreign academics to self-censor.⁸ The US government has designated the Confucius Institute US Center in Washington, which supervises 65 Confucius Institutes in American universities, as a foreign mission of the Chinese Communist Party, forcing it to be more transparent about its activities.

The US and the EU are right to be concerned about China's direction of travel. As the Cold War ended and communist governments elsewhere in the world collapsed, China's

7: 'European Commission and HR/VP contribution to the European Council: EU-China – A strategic outlook', March 12th 2019.

8: NATO Strategic Communications Centre of Excellence, 'Confucius Institutes' (undated, but with data up to 2018).

then leader, Deng Xiaoping, urged that China's foreign policy should be to "hide our strength and bide our time", and never to claim leadership. His first few successors largely followed this advice; but since the global financial crisis, from which the Chinese system emerged in better shape than the West's, China's leaders have become more assertive. Xi Jinping, General Secretary of the Chinese Communist Party since 2012, struck a very different tone from Deng when he told senior party leaders in 2013: "We must concentrate our efforts on ... building a socialism that is superior to capitalism, and laying the foundation for a future where we will win the initiative and have the dominant position".⁹

“Beijing’s actions show that it has seen Western democracies as systemic rivals for a long time.”

Xi's belief in the inevitable victory of 'socialism with Chinese characteristics' is combined with a more practical respect for military force. In 2017 he set a target for China's armed forces to become "world class" by mid-century. Xi has presided over a major increase in defence spending; the deployment of significant numbers of Chinese forces abroad; and the construction of artificial islands and military bases enabling China to assert its claims to the South China Sea. But Xi has not relied solely on flexing China's military muscles; he has also used China's economic weight to increase its global political influence, above all through the ambitious 'Belt and Road Initiative' (BRI), which (according to the Chinese authorities) now involves projects or proposed projects in at least 125 countries. China's strength is now very obvious, and Chinese representatives are happy to threaten other states when (in the view of the Chinese authorities) they fail to recognise China's fundamental interests. In November 2019, the Chinese ambassador to Sweden, Gui Congyou, undiplomatically commented: "We treat our friends with fine wine, but for our enemies we have shotguns".¹⁰

At the same time, however, China's Communist Party leadership acts in ways that suggest it is still worried that China is vulnerable to the attractions of Western-style liberal democracy. In spring 2013, the party leadership issued a communiqué to its members, known as 'Document 9', warning against "false ideological trends" including "promoting Western constitutionalism", "promoting universal values" and "promoting civil society". The document accused Western diplomatic missions and media organisations of "spreading Western ideas

9: Tanner Greer, 'Xi Jinping in translation: China's guiding ideology', *Palladium*, May 31st 2013, cited in Charles Parton, 'Towards a UK strategy and policies for relations with China', King's College London Policy Institute, June 2020.

10: 'How Sweden copes with Chinese bullying', *The Economist*, February 20th 2020.

and values and cultivating so-called 'anti-government forces'.¹¹ Since then, there has been increasing suppression of political dissent, including the detention of lawyers and human rights activists. The imposition of the new national security law on Hong Kong seems to be part of the same effort to crack down on heterodoxy. These are not the actions of a regime that feels fully secure. Chinese diplomats may complain that the EU calls China a systemic rival, but it is clear from Beijing's actions that it has seen Western democracies as systemic rivals for a long time.

The strains in relations between the China and the West would be easier to manage if the US and its European partners were working together. But Trump's hostility to the EU and many of Europe's political leaders complicates transatlantic co-operation when dealing with Beijing. Fortunately, there are still people in the US administration who want the EU and its member-states to work alongside the US in trying to push back against China. A Biden administration would almost certainly have more interest in working with allies – though its focus would probably be on building up the capabilities of its partners in the Indo-Pacific region, and their links to the US, rather than on getting European nations to engage more in East Asian problems.

China is exploiting the tension between the US and its allies (as well as tensions between EU member-states). It has used the COVID-19 crisis to draw a contrast (fairly or not) between its successful effort to counter the pandemic and help other countries, and the US's chaotic attempts to suppress the spread of the coronavirus and failure to offer any international leadership. Early in the crisis, while the US imposed a travel ban on Europeans without consultation or even warning, and attempted to get exclusive rights to any COVID-19 vaccines produced by a German manufacturer, China supplied COVID-19 test kits, ventilators and protective equipment to Europe, and sent teams of doctors.

Since then, there has been something of a backlash, with questions over what China knew when, and what information it shared with the rest of the world; and complaints over faulty protective equipment and medical supplies. Reportedly, a think-tank affiliated with the Chinese intelligence agency warned the Chinese government of the danger of a wave of hostility linked to the pandemic.¹² Chinese foreign minister Wang Yi visited five European countries in late August 2020 in an effort to repair relations, and to encourage Europe not to get dragged into a new Cold War on the side of the US.

11: 'Document 9: A ChinaFile translation: How much is a hardline Party directive shaping China's current political climate?', *chinafile.com*, November 8th 2013.

12: 'Exclusive: Internal Chinese report warns Beijing faces Tiananmen-like global backlash over virus', *Reuters*, May 4th 2020.

Diverging views on the international rules-based order

Despite its growing military strength, China is still far from being able to match the US for hard power. But Trump has given Xi the opportunity to exercise considerable influence in the global system. Trump's open hostility to international organisations and multilateral diplomacy has left the field open for Xi to appear as their champion. For the EU, Trump's preference for dealing with issues unilaterally or at best bilaterally is a particular challenge: a supranational institution is bound to feel more comfortable operating in an environment where other major powers are committed to multilateral approaches to solving problems. Indeed, had Xi been more patient and subtle in his approach, China's position could by now have been even stronger.

Xi's best move was to deliver a keynote speech in Davos in January 2017, three days before Trump's inauguration, in which he portrayed China as the champion of globalisation, calling for continued openness in the world economy: "Whether you like it or not, the global economy is the big ocean that you cannot escape from. Any attempt to cut off the flow of capital, technologies, products and industries between economies ...is simply not possible". Trump, on the other hand, spoke in his inaugural address of "America First" and declared that the US must "protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs" and "buy American and hire American".

"Trump's open hostility to international organisations has left the field open for Xi to appear as their champion."

In relation to trade, Trump has hamstrung the World Trade Organisation's appeals system by blocking the appointment of new members to its Appellate Body; China has joined the EU and a number of other trading powers in setting up a temporary replacement system. This makes China look like a good global citizen, even if it does nothing to address the complaints of China's trading partners about unfair barriers to trade or unfair subsidies to Chinese exporters.

The contrast between EU and US approaches to the UN is striking. In a speech that promoted nationalism and mentioned the UN only in order to criticise it, Trump told the UN General Assembly in September 2019: "The future does not belong to globalists". Marking the 75th anniversary of the end of the Second World War in Europe in May 2020, EU High Representative for foreign affairs and security policy Josep Borrell told the UN Security Council: "The European Union and the United Nations are sisters and brothers in our DNA".

Trump's attacks on the UN and his withdrawal from international bodies like UNESCO, the UN Human Rights Council and the World Health Organisation have left the field open for China to increase its influence simply by taking part, even if in practice its financial contributions to international organisations are often smaller than those of Western countries. In 2019, for example, Germany contributed 16 times as much as China to the UN Development Program (indeed, China's contribution was smaller than Guatemala's). There is one exception to this picture: China is the second largest funder of the UN's overall peacekeeping budget after the US, and has considerably increased its participation in peacekeeping operations – it is the tenth biggest troop provider, and the largest among the permanent members of the UN Security Council, currently with more than 2,500 active peacekeepers.

While the US has treated the UN system with benign neglect (under Obama, for the most part) or active hostility (under Trump and in George W Bush's first term), China has been more strategic than others in seeking to get its appointees into senior positions in UN specialised agencies. As a result, it now heads four of the 15 UN agencies – the International Civil Aviation Organisation (ICAO), the International Telecommunications Union (ITU), the Food and Agriculture Organisation (FAO) and the UN Industrial Development Organisation (UNIDO). Only belated co-operation by Western countries prevented the Chinese candidate from becoming the head of the World Intellectual Property Organisation (WIPO) in March 2020. Much of what these agencies do is routine and technical, but they play an important role in setting international standards. The heads of organisations can ensure that China's national priorities become the organisations' priorities. Zhao Houlin, the Secretary-General of the ITU since 2015, has been accused of actively promoting the BRI and of defending Huawei against US criticism, for instance.

For the EU, China's role in the UN system poses a dilemma: the EU is instinctively multilateralist, and feels that it ought to be on the same side as a power that also claims to be multilateralist. Equally, Trump's attacks on international organisations go against the fundamental interests of European countries, which lack the individual weight to defend themselves bilaterally, and rely on the rules-based system to protect them. But most member-states can also see that China is putting itself in a position from which it can shape the UN's agenda in ways that do not coincide with EU priorities or values.

