



A New Era of PRC-EU Relations

Yossef Bodansky

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Executive Summary

- * China and the EU entered a new era of close relations that virtually completes the integration of Europe into the Chinese-initiated New Silk Road and a politically-viable Eurasia. Beijing is convinced that this is an irreversible transformation that will usher in not only a new era of Chinese-European cooperation - but also the rejuvenation of European economy after years of stagnation and contraction.
- * The EU's attitude toward Huawei is front and center of the PRC's assessment of the real European commitment to relations with China. Xi Jinping made the attitude toward Huawei into a litmus test for the European sincerity and commitment to the new era of close relations and cooperation where China is effectively the savior of the EU.
- * There are no illusions in Beijing. While the rise and consolidation of both the New Silk Road and a politically-viable Eurasia are inevitable, and while Europe will soon be integrated into these frameworks, Beijing is cognizant that there are major challenges ahead.
- * It is the growing European dependence on China for both economic survival and the EU's posture as a Great Power that will ultimately bring about the European cooperation with, and integration into, the Chinese-led Eurasian sphere. Europe has no other choice.

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Analysis

China and the European Union (EU), led by Germany and France, have entered a new era of close relations that virtually completes the integration of Europe into the Chinese-initiated New Silk Road and a politically-viable Eurasia. Beijing is convinced that this is an irreversible transformation that will usher in not only a new era of Chinese-European cooperation - but also the rejuvenation of European economy after years of stagnation and contraction.

While Chinese, and, for this matter, also Russian, senior officials and experts have considered the rise of a viable Eurasia and the integration of Europe therein as inevitable - most recent events are perceived in Beijing as the crossing of the threshold from unfolding progress to concrete completion of the process. For Chinese senior officials, the visit to Shanghai of French President Emmanuel Macron, on 4-6 November 2019, effectively completed the process started by German Chancellor Angela Merkel during her visit to Beijing back on 4-6 September.

The Forbidden City is convinced that Europe - that is, the EU - is now committed to an irreversible integration into both the China-driven New Silk Road and the Russia-driven Common Eurasian Home doctrine as the core mega-trends that will drive the future development of Europe. Brussels is cognizant, Beijing is convinced, that there is no turning back.

With Merkel about to leave the political scene, Macron is placing himself as the “leader of Europe” and the clarion of the European path to a new future. Macron focuses on the ascent of an “European strategic sovereignty” that will prevent and reverse the decline and marginalization of Europe in the rising multi-polar world. While all foci of power in Europe agree that Europe must reach close cooperation with the rising Russia and China as the key to Europe’s future - there are disagreements on the future relations with the US. Indeed, there is growing rift between Paris and Berlin on this issue. While Berlin is desperate to keep some cooperation with Trump’s Washington - Paris has given up on long-term relations with Washington. Merkel, however, sides with Macron and no longer trusts Washington. Ultimately, all European leaders aspire for a unified or cohesive Europe accepted and recognized as a viable Great Power by both China and Russia. Macron’s aides explained to their Chinese counterparts that if Europe is to “build a new world order in which [Europe] stands on its own as a geopolitical power, Europe will need all the help it can get” with China being considered “[Europe’s] primary and preeminent would-be partner.”

The EU also considers the widening and deepening of economic and commercial cooperation with China and via the New Silk Road as the primary source for the salvation of Europe. The EU is so desperate for massive Chinese help - from Chinese investment and technological cooperation, to permitting increased EU exports - that Brussels is willing to endorse Chinese bilateral cooperation and agreements with specific states (as started with Germany, France and Italy), as well as regional entities (most notably the 17+1 as demonstrated in Xi Jinping’s mid-November visit to Greece - the BRI’s gateway to the Balkans and beyond). Brussels is so desperate to ascertain that Chinese investments and knowhow will continue to reach Europe, and that the flow of European exports eastward will rise, that Brussels will compromise politically even on core issues.

