



China and the European Union: All that glitters is not gold Implications for Canada

Dr. Peter Roell

December 2020

ISPSW

The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is an objective, task-oriented and politically non-partisan institute.

In the increasingly complex international environment of globalized economic processes and worldwide political, ecological, social and cultural change, which occasions both major opportunities and risks, decision-makers in the economic and political arena depend more than ever before on the advice of highly qualified experts.

ISPSW offers a range of services, including strategic analyses, security consultancy, executive coaching and intercultural competency. ISPSW publications examine a wide range of topics connected with politics, the economy, international relations, and security/ defense. ISPSW network experts have held – in some cases for decades – executive positions and dispose over a wide range of experience in their respective fields of expertise.

About the Author of this Issue

Dr Peter Roell has been President of the Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) in Berlin since January 2006. His former post was as Senior Advisor for Foreign and Security Policy at the Permanent Representation of the Federal Republic of Germany to the EU in Brussels. While in Germany, he served the German Government as Director of the Asia-Pacific, Latin America and Africa (Sub-Sahara) Department and at German embassies in the Near and Middle East, and in Asia.

Dr Roell studied sinology and political sciences at the universities of Bonn, Taipei and Heidelberg. He gained his Ph.D. from the Ruprecht-Karls-University, Heidelberg.

Dr Roell is an Ancien of the NATO Defence College in Rome and the Federal Academy for Security Policy (BAKS) in Berlin.





Preliminary Remarks

The objective of the present study is to inform policy makers in Canada on current developments in EU-China relations. The emergence of a new world order, with global trouble spots and upheavals, coupled with the various forms of influence exerted by the People's Republic of China, make it imperative for the EU, Germany and Canada to cooperate on both bilateral and international levels, to advance and preserve free democracy, the social market economy, and the development and consolidation of the value consensus.

Taking the global strategy of the PR China as a starting point, US-China threat perceptions are presented. In addition, China's intelligence activities in Germany and the EU as well as Huawei and the 5G problem will be discussed. As tensions in the South China Sea continue to intensify, attention will also be given to political, economic and military developments. The statement "The power that gains hegemony over the South China Sea will dominate the future" underlines the importance of this region.

In view of the importance and indispensability of intelligence information for the European Union and its decision makers, the EU Intelligence Analysis Centre (EU INTCEN) and the European Centre of Excellence for Countering Hybrid Threats (CoE) will be discussed.

Within the framework of the German EU Council Presidency, closer attention will also be paid to the PR China. A groundbreaking EU strategy document is intended to further specify the EU's future relations with the People's Republic of China.

The study concludes with ten recommendations. To read the full text: see attached pdf document

At a glance

- The People's Republic of China will continue undeterred in its Global Strategy. Its intermediate objectives are to establish China as the dominant regional power by 2021 and as a global power by 2049. Relations between the United States and the People's Republic of China have entered a new low. Neither will they improve in the foreseeable future in the wake of the US presidential elections in November 2020. While Beijing is pursuing the modernization of its armed forces at a rapid pace, the USA is investing billions in its navy and preparing for potential conflicts in the Indo-Pacific.
- Germany and the EU will continue to be involved in the reconnaissance spectrum of Chinese intelligence services, including cyber-attacks. Beijing is also making efforts to strengthen its influence in the realms of politics, business, science and society worldwide. This ranges from political influence, pressure and threats so as to secure orders for Huawei to build and expand the 5G network.
- The EU and Germany regard themselves as being confronted with the following influences from the PR China: Exerting influence on political and economic elites and lobby groups, using the Silk Road initiative as the most important means of geopolitical reorganization, creating financial and economic dependencies, weakening Western democratic systems, influencing the scientific and cultural spheres, using espionage and disinformation, building up substantial military potential and the issuing of threats. Against this background, a KAS study in Canada on these topics is desirable so as to draw the attention among Canadian decision-makers to issues that are or could become equally important for Canadian politics.



- The South China Sea is one of the world's most important economic and environmental regions. Thirty percent of world's crude oil and over 50 percent of world LNG shipments are transported via the South China Sea, and the SCS is rich in energy reserves (oil and gas). In more recent years, the PR China has been steadily increasing its military presence in the South China Sea. Politically, economically and militarily, the South China Sea remains a hot spot. Germany and the EU have repeatedly emphasized how crucial it is for them to maintain stability throughout the region. Analyses by the EU Intelligence Analysis Centre (EU INTCEN) and the European Centre of Excellence for Countering Hybrid Threats (CoE) are important for decision-makers in the EU.
- Germany and the EU have undoubtedly profited from China's remarkable economic ascent. However, serious differences remain in the areas of the rule of law, freedom, democracy and human rights. Only when the EU is able to clearly define and communicate its interests and, if possible, speak with one voice or at least make qualified majority decisions possible, will it be accorded a greater hearing, and not only in Beijing. The German government's new Indo-Pacific Strategy also points the way forward.