Despite its rhetoric, China engages with the rules-based order only selectively: for example, it rejected the jurisdiction of the arbitral tribunal convened under the UN Convention on the Law of the Sea (to which China is

a party) which in 2016 ruled in favour of the Philippines and against China's claim to almost the whole of the South China Sea. When the UN Human Rights Council debated the new Hong Kong national security law on July 1st 2020, China was easily able to round up a majority of countries to block a critical resolution. And when, as often in the UN Security Council, China cannot assemble a majority to back it, it has become more willing to use its veto than it used to be. Since 2007, China has cast a veto 12 times, having only done so three times from 1972–2007. Consistent with China's view that non-interference in the internal affairs of others is the most

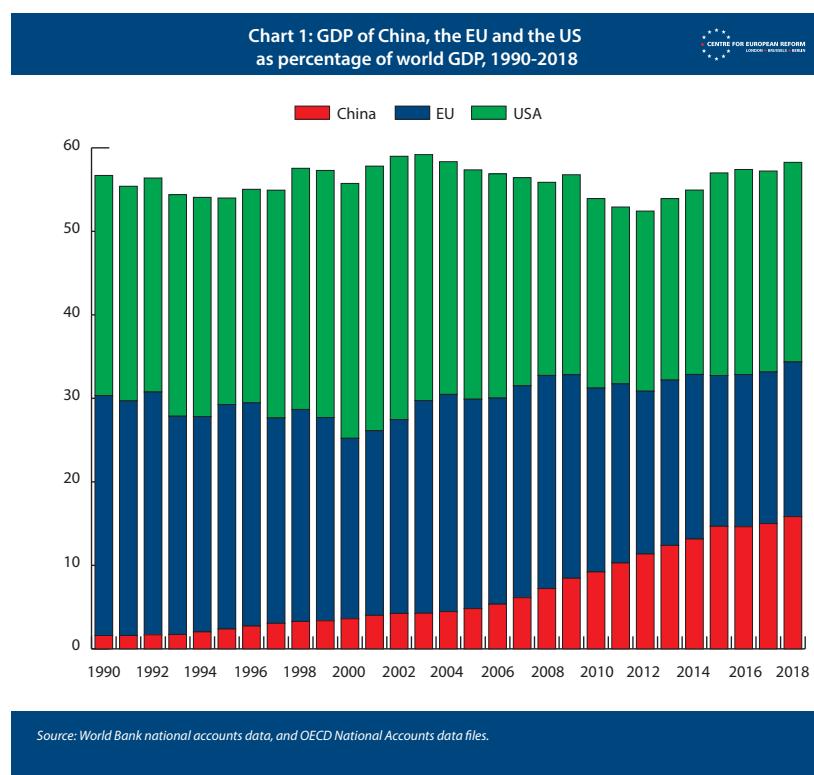
important international norm, nine of those 12 vetoes were imposed jointly with Russia to block resolutions on the Syrian civil war.

The EU and the US have not always seen eye-to-eye on UN issues – the US has often been sceptical about the activities of parts of the UN system, even under Democratic presidents (it was President Bill Clinton who withdrew the US from UNIDO). But the EU finds itself more isolated than before, as it deals with an American president for whom the concept of a rules-based order that constrains the US is anathema.

Trade and economic relations

In 1990, China, the EU and the US accounted for 57 per cent of world GDP.¹³ In 2018, they accounted for 58 per

cent; but China's share had risen from 1.6 per cent to almost 16 per cent (Chart 1).



China, the EU and the US between them account for over a third of world exports and almost two-fifths of world imports. Since the global financial crisis, China's share of those figures has increased slightly – from 11 to 14 per cent of exports and 7 to 10 per cent of imports – while the EU and US shares have declined.

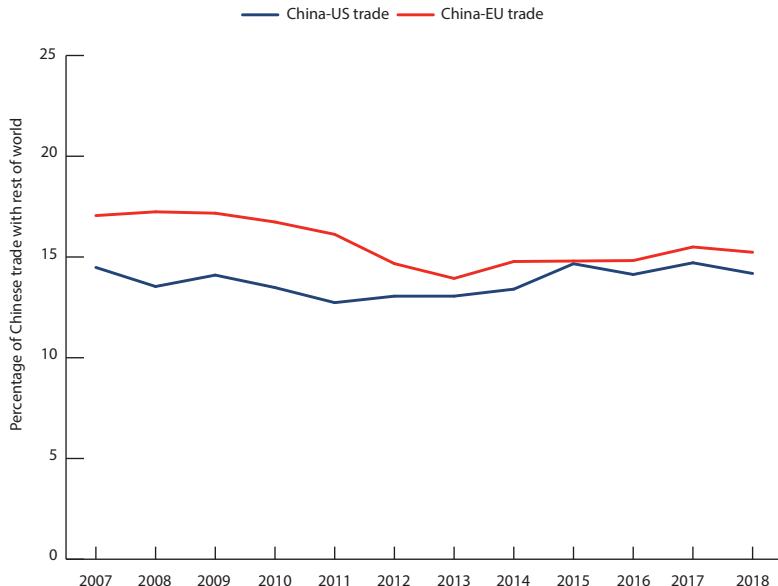
The three also trade a great deal with each other. China's trade with the EU and US makes up almost 30 per cent

of its total trade (even though exports to the EU have declined significantly since the global financial crisis); the EU's trade with China and the US makes up more than 30 per cent of its total trade; and US trade with China and the EU makes up more than 35 per cent of its total trade (Charts 2, 3 and 4). Both China and the EU run large surpluses with the US – something which Trump has tried, unsuccessfully, to change.

¹³: All figures for the EU in this section refer to the 28 countries that were EU member-states in 2018, regardless of when they joined the Union. The figures do not take account of the UK's departure from the EU in 2020, which will further reduce the EU's share of global GDP, and its trade with the US and China.

Chart 2: Chinese trade with the EU and the US as a percentage of China's total trade, 2007-2018

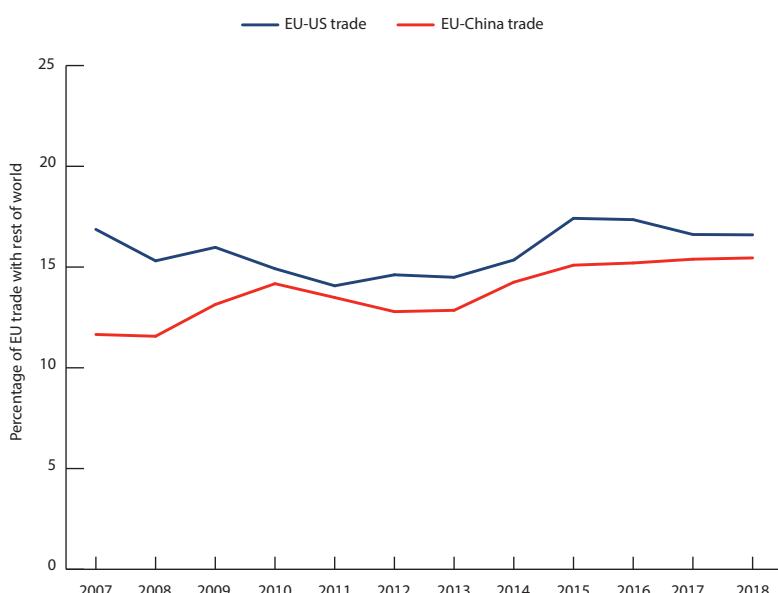
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Source: World Bank World Integrated Trade Solution.

Chart 3: EU trade with China and US as percentage of EU total trade (excluding intra-EU trade), 2007-2018

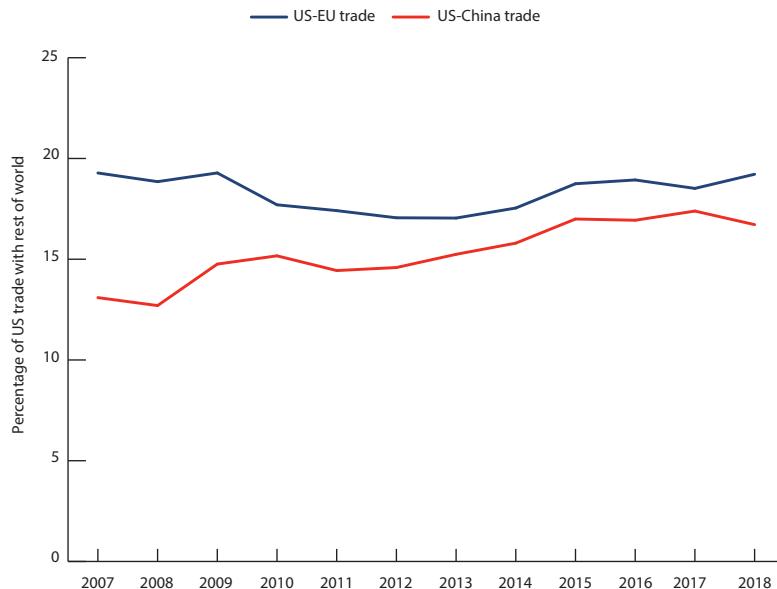
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Source: World Bank World Integrated Trade Solution.