The Forbidden City is committed to the harnessing of Europe as a major contribution to the overall ascent of China. Beijing is cognizant of the growing importance of Europe to the Chinese long-term polity. Beijing’s priority is the further consolidation of both the New Silk Road and the Common Eurasian Home. As well, any step toward delinking the EU from the US is to China’s benefit. The Forbidden City conducted major studies



about the long-term potential for a new era of better relations with the EU in the aftermath of Merkel's visit to Beijing. The Forbidden City concluded that both sides are interested in closer relations and cooperation. Hence, Beijing decided in late October to markedly up-grade and expand relations and cooperation with the EU, and even give Europe the aura of being recognized as a great power.

Hence, on 1 November, Beijing announced the nomination of senior ambassador Wu Hongbo as the first special representative for European affairs. He is a career diplomat with extensive experience in western Europe (including serving as Ambassador to Germany) and international organizations including the UN and the EU. Chinese senior officials explained that the primary mission of Wu Hongbo is "to promote sound and stable development of the China-EU comprehensive strategic partnership, and strengthen communication and pragmatic and mutually beneficial cooperation in various fields." Wu Hongbo will be responsible for "coordinating Europe-related affairs, promoting high-level exchanges, participating in important exchanges and cooperation between China and Europe in various areas, as well as advancing the China-EU partnership for peace, growth, reform and civilization." Ultimately, the mere nomination of such a senior envoy reflects the growing importance of Europe for China, and the imperative to "enhance [China-EU] communication, coordination and cooperation, deepen mutual trust, and jointly work for greater development of [China-EU] relations in the new era."

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It was in this context that French President Macron arrived in Shanghai on 4 November. He reached China while two major developments were taking place in Europe. While both issues would burst into the open on the 7th while Macron was on his way back to France - both issues preoccupied Macron while in Shanghai and they affected his policies while in China.

The first issue was the significant reduction in the anticipated GDP increase for 2019, 2020 and 2021 compared to estimates made back in July. The EU reduced the economic growth forecast for the entire Euro-zone by about 10% for each year. The GDP forecast for 2019 was reduced by 0.1% to 1.1%, the forecast for 2020 was reduced by 0.2% to 1.2%, and the GDP growth for 2021 was also expected to decline at a comparable rate. The President of the European Central Bank, Christine Lagarde, warned Macron of the urgent imperative for a turnaround of the EU's, particularly the Euro-zone's, economy before further deteriorations take place. Only massive Chinese intervention can give the European economy the urgently needed boost.

The second issue is the rapidly escalating crisis with the US over the character and future of NATO. There are profound disagreements over the very existence of a "Russian threat", the US insistence on allocating 2% of the national GDPs to defense (and using the funds to buy US weapons such as the F-35s), and the total US disregard of the horrendous impact anti-China, anti-Russia and anti-Iran sanctions have on the EU's economy (when the EU does not support the US policies behind these sanctions).

Although Macron is the driving force behind the idea to revisit the overall defense relations with the US/NATO - the overall sentiment is supported by the vast majority of European leaders. For a long time, the profound debate was kept behind closed doors. However, in early November, Macron spoke in harsh terms about the US and NATO in an interview with *The Economist* that would be published on 7 November. "What we are currently experiencing is the brain death of NATO," Macron stated. NATO "only works if the guarantor of last resort [=the US] functions as such," and this is no longer guaranteed. Therefore, Macron argued, the



Europeans “should reassess the reality of what NATO is in the light of the commitment of the United States.” Macron stressed that the US was “turning its back on us” - the Europeans. Dejected by the US and confused about its post-US destiny, Macron warned, Europe is standing on “the edge of a precipice,” and will “no longer be in control of our destiny,” unless Europe started behaving like “a geopolitical power.” To do so, Macron emphasized, Europe should regain “military sovereignty” and sustain meaningful dialogue with Moscow and Beijing.

