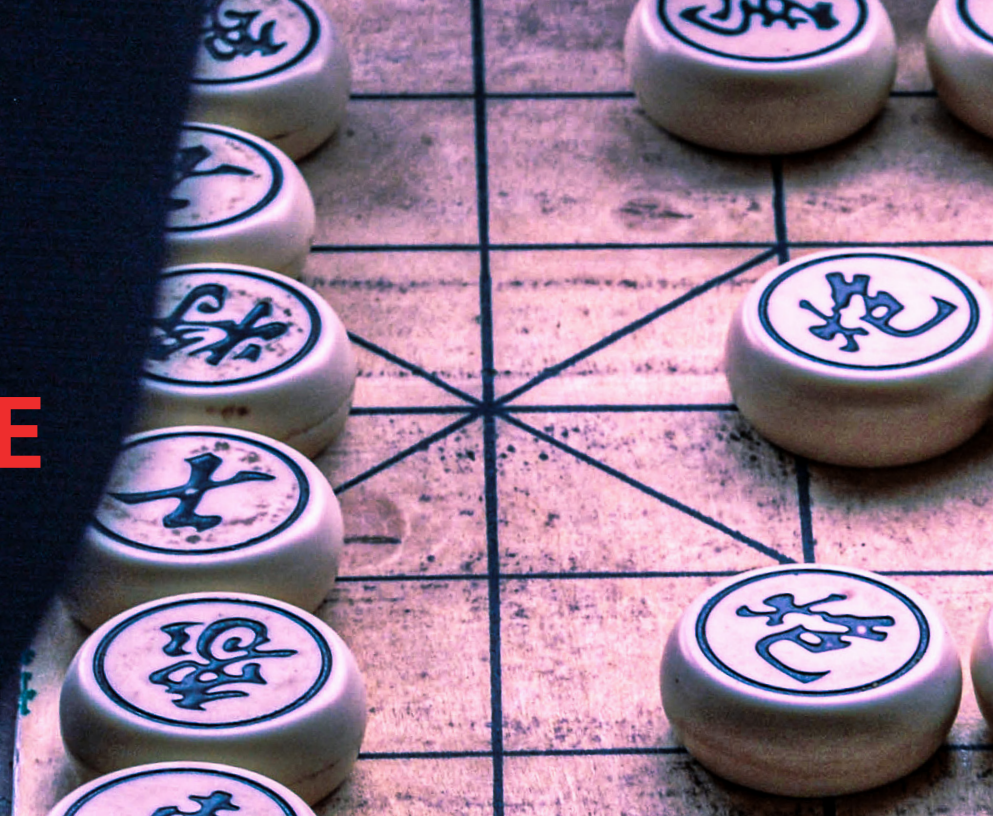


A CHINA PLAYBOOK FOR EUROPE

Putting Democracy at the Heart of the West's Push-back Against the Chinese Communist Party's Imperial Authoritarianism



Summary and recommendations

The Chinese Communist Party (CCP) wants to shape the world in its image, and for that purpose uses instruments that risk to weaken and ultimately destroy liberal democracy.

The nature of the West's conflict with the CCP is systemic, not national or cultural. It is not China's rise that is the problem, but China's rise as an authoritarian world power. Russia under Putin is by now in a firm partnership with China in this global confrontation.

The EU has evolved from naïveté to a degree of alertness about the fundamental challenge posed by the CCP. It needs to develop a coherent strategy to survive as a democratic union.

The COVID-19 pandemic has accelerated China's rise, but also its use of hostile influence and bullying. The EU will have to improve its self-reliance in a number of areas.

The EU will have to improve its ways to counter the CCP's hostile influence, push for a level playing field in economic relations, enhance its democratic resilience (where civil society plays a key role) and make an effort to close the technological gap with China.

Now more than ever, neither the EU nor the US alone will be able to effectively face the CCP's challenge. Despite differences in approach, both sides of the Atlantic will have to agree on core elements of a common strategy.

The Transatlantic relationship should become the core of a global alliance of democracies that faces China together, drawing clear red lines for the CCP's behavior and thereby improving the chances that China will, in the long term, become more cooperative and more accountable to its citizens.



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Introduction

In hindsight, the second half of March 2021 may well go down in history as the time when Europeans collectively realized what they are up against when facing the Chinese Communist Party. Not that there hadn't been ample warning signs before. One might argue that a more robust attitude had been in the making since 2017, mainly on the level of think tanks and individual politicians.¹ The coronavirus pandemic, and China's behavior during it, led to a more widespread recognition of 'systemic rivalry', beyond competition in trade and cooperation in other areas, and to a sharp drop of China's approval rating in most EU member states.² But it probably took a quick mutual escalation of sanctions in 2021 before it truly sunk in that the framework in which China and the EU interact will be characterized by confrontation for a long time to come.

The main question to be addressed in this report is how Europe should shape its future relationship with a hostile power which not only aims to be tomorrow's global superpower at the cost of basic human rights, but also begins to interfere with liberal democracy in the West itself. And the gist of the answer is that democracy has to be front and center of our response, and that Europe will only be able to prevail together with its allies.