Chart 4: US trade with China and the EU as a percentage of US total trade, 2007-2018

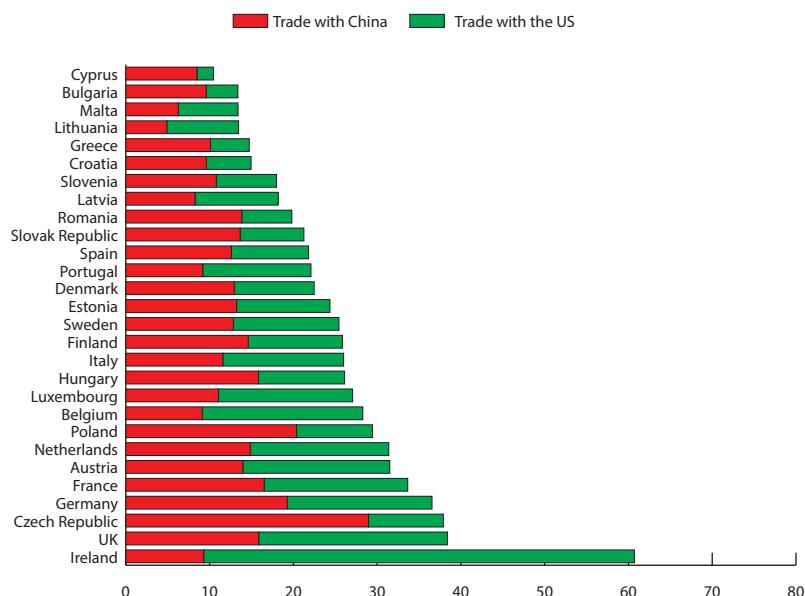
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Source: World Bank World Integrated Trade Solution.

Chart 5: EU countries' trade with China and the US as a percentage of their trade with all non-EU destinations, 2018

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Source: World Bank World Integrated Trade Solution.

Within the EU, the importance of trade with China and the US varies. In 2018, 18 member-states plus the UK did more than 20 per cent of their total trade (excluding intra-EU trade) with the US and China combined (Chart 5). Of those, nine did more trade with the US and ten with China. A few of the 19 stand out because so much of their trade was with one partner or the other. More

than half of Ireland's non-EU trade in 2018 was with the US. Several Central European countries, by contrast, did much more trade with China – perhaps surprisingly, in view of their close security ties with the US. In the case of the Czech Republic, its trade with China (29 per cent of the total) was more than three times its trade with the US; even Poland, with its pro-Trump government, did

twice as much trade with China as with the US. Despite Prime Minister Viktor Orbán's willingness to fight China's corner in the EU, a relatively modest 16 per cent of Hungary's trade was with China, as against 10 per cent with the US.

The aggregate figures do not tell the whole story, however. China is the dominant supplier of a number of critical products globally. Research by the Henry Jackson Society shows that China is the world's largest producer of active pharmaceutical ingredients – particularly bulk, low-cost drugs such as aspirin and some common antibiotics; it produces more than a third of the world's lithium-ion batteries (those used in consumer electronics and electric vehicles), and about 40 per cent of the world's lithium to go in them; and almost 70 per cent of the world's laptops.¹⁴ Europe and the US would both find it hard to locate alternative sources, were supplies from China to be disrupted for any reason.

“China has not mastered all the high-technology sectors it would need in order to become self-sufficient.”

But while the rest of the world is certainly dependent on China for a variety of goods (including medical equipment, as the COVID-19 pandemic has revealed), it is not one-way traffic. China has not yet mastered all the high-technology sectors it would need to in order to become self-sufficient. One recent example: the US has imposed sanctions on the Chinese telecommunications giant Huawei, banning the sale to it of chips made anywhere in the world using US equipment or software. China is currently unable to make equivalent chips, so Huawei will be forced to find other sources – possible, but by no means easy.

China has been reducing its reliance on foreign technology for some time. In 2015, Prime Minister Li Keqiang launched the 'Made in China 2025' (MIC2025) programme, aiming to enable China to replace imports of a number of advanced products with indigenous production. The sectors covered by the programme include IT, aerospace, high-speed rail, energy and pharmaceuticals.

Analysis by the Mercator Institute for China Studies (MERICS) identified a number of threats to Western interests from MIC2025.¹⁵ First, it involves discrimination against Western companies in the Chinese market, and protection and subsidies for their Chinese competitors.

14: James Rogers, Andrew Foxall, Matthew Henderson and Sam Armstrong, 'Breaking the China supply chain: How the 'Five Eyes' can decouple from strategic dependency', Henry Jackson Society, May 2020.

15: Jost Wübbeke, Mirjam Meissner, Max Zenglein, Jacqueline Ives and Björn Conrad, 'Made in China 2025: The making of a high-tech superpower and consequences for industrial countries', MERICS, December 2016.

Second, it involves the acquisition of high-technology companies outside China and the transfer of their intellectual property to China – with the best-known examples in Europe being the purchases of the German robot-maker Kuka, the Swedish microchip company Silex, the Swedish semiconductor company Norstel and the British chip designer Imagination Technology.

OECD data shows that China increased the amount of value added domestically in its computer, electronic and optical products from 43 per cent to 52 per cent between 2005 and 2015 (the last year for which figures are available). That still left almost half of value added coming from elsewhere, in particular South Korea and Taiwan (about a quarter between them).

It seems inevitable that since 2015 MIC2025 will have further increased China's domestic value-added in high-technology products. A relationship in which China needs the West for an ever-decreasing number of technologies and components while the West increasingly relies on China for final products will become unbalanced. That would leave the West more dependent on China and China less dependent on the West, and potentially more able to leverage its market dominance in critical technologies – ironically, exactly what the US has done in blocking the sale of chips to Huawei.

China's pattern of outward investment is strongly influenced by the priorities of MIC2025. US investment screening, which is stricter than that of most EU member-states, and has kept a close watch on Chinese activity for some years, has hampered but not entirely prevented Chinese investments in sensitive sectors of the US economy. But according to the American Enterprise Institute's 'China Global Investment Tracker', a database that aims to track all major Chinese investments globally, more than half of Chinese investment in EU member-states from 2015-19 was in sectors relevant to the programme, and more than 85 per cent was in the form of acquisitions of existing European companies, rather than 'greenfield' investments creating new facilities and new jobs in Europe.¹⁶ By comparison, EU greenfield investment in China has outstripped acquisitions in every year since 2000 – often by a very large margin.¹⁷ The picture in relation to the patterns of US investment in China and Chinese investment in the US is very similar.¹⁸

Investment in high technology is not the only form of Chinese investment causing concern in Europe. China also has significant and, in some cases, controlling interests in major European ports, including Antwerp, Rotterdam and Piraeus. Military planners worry about the possibility that

16: Authors' calculations based on the American Enterprise Institute's 'China Global Investment Tracker'.

17: Rhodium Group, 'Cross Border Monitor (CBM): People's Republic of China <> European Union direct investment: 4Q 2019 and full year 2019 update: Public version'. European Commission Directorate General for Trade documents archive, January 29th 2020.

18: Data from the US-China Investment Hub.

such ports might not be available at short notice if forces had to be moved through them in a crisis. At the request of the US, NATO has conducted a (classified) review of relations with China. One of the recommendations was reportedly a more active role for NATO in assessing the security risks of Chinese infrastructure investments and warning individual allies. Greece, however, has wholeheartedly embraced China's take-over of Piraeus. Port traffic increased by 300 per cent over the first six years of Chinese control.¹⁹

“Chinese investments may be calibrated to achieve political as well as economic effects.”

Apart from traditional foreign direct investment (FDI), China has also strengthened ties with a number of nations by promising (though not always delivering) major construction projects funded by Chinese loans. Such projects are often badged as part of the BRI, which has become a sprawling programme of infrastructure and other investments spreading far beyond the original concept of improving land and maritime connections between Europe and Asia. Beijing has paid particular attention to EU member-states and applicants in Central Europe and the Western Balkans, bringing them together in regular '17+1' summits and ministerial meetings since 2012, to increase co-operation on infrastructure, transportation and logistics.²⁰

China has shown its willingness to exploit its investments and projects in third countries, including 17+1 participants, to influence their stance on issues of interest to China. China's investments in European countries are often small – for example, OECD figures suggest that from 2013-18 China was responsible for about 3 per cent of FDI in Hungary, compared with 70 per cent from elsewhere in the EU.²¹ But investments may be calibrated to achieve political as well as economic effects: the

Hungarian section of the Budapest-Belgrade railway will be built by a partnership between a Chinese company and a firm associated with a close friend of Orbán (if the project is not blocked by the European Commission for failure to follow proper procurement procedures). In the case of the port of Piraeus, Chinese investment brought political dividends to Beijing, because it came at a time when many Greeks felt that the rest of the EU was more interested in punishing them for economic mismanagement than showing solidarity in a crisis.

Larger projects can create a different sort of leverage: in Montenegro, which joined NATO in 2017 and is well-advanced in its negotiations to join the EU, Chinese lending has financed 85 per cent of the cost of a Chinese-built motorway (which is eventually supposed to connect the Montenegrin port of Bar with Belgrade). The European Commission and other international financial institutions do not believe that the road will have enough traffic to be viable, but by the time it is completed, Montenegro (population: 622,000) will owe China about €900 million, or close to 20 per cent of its GDP.