The Forbidden City was cognizant of Macron’s lingering problems and aspirations, and Xi Jinping conducted the discussions in Shanghai accordingly. Chinese senior officials noted that Macron played “the ‘European’ card” during his discussions with Xi Jinping and portrayed himself as “the envoy for the EU” and not just the President of France. Macron also considered his own discussions the continuation of Merkel’s discussions with Xi Jinping. “The more we act Franco-German, and especially European, the more credibility and results we have,” Macron told his aides. The key point Macron and his entourage hammered to all their Chinese interlocutors, including Xi Jinping, was that “Europe is looking to China as a global partner” while “shunning Donald Trump’s US.” Macron told Xi Jinping that both he - Macron - and the EU as a whole “have largely given up on [the] US president.” In Shanghai, Macron committed the entire Europe to profoundly strengthening the political-economic relations and cooperation with China.

On cue, Chinese media highlighted Beijing’s positive response to Macron’s initiative.

On 5 November, Wang Jiamei, Qi Xijia, and Huang Ge wrote in the *Global Times* that “China and the EU are expected to seize the opportunity ... to advance the goal of reaching a bilateral investment treaty (BIT) by 2020, amid rising pressure from protectionism in the global market”. Chinese experts explained that “it is urgent for Beijing and Brussels to accelerate the signing of the BIT to cushion pressure from US trade protectionism and it is possible that they will reach an agreement by 2020.” The *Global Times* noted that Xi Jinping stated that “China will be happy to conclude high-standard free trade agreements with more [European] countries and speed up negotiations on agreements such as the China-EU investment pact.”

The next day, the 6th, Xinhua led the entire Chinese media with glowing reports about the great potential in Chinese-French relations. Xi Jinping, Xinhua reported, “called for further cooperation on large-scale projects, saying that China is ready to deepen the entire industrial chain cooperation with France in the nuclear energy field, encourage China’s enterprises to explore new cooperation with France not only within the two countries, but also in third-party markets, and strengthen joint research and development on nuclear base and high-tech technologies.” In response, Macron stressed that “France is ready to advance the alignment of the BRI with the EU’s Euro-Asian connectivity strategy and jointly promote the green development of the Belt and Road.” Xinhua emphasized Macron’s focusing on the all-European aspects of his dealings with China. “It is of critical significance for the European Union to intensify cooperation with China in today’s uncertain world, and France is willing to advance EU-China ties and speed up the negotiation of the EU-China investment agreement,” Xinhua explained. Concluding their bilateral meeting, Xi Jinping said that he and Macron are sending “a strong signal to the world about steadfastly upholding multilateralism and free trade, as well as working together to build open economies.”

On 7 November, Chen Qingqing and Li Qingqing wrote in the *Global Times* that China and Europe agreed “to stand united on free trade.” “To help forge new EU ties [and] defy rising protectionism ... China and France moved forward to deepening bilateral ties as both countries pledged to uphold multilateralism and free trade. As one of the largest EU countries, France has further engagement with China, which may help forge new EU-



China ties, and defy rising protectionism under the Trump administration.” The *Global Times* elaborated on the specific agreements on cooperation with attention paid to hi-tech. The joint action plan “lays out traditional and emerging sectors that the two sides can collaborate on... Besides traditional sectors, the two head of states encouraged deeper ties in advanced high-tech, pushing forward smart manufacturing while strengthening industrial competitiveness.”

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The European attitude toward Huawei is front and center of the Forbidden City’s assessment of the real European commitment to relations with China. Xi Jinping made the attitude toward Huawei into a litmus test for the European sincerity and commitment to the new era of close relations and cooperation where China is effectively the savior of the EU. Chinese senior officials argue that the EU cannot expect China to save it while discriminating against a major Chinese company - Huawei - at the behest of a third party - the US.