1. The nature of the conflict: democracy vs. authoritarianism

Three decades after the end of the Cold War, the West seems solidly on the defensive in the eyes of many observers. Freedom House's ranking now shows 14 consecutive years of a decreasing number of free countries in the

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world.³ Russia and China are both becoming more aggressive. Populism has been triumphant in several Western countries. The rule of law is under attack inside the EU. China under CCP rule is rising fast economically and technologically. COVID-19 depressed our economies, split the West, and the handling of the pandemic in most Western countries calls the Western model into question in the eyes of much of the rest of the world. The undisputed cheerleader of this authoritarian onslaught is the CCP. But there have also been good news: Emmanuel Macron's 2017 victory over Marine Le Pen in France's presidential election, the mass protests for democracy in the face of authoritarian violence in Hong Kong, Belarus, Russia, Myanmar and many other places around the world and above all, the election of Joe Biden as President of the US.

A global confrontation of systems (not cultures), with China becoming the cheerleader for global authoritarianism

The conflict with the CCP is not a conflict with China as a nation, culture or civilization. It is a conflict with an authoritarian force that wants to reshape the world and that considers Western ideas of checks and balances and democracy as an existential threat. This was clearly visible in the 2013 'Document no. 9'⁴, in which the CCP defines those ideas as 'hostile to China'. Thus, what we are looking at is not above all a geopolitical conflict, but a systemic

1 For an overview of the 2017-2018 trajectory of criticism about the Chinese government: Freudenstein, Roland (2018), "Dancing with the Dragon: How the EU should respond to the Chinese challenge", *Wilfried Martens Centre for European Studies*.

2 Turcsányi, Richard Q. et al. (2020), "European public opinion on China in the age of COVID-19", *Central European Institute of Asian Studies (CEIAS) and Sinophone Borderlands*.

3 Repucci, Sarah (2020), "A Leaderless Struggle for Democracy", *Freedom House*.

4 Buckley, Chris (2013), "China Takes Aim at Western Ideas", *New York Times*.



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rivalry between liberal democracy and authoritarianism that was not invented in the West but by the CCP.

Taiwan and Hong Kong are living proof that ‘Asian values’ as opposed to Western ones – or an alleged incompatibility between China and democracy – are myths. Taiwan, which was an authoritarian regime for nearly four decades after 1949, gradually turned into a thriving liberal democracy at the end of the 1980s. Recently, hundreds of thousands of Hong Kongers have demonstrated their commitment to democracy by protesting the CCP’s systemic takeover, which violates the 1984 Sino-British Declaration.

The other frequent myth put forward by CCP representatives is that the West, especially the US, is envious of China’s rise as a nation. The answer to this myth is simple: It depends on which China is rising. One that doesn’t threaten democracy around the world and respects the international rules based order is not a problem. But Xi Jinping’s China is, with its growing role in spearheading authoritarianism.

Under Xi Jinping, the CCP has made itself believe that it has a superior political and social system, that the West is in irreversible decline⁵ and that this is China’s moment to once again become the ‘Middle Kingdom’ – the pivot of the world that it used to be before Western powers intervened in the 18th century.

The CCP’s most important ally in the ongoing global struggle is the Kremlin. Notwithstanding the doubtlessly

existing mutual animosities and racial/cultural prejudices between Putin’s Russia and Xi’s China, they are allies against a West that they themselves have declared an enemy because its very existence, with the global appeal of human rights and liberal democracy, is defined by the elites in Moscow and Beijing as a common existential threat.

CCP strategies and tactics: Divide and conquer, hybrid style

In the four decades since the ‘opening’ of communist China, the CCP has come a long way from Deng Xiaoping’s 1980s maxim ‘Hide your strength, bide your time’ in relation to the rest of the world. Already the global financial and economic crisis after 2008 caused the CCP to believe that the West was in trouble as a system, and that China’s model of authoritarian state capitalism could actually achieve supremacy in the 21st century. Hence, Xi Jinping quasi officially abandoned Deng’s doctrine after having come to power in 2012. Xi is already China’s most influential leader since Deng, and his ideas such as the ‘Chinese Dream’ (collectively called ‘Xi Jinping Thought’) have achieved a cult status in party propaganda comparable only to the ideas of Mao Zedong himself. Since Xi’s ascent to power, the CCP’s foreign policy has taken a turn not only toward a much more active global strategy but also a revisionist regional policy concerning Hong Kong, Taiwan and the South China Sea, a promotion of the ‘Chinese model’ and the use of unabashed bullying when encountering obstacles.

First and foremost, Xi’s China wants to shape the world in its image and consequently divides the countries, leaders and political forces of this world into those that are, or can be made, friends and enemies.⁶ In this effort, the separation between the ruling party and businesses that would reflect Western patterns doesn’t exist. Moreover,

⁵ Chaguan (2021), “China is betting that the west is in irreversible decline”, *The Economist*.