In absolute terms, however, no country is as indebted to China as the US is. China owns more than \$1 trillion of US Treasury Bonds. Though this figure is down slightly since 2014, and China is now second to Japan as an owner of Treasuries, in theory Beijing could still make life uncomfortable for the US government by selling off a significant part of its holdings. In practice, as a US official said privately some years ago, on a previous occasion when China seemed to be thinking of selling off some of its Treasuries, "We have them over the same barrel they have us over": any such move would hurt China itself at least as much as the US. While China could drive up US borrowing costs by selling US government bonds, in doing so it would reduce the value of its remaining holdings, while strengthening the renminbi and making China's exports less competitive. Relations would have to be in a much worse state than they are now before China could contemplate doing something so self-destructive in the hope of damaging the US.

19: Shivali Pandya and Simone Tagliapietra, 'China's strategic investment in Europe: The case of maritime ports', Bruegel, June 27th 2018.

20: The 17 are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia."

21: Organisation for Economic Co-operation and Development (OECD) dataset 'FDI financial flows – by partner country'.

The technology-security nexus: Huawei

The controversy surrounding the Chinese telecommunications giant Huawei and its role in 5G infrastructure in Europe has been a case study in the different ways Europe and the US look at co-operation with China. Though their positions now are closer than they were early in the Trump administration, there are still significant differences, and US heavy-handedness has damaged transatlantic trust.

Because the US sees China as its first peer competitor since the collapse of the Soviet Union, it looks at the role of Chinese technology in its economy and that of its allies primarily with an eye to potential national security threats. Though Huawei says it is a private company, the US government regards it as at the very least under the influence of the Chinese government and its intelligence agencies. It suspects that Huawei's equipment could be left deliberately vulnerable to Chinese intelligence penetration, for industrial or other forms of espionage. And the US has charged Huawei with involvement in breaching US sanctions against Iran and North Korea.

In May 2019 the US added Huawei and a number of its affiliated companies to the 'Entity List', effectively banning the sale of various goods and technologies to the firm on the grounds that it was engaged in activities contrary to US national security or foreign policy interests. Because of its security concerns, the US has largely excluded Huawei from supplying equipment to telecommunications companies in the US. As a result, in the absence of a US competitor, the American market for 5G equipment seems likely to be dominated by two European companies, Ericsson of Sweden and Nokia of Finland. The US is so concerned about these companies' continued viability that in February 2020 Bill Barr, the US attorney-general, suggested that the US should take a controlling stake in each, either directly or via a consortium of private companies.

Until recently, very few European countries shared the US position – not even the UK. Their main interest was in deploying 5G quickly and cheaply and reaping the economic benefits of improved high-speed internet access. Consequently, Huawei (according to one estimate) is narrowly ahead of Ericsson and Nokia in the European market.²² The European Commission published an action plan for 5G in 2016, but it made no mention of security issues. Through affiliated research centres that it set up in Europe, Huawei was even able to benefit from EU research funding. The Commission saw its priorities as ensuring that Europe got good quality 5G networks, and that there was healthy competition between suppliers and reciprocal access for European telecommunications equipment companies to the Chinese market. Unlike the US, it was much less concerned about the potential espionage risk posed by Huawei.

It was only in March 2019 that the Commission followed up its action plan with recommendations to member-states to assess the cybersecurity risks of 5G networks, and to strengthen risk mitigation measures (a process that led to the adoption in January 2020 of a 'toolbox' of recommended – not mandatory – measures). The Commission published a progress report on implementation of the toolbox in July 2020 that showed some progress in mitigating risks, but also some significant areas of continuing concern. It found, in particular, that the risk of state interference through the 5G supply chain was "both the most relevant and the least mitigated" risk.²³

In response to what the US perceived as European complacency, Washington began to threaten its allies with dire consequences for future defence and intelligence co-operation if they bought Huawei equipment. In February 2019, US Secretary of State Mike Pompeo warned in an interview that if countries installed Huawei equipment "in their critical information systems", then the US would not be able to share information with them or have a US military facility there.²⁴ When the UK ignored these warnings and decided to allow Huawei to supply up to 35 per cent of non-core 5G equipment, while excluding it from the vicinity of sensitive sites, two US Republican senators suggested that the decision could jeopardise UK-US intelligence co-operation.

On the whole, however, US efforts to put pressure on Europeans to ban Huawei had little effect. In May and August 2020, the US therefore stepped up its pressure further. First, it prohibited foreign chip manufacturers from using American technology or equipment to make chips to Huawei's designs; then it banned manufacturers from supplying chips made with US technology or equipment to Huawei, regardless of who had designed them. The EU has always opposed such extraterritorial sanctions by the US, but the main victim in this case is likely to be Taiwan, whose Taiwan Semiconductor Manufacturing Company (TSMC) is a major supplier of Huawei; and Taiwan, given its security dependency on the US, is unlikely to put up much resistance.

22: Iain Morris, 'Ericsson, Huawei & Nokia's 5G 'wins' are no big deal', *Light Reading*, February 24th 2020.

23: EU Network and Information Systems (NIS) Co-operation Group, 'Report on member states' progress in implementing the EU toolbox on 5G cybersecurity', July 2020.

24: US Department of State, 'Interview with Maria Bartiromo of Mornings with Maria on Fox Business Network', February 21st 2019.

The result is that Huawei will either have to find alternative sources of chips or cease operations. American companies that sell \$11 billion of chips to Huawei annually are not happy. China will presumably accelerate its efforts to produce indigenous equivalents of the chips it has hitherto bought from TSMC and Western suppliers. The change may not immediately affect Huawei's dominance in the Chinese market, or in many developing countries (where low prices and Chinese loans will make its offer irresistible). But it will be a less attractive supplier for Western countries, and may be crippled if it cannot get hold of suitable chips in the near future. The impact of US sanctions is already clear in the UK, where the government has reversed its earlier decision and ordered telecommunications companies to remove Huawei 5G equipment from their networks by 2027. The British government argued that given the scope of US sanctions, Huawei would not be able to find alternative chip suppliers, independent of the US, in whose products the British government would have sufficient confidence; so it would be impossible to guarantee the security of Huawei equipment in future.

It is not yet clear how many other European countries will act against Huawei. France has decided not to ban Huawei 5G equipment immediately, but is encouraging operators not to use it if they do not already have it in their systems, and restricting how long other operators can continue to use it. Telecom Italia, Italy's largest telecommunications provider, has decided not to use Huawei equipment in the core of its 5G network – ostensibly for commercial rather than security reasons. Despite US efforts and the EU toolbox, however, Huawei will be a major supplier of 5G in many countries, probably including Germany – where Chancellor Angela Merkel has so far resisted pressure both from the US and from within her own party to ban Huawei.

Nonetheless, the roll-out of 5G and the US lobbying campaign against Huawei has forced European governments and the European Commission to start thinking about the wider implications of relying on Chinese companies for critical infrastructure. The progress report on the toolbox shows that the majority of member-states are taking steps to mitigate at least some of the security and supply risks that would flow from dependence on Huawei, even if some of the rest have barely started thinking about the issue.

One problem for the Commission is that the decision on whether to exclude Chinese firms from some tenders on national security grounds is a national one, but it may have implications for other member-states. Rather than trying to tackle security issues directly, the Commission is preparing the ground to be able to support European technological capacities in 5G (and its successors) with EU funds; and giving itself the power to act against Huawei and other Chinese firms on the basis that state subsidies to them unfairly tilt the playing field when they bid for contracts in Europe or when they seek to acquire European firms. But such steps cannot fully deal with the national security risks of technological dependence on China; nor will they persuade the US (whether under Trump or Biden) that Europe understands the security issues. A Commission that aspires to be 'geopolitical' does not have the power to compel member-states to act in the interests of the EU's security. Instead, it has had to fall back on technocratic tools.

At the same time, the way in which the US has acted, both in its threats to reduce defence and intelligence links and its proposal to take control of Huawei's European competitors, has strengthened the arguments of those Europeans who think Europe needs supply chains that are less vulnerable to external pressure, regardless of who is applying it. Had Washington put more effort into sharing information on why Huawei posed a threat, and agreeing on a common way forward with its partners, it could have avoided an outcome that in the long term is likely to damage its own interests and relations with its allies.

Defence relations and tensions

China has already become an economic heavyweight; now its military power is growing to match. Xi has declared that China's objective is to develop a "world class" military force that can "fight and win" global wars by 2049.²⁵ Chinese defence spending has increased steeply over the last ten years, and according to most estimates is second only to America's. Strengthening and modernising the Chinese navy has been a particular priority; China now has the world's largest navy.²⁶ In 2017 China opened its first overseas military base in Djibouti, strategically located on the Gulf of Aden, to support Chinese operations in Africa.

At the Munich Security Conference in February 2020, US Secretary of Defense Mark Esper said that the US, while not seeking conflict with China, considered it necessary to prepare for high-intensity warfare. He warned that US concerns about China's commercial and military expansion should be Europe's concerns as well. But Europe has not made up its mind whether China poses a direct security threat, or what Europe's stance on the US-China rivalry should be.

"European countries vary in their enthusiasm for offending China by limiting its access to their universities."