European leaders got the message loud and clear. As the imperative for Chinese economic intervention is becoming urgent - European leaders internalize the latest Chinese demands concerning Huawei. Merkel started the process - promising Xi Jinping that Germany will “embrace Huawei.” This was not a difficult decision for Berlin given the growing frustration with Trump’s Washington, the mounting concerns about the contracting German economy, and the great hope that generous support from Beijing would salvage the German economy. Beijing was generous in responding to Berlin’s formal decision regarding Huawei. “With its decision on Oct 15 to not ban Huawei from building its 5G network, the German government has shown admirable courage and independence under mounting pressure and intimidation from the United States administration,” wrote Chen Weihua in the 25 October issue of the *China Daily*.

While in Shanghai, Macron also promised Xi Jinping that the EU will permit Huawei to participate in any and all 5G projects in all EU member states. Each and every EU state will have the sovereign right to adopt Huawei 5G systems for their national networks. As well, the EU as a whole will resist US pressure concerning Huawei. In their meeting, Xi Jinping admonished Macron over the treatment of Huawei in the context of the future close relations between Europe and China, and particularly the crucial role that economic cooperation with China will have on the recovery and rejuvenation of European economy. Xi Jinping told Macron that Chinese cooperation with both France and the entire EU is impossible when the Europeans are discriminating against Huawei just because of US pressure.

Macron responded quickly and stated that there is no EU discrimination. On the contrary, “I think that Huawei is right to invest in 5G because it’s a technology of the future,” Macron told Xi Jinping. Macron elaborated that the next-generation 5G technology spearheaded by Huawei is a breakthrough that will revolutionize, and will contribute to the recovery of, European economy. The EU does not intend to stay behind and not benefit from the huge potential of Huawei’s 5G technology. Macron explained that the adoption of Huawei 5G technology will be a sovereign decision of the EU’s member states, and expected no discrimination or outright rejection as demanded by the US. He emphasized that France is open to Huawei just as Germany is.

Meanwhile, French and German senior officials in Macron’s entourage complained bitterly about the extent of US pressure and intervention against Huawei. They explained to their Chinese hosts that it is not easy to simply ignore or rebuff Trump’s Washington. However, they promised their Chinese interlocutors that the new era of European-Chinese close cooperation is irreversible, and that this commitment will apply to Huawei. Indeed, Brussels and specific capitals, led by Berlin and Paris, have already asked Beijing for help in confronting



Washington - particularly on issues of US economic sanctions and tariffs, including the discrimination and persecution of Huawei.

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There are no illusions in the Forbidden City in the aftermath of Macron's visit and the EU's crossing of the China threshold. While the rise and consolidation of both the New Silk Road and a politically-viable Eurasia are inevitable, and while Europe will ultimately be integrated into these frameworks, Beijing is cognizant that there are major challenges ahead. Chinese senior officials and experts comprehend that there will be friction and struggles ahead as European politics is fickle, European leaders cannot withstand pressure, and the US could be counted on to put on a vigorous struggle for the survival of US influence over Europe using the fate of NATO and the suppression of Huawei as the main instruments.

Yet, it is the growing European dependence on China for both economic survival and the EU's posture as a Great Power that will ultimately bring about the European cooperation with, and integration into, the Chinese-led Eurasian sphere. Europe has no other choice. European economies are failing and there is no other savior in sight. European leaders must reverse the economic decline if they want to survive in power despite the dramatic rise of angry populist movements. Simply put, there is no alternative to the new era of relations with China.

The European economic elites comprehend. This was recently manifested in the surprise success of the Chinese sovereign Euro bond issue that quickly netted €4 billion. Both Chinese and EU senior officials consider the successful sale of the bonds "a signal of greater EU-China collaboration." Given the large-scale bilateral trade agreements signed by both Merkel and Macron while in China, the successful sale of the Euro bonds should be considered as "a harbinger for more deals between the EU and China."

In the coming months, Wu Hongbo will lead Chinese cajoling and pressuring of the EU and individual major states. He will be offering major economic programs and Great Power status. He will assuage European egos by calling for greater cooperation in Africa and other global conflicts. He will not compromise on the EU's de-facto strategic and economic subjugation. Wu Hongbo will urge the Europeans to be pragmatic and face reality.