⁶ Hamilton, Clive & Ohlberg, Mareike (2020), “Hidden Hand – Exposing how the Chinese Communist Party Is Reshaping the World”.



state-owned enterprises (SOEs) still make up 30 per cent of China's economy. Even more directly than private companies, these SOEs execute the party's will,⁷ in interaction with many other parts of the world. Furthermore, China's domestic market is notoriously more closed than Western ones, and unequal market access has become a hallmark of China's economic strategy.

China's big international ventures – such as the Belt and Road Initiative (BRI) of road and sea lane connections and the 17+1 format of political dialogue and economic cooperation with Eastern EU members and all Western Balkan countries – are designed to create new dependencies, increase the CCP's strategic influence and also to play some Western countries against each other. In recent years, both these initiatives have produced some disappointment among the participating European countries. For instance, BRI infrastructure investments went, to an overwhelming degree, to Chinese contractors in rather non-transparent ways.

The non-interference principle was once a CCP mantra with a reciprocal connotation: We don't interfere in the West, and we expect the West not to interfere in China's 'domestic matters'. But China is beginning to have very clear interests in essentially every important country in the world, and there is almost everywhere a pro-Chinese and an anti-Chinese angle to the domestic affairs of other countries. China is more and more taking sides and thereby, de facto, interfering directly.

The methods used in this global 'sharp power'⁸ offensive range from strategic investments to elite capture,⁹ covert

⁷ The National Intelligence Law of 2017 stipulates that all Chinese citizens have to 'support national intelligence work': Girard, Bonnie (2019), "The Real Danger of China's National Intelligence Law", *The Diplomat*.

⁸ National Endowment for Democracy (2017), "Sharp Power: Rising Authoritarian Influence".

⁹ Meaning the courting of powerful individuals to promote CCP strategies.

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influence in media and academia, rapidly improving information warfare capacities, economic pressure, intelligence operations and military threats. China is using the one-sided openness of Western societies to extend its influence. An elaborate network of CCP front organizations in academia and the think tank world is being used to bend other countries to the CCP's will in cooperation with Chinese diplomacy and 'private' business. It is time for the EU to respond to this existential challenge in cooperation with democratic allies in the US and across the world.

The EU: Confront, compete, cooperate?

Broadly speaking, the EU's approach to China has moved in the same direction as the US approach but more slowly. There has been a stepwise disillusionment from the starry-eyed belief of the early 2000s that China would – over time and incentivized by ever denser political, economic and cultural ties with the West – develop into a market democracy with an at least comparable degree of rule of law.¹⁰

In the past few years, a few milestones that have affected the EU's trajectory vis-à-vis China may be noted:

- In late 2017, the Berlin-based Mercator Institute for China Studies (MERICS) and the Global Public

¹⁰ For an early realistic view: Fox, John & Godement, Francois (2009), "A Power Audit of EU-China Relations", *European Council on Foreign Relations*.



Policy Institute (GPPI)¹¹ published the report *Authoritarian Advance*, Europe's first comprehensive analysis of the CCP's blend of hostile influence operations.

- In January 2019, the Federation of German Industry (BDI)¹², which has traditionally been favorable to economic interaction with China to the point of appeasement, signaled an awakening among parts of the German business community. This was a remarkable shift in the sense that it not only underlined economic partnership, but also systemic competition.
- In March 2019, the EU Commission¹³ slightly rephrased and refined this 'compartmentalisation' of the EU-China relationship: 'cooperation partner, negotiating partner with conflicting interests, economic competitor and systemic rival'. The mere mentioning of the term 'systemic rival' raised sharp protests in Beijing. Only the CCP's behavior during the COVID-19 pandemic made sure that systemic rivalry is now solidly entrenched in European discourse about relations with China.¹⁴

Cooperation is, of course, still possible and necessary on questions such as climate policy, arms control, the reform of the World Trade Organisation (WTO) and a host of other challenges. But the compartmentalisation of different types of relationship that the Commission expressed in 2019 is outdated. Cooperation will not happen on the same level as confrontation. Therefore, systemic confrontation is the framework within which competition as well as rivalry will take place. This is an important evolution of terminology, which should also be reflected in EU documents.

11 Ohlberg, Mareike et. al. (2018), "Authoritarian advance: Responding to China's growing political influence in Europe", *MERICIS*.

12 The Federation of German Industries (2019), "Strengthen the European Union to better compete with China".

13 European Commission & HR/VP contribution to the European Council (2019), "EU-China – A strategic outlook".

14 For example: EPP Group (2021), "EU-China Relations - Towards a Fair and Reciprocal Partnership".

“One year into the pandemic, it is obvious that China's relative strength has grown – especially economically – and that the aggressiveness of its global aspirations has increased.

The pandemic as an accelerator in EU-China relations

As in other policy areas, the COVID-19 pandemic accelerated and intensified already existing trends. One year into the pandemic, it is obvious that China's relative strength has grown – especially economically – and that the aggressiveness of its global aspirations has increased.