There are good reasons for Europe to be wary of China's military ambitions, even if it is reluctant to confront China as aggressively as the US does. For one thing, China is trying to make its defence industrial sector more efficient, innovative and globally competitive. In 2020, all eight of China's defence-related state-owned businesses ranked in the top 25 of global defence companies, while only five European companies did.²⁷

The US is competing with China in a race over the development and control of emerging defence technologies. Beijing is investing in precision-guided munitions, electronic warfare and anti-satellite capabilities, and is developing hypersonic missiles, with the first model expected to be operational this year. The Pentagon has said it will probably be several years before the US has one.

25: Xi Jinping, 'Secure a decisive victory in building a moderately prosperous society in all respects and strive for the great success of socialism with Chinese characteristics for a new era: Delivered at the 19th National Congress of the Communist Party of China, October 18th 2017', *Xinhua*.

26: Lindsay Maizland, 'China's modernizing military', Council on Foreign Relations, February 5th 2020.

27: Meia Nouwens, 'China's defence-industry rankings: Down but by no means out', International Institute for Strategic Studies Analysis, August 17th 2020.

China is not resting on its laurels. Xi has given new impetus to the longstanding effort to bring the innovative approach of the civilian industrial sector into defence production. At the heart of the effort is the strategy of 'military-civil fusion' (MCF), which seeks to give China both 'guns and butter'.²⁸

Since 2017, Xi has chaired a Central Military-Civil Fusion Development Committee, which among other things has pushed forward the creation of MCF industrial zones, which link military technology requirements with civilian technology companies. Some of the things done under the heading of MCF seem relatively innocuous – for example releasing declassified patents to support private companies entering China's defence industry.²⁹ Other aspects are causing concern in Europe and the US, such as the acquisition of emerging Western technology companies by MCF firms; or students with links to military scientific research establishments carrying out research in Western universities. The US in particular is seeking to prevent such activities, and is looking more closely at Chinese-funded research programmes and the Western scientists who participate in them.

There is no comparable EU scrutiny of Chinese activities in Europe, although the Commission has produced a draft of what it calls a concept note, suggesting guidelines for dealing with foreign interference in universities and research bodies. Though the concept note was produced as a result of a meeting with various institutions concerned about China, it carefully avoids singling out any country.³⁰ It is unclear how member-states might translate the concept note into policies and rules: European countries vary in their ability to keep track of who is studying what, and in their enthusiasm for offending China by limiting its access to their universities.

It is Beijing's declared ambition to become a world leader and close the technological gap with the West in areas like artificial intelligence, quantum technology, unmanned systems, robotics, cyber and space, all 'dual-use' technology with both civilian and military value.³¹ To achieve this goal, Beijing has been investing heavily in start-ups and research and development (R&D). But China has also been accused of stealing designs and other intellectual property from Russia, the US and other countries.

28: Greg Levesque, 'Military-civil fusion: Beijing's 'guns AND butter' strategy to become a technological superpower', *China Brief*, The Jamestown Foundation, October 8th 2019.

29: Meia Nouwens and Helena Legarda, 'China's declassification of defence patents: Novel, but not (yet) a game changer', International Institute for Strategic Studies, January 2018.

30: Andrew Rettman, 'Universities in EU on alert to China spy threat', *euobserver*, April 23rd 2020.

31: Meia Nouwens and Helena Legarda, 'China's pursuit of advanced dual-use technologies', International Institute for Strategic Studies, December 2018.

Europeans do not play in the same league as the US and China when it comes to dual-use technological innovation. The risk for the transatlantic relationship is that in its race with China the US may leave the Europeans behind. That could reduce the interoperability of American and European troops, and thus weaken NATO. NATO Secretary General Jens Stoltenberg has referred to 5G, facial recognition and quantum computing as three areas where China has emerged as a global leader, and where the alliance must keep pace. But European governments have cut defence R&D budgets in recent years, even as overall defence spending increased.

“The Chinese government is not just exporting technology; it is also exporting its own authoritarian norms.”

The EU is trying to address Europe's innovation lag by identifying some newer technologies as priority investment areas for funding. As part of her goal of achieving European 'technological sovereignty', European Commission President Ursula von der Leyen has stressed that Europe should have its own digital capacities in quantum computing, 5G, cybersecurity and artificial intelligence. The Commission also plans to use up to 8 per cent of the money allocated for the new European Defence Fund – set up to encourage EU member-states' defence R&D – to support 'disruptive' technologies. And it has included provisions in the defence fund regulation to protect intellectual property from leaking to 'foreign entities', such as Chinese firms.

But EU governments disagree over their approach to emerging technologies in defence, with some, like France, pushing for more development of AI-enabled capabilities, and others, like Germany, more hesitant to engage with AI in warfare.³² And the budget for the European Defence Fund has shrunk considerably in the wash of the EU's long-term budget negotiations. The priority for Europeans remains investment in the conventional capabilities sorely needed to fulfil its traditional crisis management ambitions.

While the EU hesitates, China has become the world's second-largest arms producer, behind the US and ahead of Russia, according to the latest data from the Stockholm International Peace Research Institute. It has also joined

³²: Ulrike Franke, 'Not smart enough: The poverty of European military thinking on artificial intelligence', European Council on Foreign Relations Policy brief, December 18th, 2020.

³³: Vanda Felbab-Brown, 'A Bri(dge) too far: The unfulfilled promise and limitations of China's involvement in Afghanistan', The Brookings Institution, June 2020.

³⁴: Lucie Béraud-Sudreau and Meia Nouwens, 'Are arms exports a tool of Chinese foreign policy?', East Asia Forum, July 7th 2018.

³⁵⁴: Justin Sherman and Robert Morgus, 'Authoritarians are exporting surveillance tech, and with it their vision for the internet', Council on Foreign Relations, December 5th 2018.

the US, Russia, France and Germany as one of the world's five largest arms exporting countries.

China's arms sales should be of concern to Europeans, for two main reasons. First, most of its weapons exports go to developing and unstable countries, and often China puts no conditions on their use (whereas the US and EU countries generally follow basic human rights considerations when they decide who to sell weapons to, and they usually restrict re-sales and transfers to recipients other than the original buyer). China has had particular success exporting armed unmanned aerial vehicles (UAVs) to the Middle East, Central Asia and Africa. Saudi Arabia has deployed Chinese UAVs in Yemen, for example, while Nigeria has used them against Boko Haram, and Iraq against ISIS.

Second, China is exporting arms and offering military help to regions that European troops operate in. China has for example been trying to increase its influence in Afghanistan by offering limited quantities of military equipment and training to the Afghan authorities and supporting Afghanistan's counter-terrorism efforts. China's Xinjiang region shares a short border with Afghanistan, and Beijing has used its concern about links between Uyghurs there and Islamist extremist groups involved in the Afghan conflict to justify its brutal policies against the Uyghurs. China also sought to establish a military base on the Afghan side of the border. Discussions with the Kabul authorities have stalled over Afghan concerns about China's motives.³³ But NATO has been concerned about increased Chinese involvement in the country, partly because China's forceful and repressive anti-terrorism policy runs counter to the Western approach of de-radicalisation.

For now, China appears to rely on arms sales more as a way to raise revenue than as an instrument of foreign policy.³⁴ But its exports of dual-use technology are a different matter. Beijing has sold surveillance technologies to authoritarian and would-be authoritarian governments: Chinese companies have been involved in exports of facial recognition technology to Singapore, the United Arab Emirates, Zimbabwe and Malaysia and have sold surveillance technology to Ethiopia, Ecuador, South Africa, Bolivia, Egypt, Rwanda and Saudi Arabia.³⁵ The Chinese government is not just exporting technology; it is also exporting its own authoritarian norms for controlling populations through surveillance.³⁶

³⁶: China is not a member of the international export control regime for dual-use goods and technologies, the Wassenaar Arrangement. In recent years, emerging technologies such as 3D printing have been added to the 'Wassenaar list'. The United States, Russia, India and all EU member-states (with the exception of Cyprus) participate. But Wassenaar is a voluntary regime and does not guarantee a regulated arms export policy.

The US introduced its new Export Control Reform Act in 2018, which makes it harder for US companies to export dual-use technologies that can potentially be used for security purposes to China. In 2016 the European Commission proposed strengthening the EU's Dual-Use Regulation to include export controls on cyber surveillance technology, and the European Parliament argued for the inclusion of human rights considerations, calling on the Commission to add clear criteria and definitions to the regulation that would protect the right to privacy, data protection and freedom of assembly.³⁷ The proposal has not yet become law, but in its final version it could further restrict the export of dual-use technology to China, thus potentially slowing down China's military modernisation as well as the development of its security apparatus. China's imposition of the new security law on Hong Kong has led EU governments to restrict the export of any dual-use technology that could be used as a tool of political oppression. Any new export controls should be closely co-ordinated with the EU's partners, including the US, to achieve the greatest possible effect.

“Any new EU export controls should be closely co-ordinated with its partners to achieve the greatest effect.”

Apart from China's challenge to the West's technological superiority, its Arctic ambitions can be seen as a more conventional threat, with the potential to affect Europe's security and economic interests. Though none of its territory lies within about 3,000 kilometres of the Arctic Circle, China has declared itself a 'near-Arctic' state.³⁸ As part of the BRI China is developing Arctic shipping routes, to build what Beijing calls the 'Polar Silk Road'. It is investing in Arctic research, infrastructure and real estate. And it is pursuing access to natural resources, drilling for gas off the Russian coast and searching for minerals in Greenland.