Hu Hong, of the Department for European Studies at the China Institute of International Studies, explained that Macron's visit brought "China-EU ties increased vitality" that will dominate their future. The key lies in the growing pragmatism of Europe, Hu Hong explains. "As power politics and competition among global major powers is gradually becoming the theme, ... politicians have to choose realism and pragmatism instead of liberalism and idealism. From this perspective, it would be easier to understand that President Macron has attached increasingly great importance to China - one of the 'two main focal points' of the world in Macron's regards. Maintaining and strengthening economic contacts, and pushing forward cooperation on global governance are the two main goals of President Macron's pragmatic diplomacy towards China."

Macron's overall attitude toward China is a reflection of the overall position of the entire EU, Hu Hong argues. "Besides China-Franco relations, [Macron's] visit has not only implications on the bilateral relations; it will also inject more impetus to the China-EU relations." Moreover, Macron is the wave of the future in the European power tapestry. "While German Chancellor Angela Merkel's control over German politics is declining, and the transitions of the institutions of European Union have not yet completed, Macron is filling the vacancy and reestablishing the French leading role in European foreign policy." Hence, Hu Hong concludes, the



understandings and agreements reached during Macron's visit to Shanghai should be considered the harbingers of the future relations with the entire EU.

Indeed, the Forbidden City is convinced that China and Europe are on the threshold of a major expansion of their relations. "China [and] Europe should expand cooperation," advocated Chen Weihua in the 11 November issue of the *China Daily*. "China has been consistent over the years in supporting the European integration process." Despite the long-term history of trans-Atlantic relations, Europe will make the right choice and align with China. "The Chinese view of the EU contrasts sharply with that of the White House," Chen Weihua reminds. "The US is waging a trade war against the EU after [the] one against China."

Ultimately, the Forbidden City is convinced, Europe will accept the Chinese view of long-term relations and cooperation because Europe has a history of cultured prudence. Chinese policy experts are prone to quote Western politicians and scholars who hailed the sophistication and benevolence of China's legacy policies. Despite all the misgivings and hardships, they argue, contemporary Europe will soon accept the ascent of China and the great benefits of closer Europe-China relations. Indeed, in his 1894 book *Problems of the Far East*, Viscount George Curzon highlighted the importance of Chinese political heritage for contemporary Europe. "The East has not yet exhausted its lessons for us, and Europe may still sit at the feet of her elder sister." The Forbidden City is convinced that this is about to happen soon.

Remarks: Opinions expressed in this contribution are those of the author.

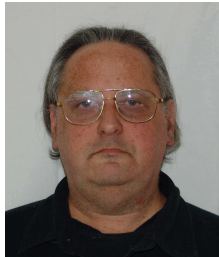


About the Author of this Issue

Yossef Bodansky has been the Director of Research at the International Strategic Studies Association [ISSA], as well as a Senior Editor for the *Defense & Foreign Affairs* group of publications, since 1983. He was the Director of the Congressional Task Force on Terrorism and Unconventional Warfare at the U.S. House of Representatives between 1988 and 2004, and stayed on as a special adviser to Congress till January 2009. In the mid-1980s, he acted as a senior consultant for the U.S. Department of Defense and the Department of State.

He is the author of eleven books – including *Bin Laden: The Man Who Declared War on America* (New York Times No. 1 Bestseller & Washington Post No. 1 Bestseller), *The Secret History of the Iraq War* (New York Times Bestseller & Foreign Affairs Magazine Bestseller), and *Chechen Jihad: Al Qaeda's Training Ground and the Next Wave of Terror* – and hundreds of articles, book chapters and Congressional reports.

Mr Bodansky is a Director at the Prague Society for International Cooperation, and serves on the Board of the Global Panel Foundation and several other institutions worldwide.



Yossef Bodansky