Chinese foreign policy had already taken an aggressive turn years before the pandemic. Western intelligence agencies had uncovered several espionage cases, and Confucius Institutes were closed in countries such as Australia. The *de facto* taking of Canadian hostages in 2018 also contributed greatly to a higher awareness of China's increasing aggressiveness. The treatment of Uyghurs in the Xinjiang province and the *de facto* abolition of 'one country, two systems' policy in Hong Kong also began before the pandemic. During the Hong Kong protests in 2019, the CCP developed troll armies (the *wumao*, aka '50 cent army'), taking a page from Russia's playbook and trying to dominate social media, spread lies and threaten individuals.

In the budding pandemic in early 2020, the CCP first distinguished itself through incompetence and a tough crackdown on whistleblowers. If this period, lasting several weeks, had been used properly to fight the pandemic, its spread might have been prevented or at least slowed down for other countries to be better prepared.¹⁵ When the CCP on the national level finally began to take counter measures, it immediately launched a propaganda and disinformation campaign about the origins of the virus, and

15 BBC News (2020), "China Covid-19: How state media and censorship took on coronavirus".



leveled accusations against Western countries for alleged racism. Chinese trolls massively threatened anyone across the world who contradicted the CCP's narrative. When Western countries helped with free deliveries of masks during the early weeks of the outbreak, the Chinese propaganda machine remained silent and asked Western partners for discretion. Conversely, when Western countries sailed into trouble, Chinese propaganda made huge shows of its deliveries of (often faulty) equipment and reminded the world of their dependency on Chinese-made personal protective equipment.¹⁶

This was also the time when a new Chinese phenomenon emerged: 'wolf warrior diplomacy'. Based on the name of a 2015 movie, it describes a deliberately abrasive Chinese diplomat who threatens other countries, spreads disinformation and is celebrated for this at home. Countries such as Australia, which dared to demand independent inquiries about the origins and initial handling of the virus in Wuhan, were immediately 'punished' with exorbitant tariffs on their products. The Chinese Embassy in Paris spread false information about the early pandemic and French hospitals, and ambassadors in Stockholm and Berlin issued very direct threats to their respective host countries.¹⁷

Chinese pressure was successful against EU diplomacy twice in April 2020. First, the Chinese Foreign Ministry achieved a drastic change of language in an open letter by the 27 EU ambassadors to Beijing, dropping any reference to the Chinese origin of the pandemic. Then, the European External Action Service's (EEAS) public report about Chinese disinformation activities got significantly watered down after a protest by the Chinese Foreign Ministry.¹⁸

16 Wong, Brian (2020), "China's Two-Pronged Diplomacy", *The Diplomat*.

17 Freudenstein, Roland (2020), "Hong Kong - when the Chinese Dream became a nightmare", *EU Observer*.

18 Apuzzo, Matt (2020), "Pressured by China, E.U. Softens Report on Covid-19 Disinformation", *New York Times*.

Over the summer of 2020, Chinese officials, including Foreign Minister Wang Yi, made direct threats against the Mayor of Prague and the President of the Czech Senate for contacts and visits to Taiwan and critical statements about the CCP. Most ominously, there were Chinese cyberattacks against Czech hospitals during the pandemic, which were the subject of a public protest by EU Commission President Ursula von der Leyen at the press conference after the online EU-China summit in September 2020.¹⁹

The effect of all this on public opinion in most EU member states and Britain was clear: China's image plunged, especially in the Northwest of the EU.²⁰ European countries took a tougher stance on the CCP's track record, even in an EU which was still looking upon Donald Trump's escalating rhetoric towards China with a mixture of disgust and fear.

2. Strengthening our democratic resilience

Civil society and governments

As much as the global authoritarian challenge to liberal democracy is a top-down affair – spearheaded in China by the highly hierarchical CCP and in Russia by the Kremlin – the response by a free society must be bottom-up. While governments, the EU and international institutions have a role to play, the backbone of this democratic defence must come from civil society: Think tanks, political parties, academic institutions, media, networks of experts. There should be much more government and EU funding for such initiatives. Authorities themselves should also contribute by building strategic communication capacities such as the Strategic Communications division in the European Union External Action Service (EEAS). Created after the Russian aggression of 2014 and following,

19 Stolton, Samuel (2020), "Von der Leyen: Chinese cyberattacks on EU hospitals 'can't be tolerated'", *Euractiv*.

20 Turcsányi, Richard Q. et al. (2020), "European public opinion on China in the age of COVID-19", *Central European Institute of Asian Studies (CEIAS) and Sinophone Borderlands*.



this unit has focused on documenting and countering hostile disinformation in Eastern Europe, the Western Balkans and the Middle East and North Africa. In recent years, it has developed a rudimentary but wholly insufficient capacity on Chinese information warfare. National governments which will also, just like the EU, have to expand their information defence activities.

The EU, together with national governments, should tackle corruption and money laundering much more elaborately than up to now, with a central agency following national developments and at least naming and shaming such cases. Regarding societal resilience against fake news and radical opinion bubbles, voluntary cooperation between governments and EU authorities on the one hand and Big Tech corporations on the other are signs of progress. But better regulation is still key. Ultimately, national education systems will have to be much better prepared to deal with the challenge of disinformation and radicalization in social media.