China does not currently have territorial claims or a permanent Arctic military presence, but it operates two icebreaking vessels, and has announced plans to build more, including a nuclear-powered icebreaker. Despite

having more than 1000 kilometers of coastline north of the Arctic Circle, the US also has only two icebreakers, but is planning to build more (Russia has a fleet of 40). The US is concerned that China's civilian efforts in the region could eventually turn into a strengthened Chinese military presence in the Arctic Ocean in the future, potentially including the deployment of submarines. American concerns about Chinese involvement in Greenland may to some extent explain Trump's otherwise bizarre suggestion in 2019 that he would like to buy it.

The US Department of Defense considers the Arctic a potential arena for expanded great power competition and aggression, and declared it a US interest to "limit the ability of China and Russia to leverage the region as a corridor for competition that advances their strategic objectives through malign or coercive behavior".³⁹ But it has not persuaded its NATO allies that the alliance should play a more prominent military role in the region.

The EU's Arctic strategy likewise focuses on non-security issues: climate change, sustainable development and international co-operation.⁴⁰ EU and NATO self-restraint has not dissuaded Russia from increasing its military presence – in recent years Russian President Vladimir Putin has established or re-opened a number of military bases in the Arctic.⁴¹ If China also continues to increase its presence in there, it may be harder for European countries (whether in a NATO or an EU context) to ignore the security implications of increased regional rivalries.

Closer to home, China has also expanded its maritime presence in the South and East China Seas in recent years. The area is of strategic and economic importance – the South China Sea is rich in natural resources like oil and natural gas, and an estimated 20 per cent of global maritime trade passes through it annually, including more than 60 per cent by value of China's trade.⁴² The Philippines, Vietnam, China, Brunei, Taiwan and Malaysia all stake different – sometimes overlapping – territorial claims to the sea and its various islands (Map 1). To establish its own claims, China has constructed military outposts, runways, loading piers and communications facilities on Chinese-built artificial islands, as well as deploying anti-ship and anti-aircraft missile systems on the Spratly archipelago.

37: Controlling the trade of dual-use items is an EU competence and falls under the jurisdiction of the Court of Justice of the EU.

38: Marisa Lino, 'Understanding China's Arctic activities', International Institute for Strategic Studies, February 25th 2020.

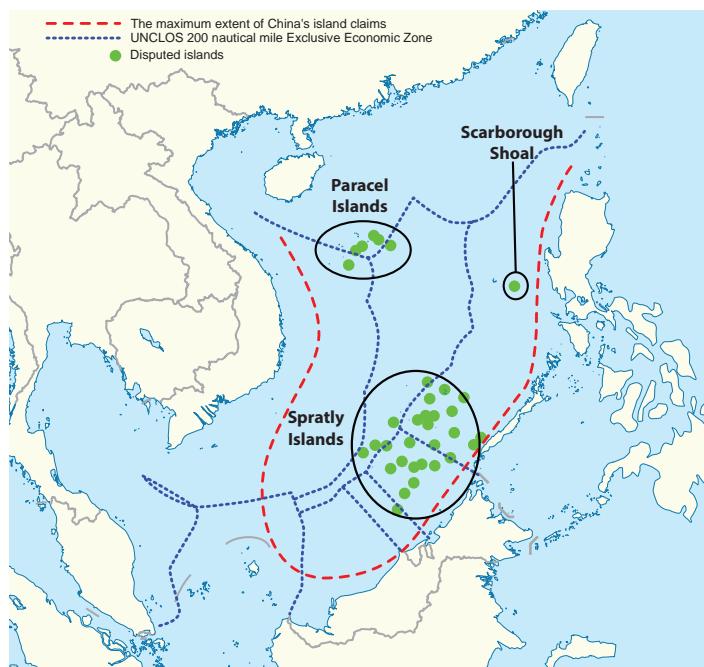
39: Office of the Under Secretary of Defense for Policy, 'Report to Congress: Department of Defense Arctic Strategy', US Department of Defense, June 2019.

40: European Commission and High Representative of the Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament and the Council: An integrated European Union policy for the Arctic, April 27th 2016. Recently published commissioned analysis suggests however that at least the European Parliament may want the EU to become more involved in Arctic security issues, see 'In-depth-analysis: A balanced Arctic policy for the EU', European Parliament, July 20th 2020.

41: Henrik Breitenbauch, Kristian Søby Kristensen and Jonas Goesmeyer, 'Military and environmental challenges in the Arctic', Carnegie Europe, November 28th 2019.

42: 'How much trade transits the South China Sea?', ChinaPower, Center for Strategic and International Studies, updated October 10th 2019.

Map 1: Maritime and territorial claims in the South China Sea



Source: Adapted by the CER, based on Goran tek-en [CC-BY-SA-3.0 (<http://creativecommons.org/licenses/by-sa/3.0>)], via Wikimedia Commons.

In the East China Sea, Japan and China both assert claims to the Senkaku or Diaoyu Islands northeast of Taiwan. These islands may hold oil and natural gas reserves, are located near prominent shipping routes, and are surrounded by valuable fishing areas. In 2019, Japan declared China its greatest national security threat.

“China’s legally dubious claims in the South and East China Seas threaten the rules-based global order.”

China’s legally dubious claims pose a threat to the rules-based global order that the EU and Europeans aim to defend. It is also in Europe’s economic interest to protect free and safe shipping corridors. The 2016 EU Global Strategy states: “In East and Southeast Asia, we will uphold freedom of navigation, stand firm on the respect for international law, including the Law of the Sea and its arbitration procedures, and encourage the peaceful settlement of maritime disputes. We will help build maritime capacities and support an ASEAN-led regional security architecture”.⁴³

The US began actively challenging China’s claims in the South China Sea in 2015, deploying surveillance aircraft

43: ‘Shared vision, common action: A stronger Europe: A global strategy for the European Union’s foreign and security policy’, European External Action Service, June 2016.

over artificial islands and sending ships into disputed waters in so-called ‘freedom of navigation operations’, meant to enforce international law in the area. Europeans are involved in the region through their diplomatic ties to regional actors like Australia and Japan, and through the EU’s support to its regional counterpart, ASEAN, but European military involvement has been limited. Since the publication of the EU Global Strategy, France and the UK have both conducted (joint) freedom of navigation operations and exercises in the South China Sea. But no other countries in Europe have the capability and political will to deploy there.

The NATO alliance is not discussing deployments in the region either. Central and Eastern European countries in the alliance fear that the Far East could become a distraction from NATO’s efforts to protect them against Russia, and most other allies do not want to risk getting involved in military operations so far from home. Stoltenberg summed up the alliance’s policy, stating that “it’s not about moving NATO into the South China Sea, but it’s about taking into account that China is coming closer to us”.⁴⁴ Short of sending troops, Europeans can best support their allies in the Indo-Pacific through close collaboration on matters such as intelligence sharing and joint planning. Through its operation in Afghanistan, NATO has forged relationships with countries in the region, including Australia, Japan, Singapore and

44: ‘Questions and answers by NATO Secretary General Jens Stoltenberg at the “NATO Engages: Innovating the Alliance” conference’, NATO website, December 3rd 2019.

South Korea. The alliance should revive and deepen these partnerships, modelling them on the very close relationship NATO has with non-members Sweden and Finland.⁴⁵

Neither NATO nor the EU have well-established dialogues with China on defence and security issues. NATO and China held four rounds of military staff talks from 2010 onwards; then talks lapsed before being revived in 2018, only to lapse again (despite an agreement to hold talks

in Beijing in 2019). There have been occasional contacts between the last EU High Representative, Federica Mogherini, and successive Chinese defence ministers – she met defence minister Wei Fenghe in Singapore in the margins of the Shangri-La Dialogue in June 2019, and his predecessor, Chang Wanquan, in Beijing in 2017. But Chinese defence ministers have not been involved in the regular EU-China High-Level Strategic Dialogue, the 10th round of which took place by video conference in June 2020.

US-China relations and the ‘Thucydides Trap’

As China rises, economically, militarily and diplomatically, Europe is watching nervously to see whether China and the US are caught in the ‘Thucydides Trap’. This is a fashionable metaphor among foreign policy analysts for the likely trajectory of US-China relations. Coined by the American scholar Graham Allison, it refers to the classical Greek historian Thucydides, who stated in his 5th century BC ‘History of the Peloponnesian War’ that “it was the rise of Athens, and the fear that this inspired in Sparta, that made war inevitable”. Thus, the Thucydides Trap is shorthand for the danger of war precipitated by a rising power challenging the ruling power.

“In today’s increasingly multipolar world, third parties can potentially exert significant influence on both the US and China.”

As the power gap between China and the US decreases, the metaphor suggests that China will become ever more discontented with the rules and norms of the existing order, shaped by the US to its advantage. China will naturally demand greater influence within the existing system and revision of the order. Such demands will inevitably alienate the US. For its part, the US will respond to the challenge by defending the status quo, thus risking conflict which could develop into a wider war.