Recommendations

1. The geopolitical rise of the People's Republic of China and the shifting of the international balance of power from the standpoint of politics, economics and of the armed forces from West to East must also be recognized by NATO. Since NATO is not only a military but a political organization it should pay greater attention to developments in the Asia-Pacific region. Anti-access (A2) and area denial (AD) challenges are important to consider. They are imminent in several regions. Opponents can attack NATO, the EU and its member states in all five domains – air, sea, land, space and cyberspace. As a member of NATO, Canada is also impacted by this potential threat.
2. Since the People's Republic of China – invariably mindful of its 5,000-year history – will unwaveringly and single-mindedly adhere to its Grand Strategy, Germany, the EU and Canada should continuously analyse China's global activities. This includes Beijing's goals to become a dominant regional power by 2021 and a global hegemon by 2049. Furthermore, China's "One Belt One Road Initiative" (OBOR) as well as the "21st Century Maritime Silk Road" should be the focus of attention; topics that should be discussed with KAS partners in Canada in the context of joint activities.
3. According to the Chinese leadership, relations between the United States and the People's Republic of China have reached an absolute low point. Even if Joe Biden should win the presidential elections, Beijing assumes that while the tone would possibly improve, the US Containment Policy would continue. To avoid being crushed in this conflict, Germany, the EU and Canada should confidently articulate and implement their own interests. This includes continued strong cooperation between the EU and Canada on climate change.
4. Germany and the EU will continue to be targeted by Chinese intelligence services, including aggressive cyber-attacks. Beijing will also continue its efforts to gain global influence. This includes political and economic pressure to influence the development and expansion of the 5G network. It is therefore advisable to continue discussions with Canada on the issue of cyber-security. As far as China is concerned, Canadians are well informed in the intelligence field. Thus, it would be advisable for Canadian government agencies in Brussels to intensify the informal exchange of information with the new head of the EU Intelligence Analysis



Centre (INTCEN). Canada is present and constructively engaged in the European Centre of Excellence for Countering Hybrid Threats (CoE) in Helsinki. Canada's engagement in the CoE should thus be continued.

5. The tensions in the South China Sea as described in the above will increase and, therefore, require reactions from the EU and the Federal Republic of Germany, namely, "promoting the enforcement of rules and norms in the Indo-Pacific". As part of Navy Diplomacy, Germany, together with France, Australia, Canada and other partners, should participate in a Freedom of Navigation Operation in the South China Sea and become a more strategic player in East Asia. This would also comply with the German government's new "policy guidelines for the Indo-Pacific region". China's activities in the South China Sea are of importance, but so also is the Arctic. This provides Germany and the EU the opportunity to participate in Canada's expertise in this region. Close cooperation between the EU member states Denmark, Sweden, Finland – the Arctic states – and some states with observer status in the Arctic Council would also be advisable.
6. "Change through trade" has been the call among western voices in politics and business with regard to China. Although the PRC is very successful in the global economic arena, there are serious differences between China and the EU in terms of rules of law, freedom, democracy and human rights. Nevertheless, the Middle Kingdom should not be regarded by the EU as an enemy, but rather as what it is: a negotiation partner, economic competitor and systemic rival. When dealing with China, one should not be guided by Western wishful thinking but by reality. It is recommended that Canada, the EU and Germany work single-mindedly to develop joint assessments and strategies in areas where this has not already been the case.
7. Germany and the EU Commission should continue working steadfastly to ensure that qualified majority decisions can be made in the Union's foreign and security policy and that these decisions can be implemented more rapidly. France and Germany could make progress in this difficult endeavour and introduce well-suited proposals to the EU. In a further step, other EU member states could be invited to join. However, this is also accompanied by the risk that the already existing manifest animosities among EU member states might increase.
8. The increasing tensions between the US and China should also be of concern to the EU. Thus, various options for action should already be discussed at a high level in the EU and be subject to constant adaptation according as the situation develops. Despite the currently difficult relations between the European Union and the United States of America, the latter is and will remain an indispensable partner for Germany, Europe and NATO in the field of security policy.
9. Besides the USA, Germany, the EU and Canada should cooperate worldwide with like-minded states – such as Japan, Australia, South Korea, Taiwan, India and others – that share our core values and pursue similar interests. With Taiwan, which shares our Western values, relations should be intensified in all spheres. Of course, the EU should also maintain dialogue with states such as China and Russia, though one must be prepared for tough negotiations.
10. The European Union, Germany, Canada, Japan, South Korea and other like-minded nations should closely follow China's new economic strategy – the dual circulation concept – and draw the appropriate conclusions, for all that glitters is not gold.

Remarks: The opinions expressed in this contribution are those of the author. The study was first published by the Canada Office of the Konrad Adenauer Stiftung e.V. (KAS), Ottawa, December 2020.