Most importantly, member state governments and EU institutions will have to offer much improved sources of funding for independent research on China. We cannot let the CCP and its front organizations shape our perception of China. That is why the EU urgently needs a European China Knowledge Endowment (ECKE) where universities and think tanks can apply for funds.²¹

EU structures and the enforcement of the rule of law

Democratic backsliding within the West is a feast for authoritarians. They can manipulate, divide the EU, point out its hypocrisy and prevent or weaken sanctions directed against them. That is why democratic backsliding makes the EU so vulnerable to external power projection, which undermines its geopolitical ambitions. Hungary

²¹ Freudenstein, Roland (2021), "Researching the Dragon – The EU Needs to Build up its Independent China Expertise, *Wilfried Martens Centre for European Studies*.

”The EU urgently needs a European China Knowledge Endowment (ECKE) where universities and think tanks can apply for funds.

is a case in point as an EU member state which took an authoritarian turn a decade ago, under Viktor Orbán, and became the object of ever-increasing Chinese influence and intelligence activities.²² There are also clear indications that Orbán genuinely admires Chinese state capitalism together with its antiliberal implications.

A better enforcement of the rule of law within the EU would do much to offset the effects of global authoritarians' exploitation of democratic backsliding in the EU.²³ The two instruments available until 2020 were the 'Article 7 Procedure' and recourse to the European Court of Justice. But those instruments have hardly proven effective. A linkage between the rule of law situation in a given country and its eligibility for EU recovery funds and financial transfers within the EU budget framework seems much more promising. The EU will have to keep working on enforcing its fundamental values internally, or at least on imposing a steep cost for any violations. Otherwise, it will neither become a global player with any credibility nor be able to push back against authoritarian encroachment.

3. Pushback

A unified approach

Like in all other matters 'geopolitical', EU unity is key. Just as the CCP's approach very much rests on the principle of 'divide et impera', the EU and its member states have the highest imaginable interest in becoming united in their analysis and action about relations to China. This

²² Szabolcs, Panyi (2021), "How Orbán's Eastern Opening brought Chinese spy games to Budapest", *Direkt36*:

²³ Freudenstein, Roland (2020), "Macht und Werte", *Forum Dialog*.



‘mother of all challenges’ in relations to authoritarianism, and especially to China with its technological and financial pressure tools and incentives, can only be tackled on three levels:

On the level of EU institutions, a strengthening of majority decision making in all questions of external relations (where so far, unanimity is the rule) may help. Qualified Majority Voting (QMV) doesn’t mean that there is always a vote – but the possibility to have one significantly increases the willingness of member states to compromise.

On the other hand, QMV is no magical formula to produce cohesion in decision making. As was visible in the September 2015 Council vote on the refugee distribution mechanism, when issues of strong emotional and cultural significance are concerned, member states may choose to ignore the vote – without consequences.

That is why the second level of attack in this respect has to be the major member states – in this case, above all, Germany and France – which should put more effort into persuading fellow member states into a more cohesive line vis-à-vis authoritarianism. The time and effort spent in order to achieve a common line on China must first be increased in Berlin and Paris.

All this stands and falls with political parties and civil society, which have to redouble their efforts to publicly analyze and debate the CCP’s actions, argue against short-sighted appeasement and pressure their governments into a more effective response.

Sanctions

The most obvious diplomatic pushback between states are always sanctions. This is where EU-China relations took a definite turn towards escalation in March 2021, when the CCP’s treatment of Uyghurs prompted the first EU sanctions against the PRC since the arms boycott following the Tiananmen massacre of 1989. Four individuals and one entity directly involved with the oppressive policy in

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Xinjiang were banned from the EU, thereby making use of the EU’s new Global Human Rights Sanctions Regime (aka ‘EU Magnitsky Act’) for the first time. Within hours, Beijing reacted with bans on the entire EU Political and Security Committee (PSC), five members of the European Parliament, four national parliaments and the Berlin based MERICS think tank as well as individual researchers, for ‘harming China’s sovereignty and interests and spreading lies and disinformation’.²⁴ This response was widely considered ‘disproportionate’ even by advocates of a soft line on China. By sanctioning the very MEPs who will have to ratify the EU-China Comprehensive Agreement on Investment (CAI) if it is to enter into force, the CCP has arguably shot itself in the foot. At least the attempt to drive a wedge between the EU and the US, which was clearly Beijing’s intention at the end of 2020, has floundered.

But there is a broader question behind this: Should the West cut deals with regimes which don’t subscribe to Western standards? As an appeaser recently pointed out: ‘If we only trade with nations that share our worldview, we can forget about trading with most of the world’.²⁵ The fact, however, is that we are talking not about ‘our worldview’, but commitments made by all nations for which

24 Ministry of Foreign Affairs of the People’s Republic of China (2021), “Foreign Ministry Spokesperson Announces Sanctions on Relevant EU Entities and Personnel”.