Central to the escalatory logic of the Thucydides Trap is that both sides perceive themselves to be in an adversarial power struggle, as opposed to a situation in which they could potentially pursue peaceful coexistence. In such circumstances, the Thucydides Trap risks becoming a self-fulfilling prophecy, as the lack of trust between the two powers will lead each to view almost any action by the other – however defensively-motivated – as an attack on its interests, necessitating a response.

In 12 out of 16 historical cases, power transitions ended in war, according to Allison. History is not destiny, however,

and there are at least three factors which undermine the theory that a conflict between the US and China is inevitable.

First, a shift in the balance of power is not itself enough to cause war. Thucydides himself identified several other factors that contributed to the outbreak of the Peloponnesian War, including alliance entanglements (Sparta and Athens were drawn into war by a conflict between their respective allies Corinth and Corcyra) and poor decision-making driven by hubris and fear. The classicist Donald Kagan argued that the Peloponnesian War “was caused by men who made bad decisions in difficult circumstances. Neither the circumstances nor the decisions were inevitable”.⁴⁶ Structural forces affect but do not determine history.

Second, the Thucydides Trap rests on the questionable premise that history repeats itself. But times change. The US and China are both nuclear powers, which should deter either of them from risking major conflict as long as they possess second-strike capability – the ability to retaliate against an initial nuclear attack, leading to mutually assured destruction. And globalisation has led to unprecedented interdependence among the major economies, thus raising the costs of war to all parties more than in any previous transition of power.

Third, the Thucydides Trap suggests that power transitions principally involve two powers. But in today’s increasingly multipolar world, third parties can potentially exert significant influence on both the US and China, as well as the shape of the future international order. On the positive side, potentially powerful actors like the EU or regional powers like India or Russia have no interest in a US-China war, and can pressure both sides to de-escalate. On the negative side, the risks of US-China conflict are increased by China’s territorial disputes with Japan – a treaty ally of the US – and its claim to Taiwan (on whose behalf US law obliges the US government to “resist any resort to force or other forms of coercion”).⁴⁷

45: Fabrice Pothier, ‘How should NATO respond to China’s growing power?’, International Institute for Strategic Studies Analysis, September 12th 2019.

46: Donald Kagan, ‘The outbreak of the Peloponnesian War’, Cornell University Press, 1969.

47: ‘Taiwan Relations Act’, US Congress, 1979.

China has been behaving increasingly aggressively around Taiwan, including flying aircraft across the median line in the Taiwan Strait several times since March 2019 – the first time it had taken such a step in 20 years. For the first time in four decades, the Chinese prime minister's report to the Chinese parliament referred to reunification with Taiwan without qualifying it as "peaceful". And the recently re-elected president of Taiwan, Tsai Ing-wen, rejected China's sovereignty claims – though without proclaiming Taiwan's independence, which China has made clear would be a *casus belli*.

The way forward for the EU

The risk of conflict between the US and China poses grave dangers to the EU. Despite the transatlantic tensions of recent years, it is clear that the EU cannot be equidistant between democratic Washington and authoritarian Beijing. Ultimately the EU and the US have more values and interests in common than the EU and a techno-authoritarian China ruled by the Communist Party ever could. Under a Biden administration, there would be more scope for the EU and US to work together to analyse and respond to the challenges created by China's assertiveness beyond its borders. But the EU needs to define its interests autonomously, and devise policies to achieve its own objectives, even if that means pushing back against ill-advised US policies or putting economic benefits at risk in order to stand up to China. Unfortunately, it is far from being able to do that yet. Although Borrell described strategic autonomy recently as "a state of mind", it has to be founded on political, economic and military power, and unity of purpose in using it.⁴⁸ The EU has economic power (even if, as Borrell commented, it suffers from a "psychology of weakness"); but it lacks military power, and member-states are divided in their attitudes to the US and China – which often suits the two antagonists.

"Despite transatlantic tensions, the EU cannot be equidistant between democratic Washington and authoritarian Beijing."

As a first step towards dealing with a potentially more distant and distracted US and an omnipresent and assertive China, the EU has launched a common threat assessment process as part of a 'strategic compass' for security and defence policy.⁴⁹ It is likely to be hard to reconcile the views of member-states like Sweden, with recent experience of Chinese hostility, and countries like Greece for whom China has been a financial benefactor during its economic crisis. Still, the process itself will have value if it forces member-states to look at internal and external developments in China, and their implications not only for the EU and US but also for regional

48: Josep Borrell, 'The pandemic should increase our appetite to be more autonomous', European External Action Service, July 4th 2020.

If they are to reduce the risk of stumbling into conflict, Chinese and US policy-makers must understand the main lessons to draw from the Thucydides Trap, above all that the leaders of Athens and Sparta could have taken different decisions with different results. Unfortunately, Xi, with his Marxist background, may be tempted to think that the victory of 'socialism with Chinese characteristics' is historically determined; while American presidents, of all political stripes, tend to believe that democracy's ultimate triumph is inevitable. Those are dangerous certainties to rely on in a crisis.

democracies like Australia, Japan and Taiwan. But the threat assessment should not be a one-off exercise, and the EU should follow it up with policies and actions:

★ Building a European knowledge base on the US and China. The EU needs to take a long-term view of the evolution of relations between the US and China, and to encourage European researchers to study both countries systematically and present their analysis in forms relevant to policy-makers. European political leaders and officials often do not understand the US as well as they think they do, either in terms of its constitutional arrangements or its society outside Washington and New York. And China remains *terra incognita* for most Europeans, despite its importance.

There is significant independent expertise on China in Europe – in particular in the 14-member European Think-tank Network on China, established in 2014 – but not enough. The EU should examine how best to promote the study of China and the Chinese language without relying on Chinese government funding or following a curriculum laid down by Beijing.

The EU should include China-focused and US-focused research in its next Horizon Europe research and innovation programme. Horizon 2020, which ran from 2013-20, provided no funding for any US-related social science research; and China was dealt with only briefly in the context of research into 'Europe's contribution to a value-based global order and its contestants', regional integration in South-East Asia, and co-operation with China on sustainable urbanisation. The 2021-27 programme should be used to support in-depth research into subjects such as the motivations of China's foreign and security policy, the implications of the military-civil fusion strategy for Chinese investment in the EU, and the political and security impact of BRI on China's partners. It should also support analysis of long-term US strategy towards the Asia-Pacific region, and the impact of changing domestic politics on the US's attitudes to Europe. With a better knowledge base, constantly

49: Daniel Fioott, 'Uncharted territory: Towards a common threat analysis and a Strategic Compass for EU security and defence', EU Institute for Security Studies, July 2020.

informed by research, the EU will have more chance of devising realistic policies that might either persuade its partners to follow or not to follow particular courses of action, or mitigate the effects on the EU of their policy decisions.

★ Agreeing realistic aims for relations with China.

EU objectives need to be grounded in a factual assessment of the strengths, weaknesses and intentions of its partners. There will be areas where EU and Chinese interests coincide – such as the development of a vaccine against COVID-19. But the EU needs to stop relying on wishful thinking about the scope for co-operation: the EU and China may say that they have a common interest in combating climate change, for instance, but China continues to build coal-fired power plants for BRI partners at an alarming rate – research in 2018 found that from 2000–2016 two-thirds of China's power sector lending to other countries was for coal projects, and China was leading the construction of 240 new coal-fired power plants in BRI countries.⁵⁰

“The EU needs to stop relying on wishful thinking about the scope for co-operation with China.”

★ Taking China more seriously as a security risk.

The EU has been content to leave the defence and security of East Asia and the Pacific largely in the hands of the US, with the exception of occasional freedom of navigation operations in the South China Sea by France and the UK. But now that China is carrying out naval exercises in the Mediterranean, and establishing a presence in the Arctic, Europeans can no longer afford to ignore the potential impact on Europe's security. In the Cold War, the COCOM system blocked high-tech exports to the Communist bloc. It may be unrealistic to think of such extensive controls on the export of sensitive technology to China. Even so, European governments need to take the implications of the military-civil fusion strategy more seriously, and scrutinise exports and technology transfer more closely for their potential to harm the security of European countries or their allies. And as more and more aspects of national security depend on what happens in cyberspace, the EU (together with NATO) needs to ensure that member-states are all taking cybersecurity equally seriously: Europe's IT networks, and the information in them, are only as safe as the weakest link.

★ Hedging against a less reliable partnership with the US. At the time of writing, opinion polls point to a victory in November's election for Biden, but that does not mean that the longer-term trends that brought Trump to power have gone away, or that the polarisation

50: Edward Cunningham, 'The X Factor: China's energy profile', Canon Institute for Global Studies, October 9th 2018.

in American politics and society that he has inflamed will vanish in the foreseeable future. Europeans should do what they can to increase co-operation with the US on Asia-Pacific policy. But they may have to get used to dealing with a partner that is more inward-looking and where there may be less consensus on the importance of the transatlantic relationship than at any time since the beginning of the Cold War. The EU has been complacent about the direction of travel of the US under Trump, and the responses of member-states to his policies have been inconsistent. Most have sat tight, kept their heads down and hoped for the return of normality in the transatlantic relationship. Some, like France, have leveraged Trump's hostility to argue in favour of European strategic autonomy; others, like Poland, have tried to curry favour with the White House. The EU needs a more unified approach. It should also work with like-minded countries including Canada, Norway and the UK, to preserve transatlantic co-operation even in the face of US indifference.