25 Prof. Gu Xuewu’s remarks in this excellent documentary.



their leaders must be held accountable. But the debate about ethical trade should be part of the overall debate about the global confrontation between liberal democracy and authoritarianism.²⁶

Trade defence and investment screening

Chinese foreign direct investment (FDI) in the EU increased rapidly after the global financial crisis in 2008 when it grew by a factor of 10, although it has declined since 2016. Chinese FDI is a crucial instrument in the CCP's toolbox to extend its influence in the world. Since 2018, the EU has a screening mechanism for FDI, which should prevent authoritarian powers from taking over strategic infrastructure, gaining political influence through investments and stealing technology through forced technology transfers. But at present, the EU Commission can only monitor investment deals and alert national governments – there Commission has no executive power in this respect.

Many of the problems European companies and member states faced vis-à-vis China in trade and investment – including dumping and non-tariff barriers – were addressed in the CAI, whose main points were agreed in a last-minute rush at the end of the German EU Council presidency of 2020. After seven years of largely fruitless negotiations, the Chinese side had made some concessions – provided the EU would publicly announce the deal before Joe Biden took office. The EU did so despite that fact that the US had openly asked the EU to wait until a common Transatlantic line could be found between the EU and the new administration on crucial trade and investment issues.²⁷ The fact that the EU allowed the CCP to drive a

wedge between Europe and America was a mistake. After the Chinese sanctions imposed in March 2021, it is questionable whether the CAI will be ratified (for which the European Parliament is indispensable). Nevertheless, the EU has to address the issues of a highly tilted playing field in other ways. The old problems remain: While the EU is largely open to Chinese exports and FDI, the Chinese market remains closed in many ways. The enforcement of reciprocity – i.e., trade defence measures – must be envisaged as ‘weapons of last resort’. And this time, a timely and intense strategic coordination with the US is possible and necessary. The entire list of CCP techniques, from antitrust, merger and state aid rules to non-tariff barriers and forced technology transfers, must become subject to a common Transatlantic stance.

Reduction of dependencies

One important result of the pandemic and the CCP's behavior during it, was the near consensus in EU politics that Europe must become more self-sufficient and resilient in crucial fields, such as pharmaceuticals and medical equipment as well as energy and technology. This entails, among other things, a diversification of supply chains, increased stockpiles, a much improved exchange of data, more intensive cooperation in medical research and a concerted effort to reform the World Health Organisation (WHO).²⁸

4. Tackling the CCP's digital authoritarianism

Rapid technological innovation has become one of the hallmarks of the CCP's threefold drive towards not only economic growth but also a more perfect control of Chinese society and a boost to China's global authoritarianism.²⁹ With the national strategic plan ‘Made in China

26 For a skeptical view on sanctions from two German Social Democrats: Gabriel, Sigman & Scharping, Rudolf (2021), “Wir können China nicht unter Hausarrest stellen”, *Handelsblatt*.

27 Fallon, Theresa, “The Strategic Implications of the China-EU Investment Deal”, *The Diplomat*, and also Chaguan (2021) “China is betting that the west is in irreversible decline”, *The Economist*.

28 EPP Political Assembly (2020), “EPP Position Paper: EU-China Relations in a COVID-19 World and Beyond”.

29 Lilkov, Dimitar (2020), “Made in China”, *Wilfried Martens Centre for European Studies*.



2025', the CCP aims at 70 per cent market self-sufficiency in manufactured goods by 2025 and a globally dominant position by 2049 (the 100th anniversary of the Chinese Revolution) in high tech products and services. What is problematic about this plan is, first of all, that what helps Chinese businesses achieve their position and then to defend it is a combination of unlimited access to capital and non-tariff protection from foreign competition.

The CCP's digital authoritarianism

China has, in recent years, developed a frightening array of state-sponsored cyber weapons used to steal technology and hold the West back in the tech race.³⁰ An equally ominous aspect of the CCP's technology drive is in the Social Credit System (SCS). Using a blend of big data, artificial intelligence and other digital technologies, the CCP has begun to install an unparalleled system of massive monitoring and profiling, and is in fact using it to punish its citizens. The purpose of the SCS is ostensibly to fight crime and stabilize social 'harmony' – which is, in the eyes of the CCP, equivalent to cementing its rule and stifling political dissent. At the centre of the SCS is a score that each citizen receives, which is influenced by his or her behavior in everyday life, including – of course – political leanings, contacts with other persons etc. This score is then a decisive factor not only in the availability of credits (which would still reflect mechanisms prevalent in many countries) but also access to all kinds of public services, opportunities for travel and other factors of daily life. This Orwellian system of population control has been partially introduced and will be fully implemented in upcoming years across the People's Republic. It is only a question of time until foreigners living in China, and also companies dealing with China, will be integrated into the SCS.

In parallel to the introduction of the SCS in China, elements of mass surveillance have been exported to other

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parts of the world. From Venezuela to Zimbabwe, Serbia and a host of Asian countries, China has delivered cyber warfare and facial recognition systems with the appropriate software, including Big Data systems, to authoritarian regimes and would-be autocrats. Out of all aspects of global systemic rivalry, this blend of technological and ideological elements may well be the most ill-boding.

The EU should react with a three-pronged approach. In order to protect its citizens and companies from cyber attacks, much-improved cyber defences will have to be developed in close cooperation with NATO. A unified standard for Artificial Intelligence should be adopted, including clear guidelines for blocking imports of technology that does not conform to these standards. Finally, the coming EU Digital Single Market must effectively protect privacy and ensure online platform liability in a comprehensive regulatory framework.

Strengthening EU competitiveness while using our strengths and staying true to our values

It may well be that in several areas, China's competitors will not be able to catch up for decades, if only for the sheer numbers of people involved in the critical mass that the Chinese economy has reached. The EU in particular risks landing in a 'technological blind spot' if it doesn't recalibrate its principle of subsidiarity when it comes to technology and innovation. 5G is a case in point, but the

³⁰ Lee-Makiyama, Hosuk (2018), "Stealing Thunder, *European Centre for International Political Economy*.



same principle applies to Artificial Intelligence and other areas of high tech. On 5G, the dilemma EU member states are facing is very clear: Chinese firm Huawei offers to build 5G infrastructure at favorable cost, while Europe has no alternative at the moment.

And yet, a unified original European 5G provider is the only option to secure our independence, and at the same time remain globally competitive. Two European companies – Nokia and Ericsson – remain in the global top 3 of 5G providers. There should be a clear political decision by the Council to reform competition rules in order to produce a more agile and flexible environment for European champions to grow, allowing Nokia and Ericsson to form a kind of ‘5G Airbus’ in order to keep Europe in the race, and above all to avoid dependency from a Chinese company which is by law committed to cooperate with the Ministry for State Security (MSS). According to The Economist, this would add no more than 1 per cent to the phone bills of European citizens.³¹

Together with its allies, the EU should also redouble its efforts to achieve a unified approach to technology transfer to authoritarian regimes (first and foremost, of course, to China). A COCOM 2.0 is needed, named after the Cold War era ‘Coordinating Committee’ which was composed of NATO member states and some other Western countries, and which formulated and regularly updated lists of military and dual-use technologies and countries they should not be exported to.

5. Global Democracy support

The end game: What about regime change?

Many *realpolitik*-obsessed pundits are asking: ‘What does the West want to achieve with confrontation, sanctions and support for democrats in places such as Taiwan or Hong

³¹ Drea, Eoin (2020), “A Geopolitical, 5G Europe? Brussels needs to go big, or go home”, *Wilfried Martens Centre for European Studies*.

Kong? They are not going to change the CCP’s behavior.’ And regime change is allegedly out of question because the CCP’s rule is far too entrenched. Moreover, the West shouldn’t be interested in the CCP’s loss of control because the party is the only way to keep such a diverse entity as China together. That is why – in the eyes of those commentators – the only long-term option is to incentivize, not pressure, China into more cooperative behavior, and devising a global order in which China sees a place for itself and its ambitions.

”A Cold War 2.0 with China is for some (especially in the US) already a reality – whereas for many in Europe it is still a nightmare.

In response to this, the notion of regime change, notorious since its use in the Iraq War, should be de-dramatised. For instance, German *Ostpolitik* of the 1960s and 70s, based on ‘change through rapprochement’ (*Wandel durch Annäherung*) was a sort of peaceful regime change strategy. ‘*Wandel durch Handel*’, the oft-quoted maxim of the West’s strategic partnerships with China and Russia of the previous decade, is a kind of regime change strategy. These strategies are legitimate as long as they are peaceful, transparent and rely on locals who already embrace universal values of democracy and the rule of law. That is why it is better to speak of democracy support instead of democracy promotion.

A Cold War 2.0 with China is for some (especially in the US) already a reality – whereas for many in Europe it is still a nightmare. In the US context, there is a near bipartisan consensus that a major power struggle has already begun. Whatever we as Europeans may think about the American stance on China, we are bound to the US by our core interests: to survive as liberal democracies, avoid a war and, eventually, work for a better future with a new Chinese leadership. The current CCP won’t last forever. One



should always remember that even during the Cold War – until well into the late 1980s – regime change in Eastern Europe was unimaginable. A Cold War 2.0 is certainly an unwelcome perspective. But it is the lesser evil compared to giving up in our struggle against the CCP and authoritarianism in general.

The Transatlantic core

Strategic Transatlantic differences on China began to appear in the Trump era. Before, the Obama administration and most EU governments had shared hopes for positive change in China towards a real market economy and eventually even some degree of democracy and rule of law. By 2017 however, Europe worried that the US was in the middle of a backlash against globalization, and fears of a war between the power in decline (US) and the rising power (China) evoked parallels to the Sparta-Athens conflict of antiquity described by Thucydides. The problem with taking the US' side in the Trump era was simply that Trump, with his abrasiveness and disregard for political and international norms, had become so toxic in the eyes of the European public that siding with him would make any European leader look like his poodle – which might just mean defeat in the next election.³²

Now, with the arrival of the Biden administration, there is justified renewed hope in Europe about strategic coordination, but also skepticism. Both Chancellor Merkel³³ and President Macron have, on different occasions, emphasized that Europe's place in the Transpacific power struggle is not on the side of the US. Such talk is, of course, poison for the slowly re-emerging Transatlantic partnership on China. It is also extremely short-sighted: There is no way Europe can even dream of coping with the Chinese

challenge without the US as an ally.³⁴ Europe's best bet now is to create the basis for a durable Transatlantic alliance, including on the issue of China, in which Europe's added value is so clear that it cannot be ignored even by a potential Republican successor to Joe Biden.