★ Working intensively to prevent the escalation of tension between the US and China.

A war between the US and China would be calamitous for the whole world, the EU included. Were there to be a breakdown of deterrence in the Far East, the US would justifiably expect at least political and economic support from Europe; but it should not be given a blank cheque for confrontation. The EU should use all the formal and informal channels of communication it has with Beijing and Washington to encourage them to reduce the tension in their bilateral relations. Even under a Biden administration, however, the US is likely to put more emphasis on the military aspects of competition with China than the EU would.

The Union should also work with countries in the Asia-Pacific region to help them defend their interests in the framework of international rules, without falling into conflict with China. One thing the EU can do is to provide further diplomatic and technical support for the work of ASEAN countries who are trying to negotiate a binding code of conduct with China to govern activity in the South China Sea.

At the same time, the EU should try to give more substance to its security dialogue with China, and ensure that it is not just confined to polite discussions with Foreign Minister and State Counsellor Wang Yi, but consistently involves a wider range of Chinese ministries and agencies, including the defence ministry. China has so far shown no interest in the kind of arms control and confidence-building agreements that helped to manage tensions between East and West in Europe from the mid-1970s until the end of the Cold War. But that should not deter the EU from trying to promote successful models, or European countries from encouraging NATO to talk to the Chinese about the alliance's experience of such measures.

European members of NATO, including the UK, should welcome the US push for regular exchanges within the alliance on the security challenges posed by China, but should also encourage the resumption of NATO's dialogue with China, whether formally or informally. Such a dialogue ought to be based on a common script for all allies, but should not rule out co-operation with Beijing on areas of common interest – for example, Western navies worked with Chinese ships combating piracy off the Horn of Africa.

“The EU should do all it can to encourage Beijing and Washington to reduce the tension in their relations.”

★ Accepting China’s economic rise, but pushing back against unfair Chinese competition. The EU should avoid being dragged into any generalised US effort to stop China’s economic rise. At this stage in China’s development, such an effort is unlikely to achieve much, other than to accelerate China’s progress towards indigenisation of technology. But the Union should work to ensure that China’s rise takes place by fair means and within a framework of international rules and norms. The Commission should build on the investment screening regulation and the ‘EU toolbox of risk mitigating measures’ for 5G to ensure that European intellectual property is protected and that the Union is not put at a disadvantage by the relative openness of its economy by comparison with that of China. Despite the slow progress so far, it should continue to negotiate a comprehensive agreement on investment with China.

The EU should work with countries that benefit from and support free trade, including China itself, as well as Australia, Canada, Japan and others, to ensure that the WTO survives Trump. But it should also keep the pressure on China to live up to its WTO commitments. The EU has to work out what is and is not tolerable behaviour by China – in relation to intellectual property theft, investment in sensitive sectors, unfair competition driven by state aid to Chinese firms, and the use of investment for political ends – and try to ensure that individual states or companies do not undercut the common European interest in pursuit of short-term advantage.

★ Combating deglobalisation. The US administration includes supporters of ‘decoupling’ from China and bringing supply chains back within US borders. The Democratic Party also has protectionist elements that might support moves in that direction. That would be bad for China and for the EU, and the EU should do what it can to resist the renationalisation of supply chains and to make the case for continued globalisation – but if possible with more spare capacity built in to mitigate disruptions in supplies of critical goods.

★ Competing more effectively with China for senior jobs in the UN system and other international institutions. The EU should acknowledge that China’s size and weight in the world justify it having a sizeable number of top jobs, but it should be as strategic as China is in working out which positions matter most to the achievement of European or Western interests, including in specialised agencies. The EU should accept legitimate demands that international institutions should be reformed to reflect the increased importance of emerging powers, but it should put more effort into cultivating such rising states: given the scale of Western aid and investment in the developing world, China should not be able to control a large voting bloc in the UN without much competition. Where necessary, the EU should work with like-minded states to organise campaigns to get its preferred candidates elected when vacancies occur.

★ Acting in unity to defend and promote its values. EU member-states have often allowed the Commission to speak out on human rights issues in China, while letting the Chinese authorities know that they have no need to take EU criticism too seriously. Given the increasingly repressive approach of the Communist Party, the EU and its member-states need to work together in support of human rights and the rule of law. Realistic policies towards China do not need to be policies of despair and passivity. The EU may not be able to drive radical change there, but it can encourage incremental progress. When it comes to defending human rights, the EU should continue to work with those activists in China who are willing to risk working with it, regardless of how hostile the environment is. It should give its backing to the use of UN human rights mechanisms such as special rapporteurs to improve the situation on the ground in China. And it should use every meeting with senior Chinese officials to raise specific human rights cases, and follow them up subsequently. The EU should also offer alternatives to China’s model of technology-enabled authoritarianism when Beijing promotes it in other countries (including in EU candidate countries like Serbia).

Internally, the EU needs to reform its decision-making on foreign policy issues to make it harder for China (or other countries) to block EU actions. At present, a well-timed Chinese investment, or the promise of one, might be enough to persuade one member-state to block an EU statement on human rights, or a decision to impose sanctions on officials responsible for repression. Both von der Leyen and her predecessor as Commission president, Jean-Claude Juncker, have called for the use of qualified majority voting for some CFSP decisions. Such a reform is envisaged in the Treaty on European Union, but is hard to achieve (since it requires unanimous agreement to change the voting system). Nonetheless, the Commission should continue to push for it.

★ Providing a model of successful democratic governance. If China is promoting “alternative models of governance” at the expense of European liberal and

democratic norms, the best thing Europeans can do in response is to show that their system can deliver as well or better than that of the Chinese Communist Party, without the attendant neglect for the rights of the individual. The EU has not fully recovered its confidence since the euro crisis, but its response to the COVID-19 pandemic, including the creation of the European Recovery Fund, is a step in the right direction. There is no point in labelling China a systemic rival unless

Europe intends to meet the challenge, at home and in its projection of soft power abroad. In a speech in 2014, Hungarian Prime Minister Viktor Orbán embraced the idea of “illiberal democracy”, causing outrage in much of the rest of the EU. His argument was that there was a race underway to find the best way to organise a state to make it internationally competitive, and liberalism had lost. The rest of the EU should prove him and Xi wrong.

Conclusion

The US and China both have a tendency to treat the EU as an object of international relations rather than a subject – competing to enlist it on their side, or to prevent it aligning with the other side, but not treating it as having agency. The EU often plays to this image of passivity, seeming always to follow others in reacting to crises – its initial response to the COVID-19 pandemic being an example of that. But in reality, the EU has power, if it can agree internally on how to use it. As Charles Michel, President of the European Council, said after the EU-China leaders’ videoconference on September 14th, Europe needs to be a player, not a playing field.

Europe should not get sucked into a contest between China and the US for global hegemony. Instead, the EU should use whatever influence it can to ensure that both sides exercise their power with restraint and in a framework of rules, not simply on the basis (as Thucydides wrote) that “the strong do what they can, while the weak suffer what they must”.

Europe should also accept that China is not converging with the West politically or in terms of its values: the ‘responsible stakeholder’ era is over almost before it began. Chinese and Western interests will sometimes align, but Xi has shown less willingness than his predecessors to slot China into the existing international system.

At the same time, it is impossible to know where Xi’s policies will lead China in the long term. Some scholars argue that the Chinese Communist Party’s rule has been made dysfunctional and brittle by Xi’s centralisation of power.⁵¹ Other analysts believe that China’s rise is world-transforming and its growing influence irresistible.⁵² Europe should remember the (possibly apocryphal) story of Chinese Prime Minister Zhou Enlai’s 1972 verdict on the results of the French revolution: “Too early to tell”. It will be a long time before Xi’s policies can be judged successful or otherwise. Meanwhile, the EU should remain open to economic and other forms of co-operation with China where they are to Europe’s benefit; resist Chinese activity that harms European states and institutions or their allies; and invest resources and diplomatic effort in enabling international organisations to adapt to the rise of China without breaking.

51: Minxin Pei, ‘China’s coming upheaval’, *Foreign Affairs*, May-June 2020.

The Trump era has made the EU’s job harder: Trump has deprived Europe of its most important partner in defending the rules-based international order and universal values. But the EU cannot afford to leave the future of the world to be settled in a series of trials of strength between Beijing and Washington. When relations between the US and China looked rosier, there was talk of a ‘G2’ to deal with the problems of the world. That was never a realistic construct. For the foreseeable future, the three big economic and political powers in the world will be China, the EU and the US, and the triangular relations between them will contain elements of attraction and elements of hostility. Western firms will still want to tap the Chinese market, while governments worry about threats to national security; Chinese families will still want their children to study in the West, while the Communist Party worries about the ideological contamination they might bring back; and Europe and the US will still be each other’s most important security and economic partners, while bickering about defence budgets and food safety. In the absence of a friction-free utopia, the EU’s best option is to work with Beijing and Washington to pursue pragmatic policies that maintain stable relations between the three.

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52: Martin Jacques, ‘This decade belonged to China. So will the next one’, *The Guardian*, December 31st 2019.