A global alliance of democracies

The Transatlantic axis on China should form the core of a global alliance of democracies. This is not to be confused with an anti-Chinese alliance. The purpose of such an alliance, besides the powerful symbolic statement (which will hardly go unnoticed in Beijing), would be to exchange experiences in confronting authoritarianism, sharing intelligence and communicating best practices on how to improve democratic resilience and international democracy support. In the run-up to the November 2020 presidential election, Joe Biden penned an article³⁵ outlining his vision of a US which leads again. In this vision, a global alliance of democracies plays an important role.³⁶

There is, of course, also a military angle to a global cooperation between democracies. Other than for the US, the threat of a direct military confrontation with China is not yet palpable for the EU. But the fact that the NATO 2030 report lists China as a 'challenge' (right behind Russia as a 'threat') shows that Europe is also waking up in this respect. The weakening of multilateral norms through military expansion in the South China Sea obviously affects Europe. 'Freedom of navigation operations' in the South China Sea by the UK, France and Germany send

34 Kolev, Galina & Matthes, Jürgen (2021), "Trade Policy Perspectives after the Change of Power in the USA", *Institut der deutschen Wirtschaft (IW)*.

35 Biden, Joe (2020), "Why America Must Lead Again", *Foreign Affairs*.

36 A skeptical view on the Alliance of Democracies: Islam, Shada (2020), "Biden's 'summit of democracies' won't work", Politico, and a positive one: Quirk, Patrick W. (2020), "Democracy First: How the US can prevail in the political systems competition with the CCP", *Brookings*.

32 A good overview of the China issue in Transatlantic relations, although barely mentioning Trump as a spoiler: Rough, Peter (2021), "Europe's China Chimera", *Hudson Institute*.

33 Gehrke, Laurenz & Lau, Stuart (2021), "Merkel sides with Xi on avoiding Cold War blocs", *Politico*.



an important signal. However, the German hesitation to call China out in this context is almost comical. But one should never give up hope. The new fashion in EU capitals, including Brussels and Berlin, to talk about a strategy for the Indo-Pacific is one point of departure for reaching out to China's neighbors – Japan, South Korea, Taiwan, India and a host of South East Asian nations – to cooperate on matters including military contacts and exchange of intelligence.

6. Interests and values: Towards a new synthesis

In the era of democratic backsliding and authoritarian advance, the distinction between values and interests is doubly outdated. If the very future of our democracy is at stake, then the classification of democratic values as 'nice to have' and interests as 'essential' loses any sense. Values are long term interests: It may be a necessity to deal with autocracies on a limited number of issues, but in the longer run, a foreign policy neglecting values is suicidal for the West. None other than Henry Kissinger, the father of modern-day *realpolitik*, has begun to defend the global liberal order and accountable government as principles worth defending against authoritarianism.³⁷

Liberal democracy has already seemed to be on history's losing end once before: in the 1930s, when communism and fascism seemed so much newer and fresher than the tired capitalist democracies of the West. In fact, many pundits at that time claimed that the future belonged to systems that put the collective on top of the individual.

That phase of European history ended on the battlefields of World War Two. It was followed by liberal democracy's greatest successes, first in the West after 1945 and then in all of Europe after 1989. Of course, the global financial and economic crisis has shown that laissez-faire capitalism

”Right now, it looks like authoritarianism is on the advance globally, and liberal democracy is embattled even in Europe. But autocracy is a giant on clay feet.

is not history's last word. And of course, China's rise and Russia's threats are important challenges to the certainties of 1989.

That is why we will have to adapt policies while the system of government that is called liberal democracy should be fervently defended. The answer to authoritarian threats and interference in our democracies has to be based on a strong civil society and strong democratic institutions. The response to the CCP's centralism, one party rule and state capitalism has to be based on subsidiarity and the inherent strength of a sound mix of big, medium and small enterprises and multi-level governance. Military power, new economic strength and a better handling of technology are important ingredients of our effort to cope with the CCP's challenge to the West. But democracy must be at the heart of the European response.

We are looking at a global struggle of epic dimensions, which is going to mark the decades to come. Right now, it looks like authoritarianism is on the advance globally, and liberal democracy is embattled even in Europe. But autocracy is a giant on clay feet. From Caracas to Minsk to Moscow, to Yangon, Tehran and Hong Kong, hundreds of thousands, maybe millions, of youngsters are willing to risk their careers, their personal liberty and often even their lives for values that autocrats claim belong to the past. And as long as we don't see hundreds of thousands marching through Berlin or Paris, demanding one party rule, liberal democracy stands a fighting chance.

³⁷ Kissinger, Henry A. (2020), "The Coronavirus Pandemic Will Forever Alter the World Order", *Wall Street Journal*.



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