

From a China strategy to no strategy at all

Exploring the diversity of European approaches

Edited by: Bernhard Bartsch, Claudia Wessling

Peer reviews by: Una Aleksandra Bērziņa-Čerenkova,
Lucas Erlbacher, Miguel Otero-Iglesias, John Seaman



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Mercator Institute for China Studies (MERICS), Germany

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Executive Summary: From a China strategy to no strategy at all - Exploring the diversity of European approaches

Executive Summary compiled by **Bernhard Bartsch** and **Claudia Wessling**

Survey: **Johannes Kast**

Editing: **Alexander Davey** and **John Seaman**

In this report, we take stock of national approaches to China across EU members states and important countries such as the United Kingdom, Norway and Switzerland. Experts from 24 countries have contributed their analysis, and the MERICS office in Brussels provided a chapter outlining current EU policies vis-à-vis China. Authors focused on the following guiding questions:

- National China strategies: Where do member states and other European countries stand?
- Mechanisms: How do European countries coordinate and share information on China?
- EU tools: Which national instruments exist for implementation?
- Risk analysis: Which approaches do countries take?
- Working with China: In which Chinese institutional frameworks do countries participate?
- Spotlight on Taiwan: What activities exist in this contested space?

European approaches to China vary considerably

The year 2023 has brought new momentum to the relationship between Europe and China

The year 2023 has brought new momentum to the relationship between Europe and China. After more than three years of pandemic-related stagnation, mutual visits have picked up again. European heads of state and government and EU Commission President Ursula von der Leyen traveled to Beijing; China's new premier Li Qiang visited Germany and France in his first overseas trip since taking office. Despite the revival of contacts, numerous factors continue to burden relations between China and the EU, and other European countries. Under Xi Jinping, China has changed and become more centralized, authoritarian and assertive abroad, and its goals are often in contradiction with European interests and values. Back in 2019, the EU Commission acknowledged this shift by introducing the tripartite definition of China as a partner for cooperation and negotiation, an economic competitor, and a systemic rival.

Since then, Xi and the Chinese Communist Party (CCP) have continued their path: China has become more confrontational in the Taiwan Strait, more repressive in Xinjiang, tightened control over Hong Kong and promoted visions of an alternative international order. Increasing geopolitical and economic tensions between China and the United States have put pressure on the European Union to position itself in a complex triangle. The apparent "no limits" friendship with Russia, irrespective of Moscow's war against Ukraine, has changed many European countries' formerly favorable views of China, particularly in central and eastern Europe.

On the EU level, a range of mechanisms have been created to counter the increasingly geopolitical nature of Chinese influence and competitive distortions of markets, industries and technologies. These include investment screening, an anti-coercion instrument, an international procurement instrument (IPI), the Global Gateway Initiative and a planned law

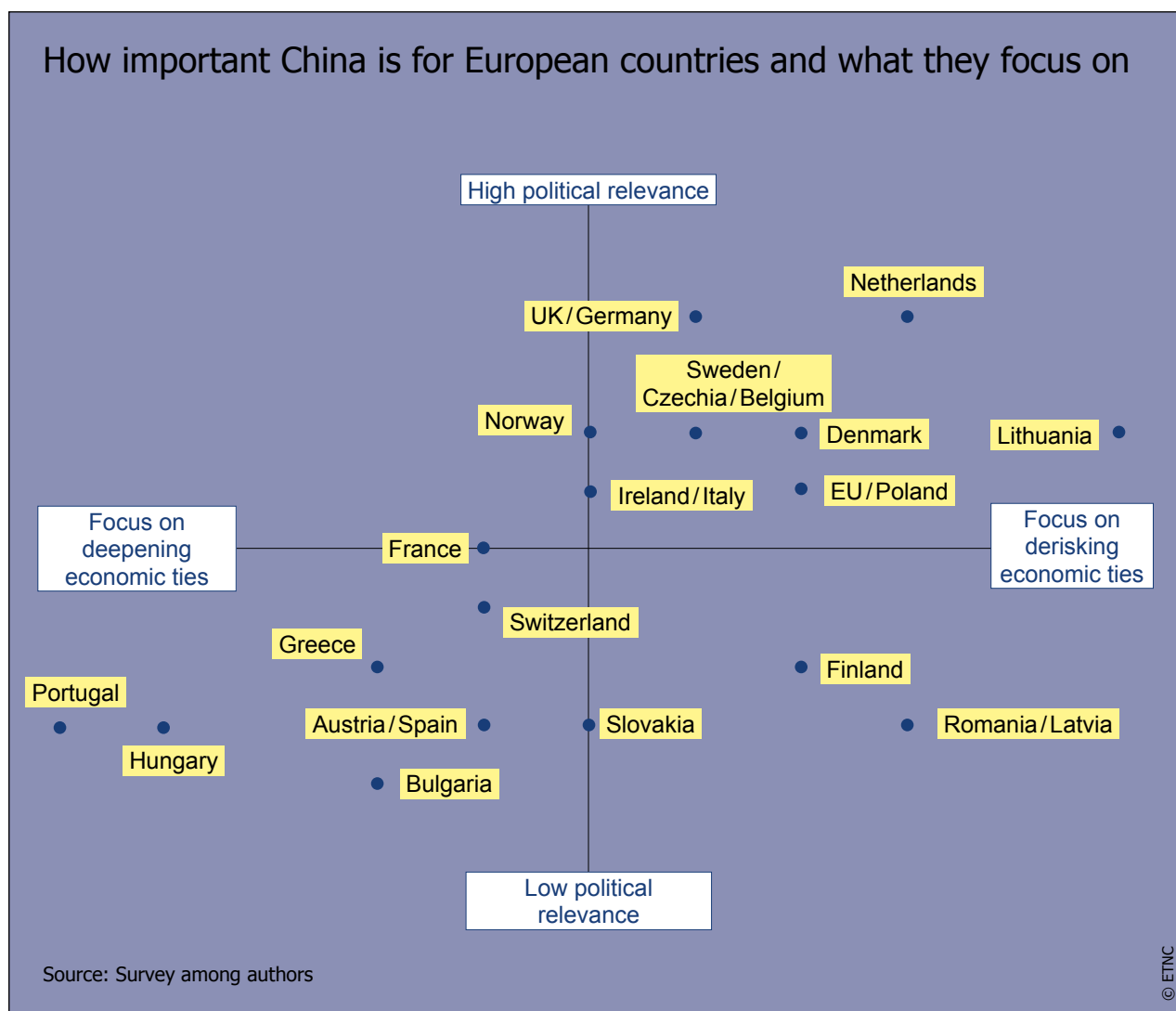


Exhibit 1

package aimed at monitoring and combatting foreign interference (including from China), as well as industrial policy initiatives such as the EU Chips Act.

Commission President Ursula von der Leyen introduced a “de-risking” proposal in March 2023 for navigating dependency risks in relations with China. The concept was also mentioned in the European Council conclusions on China after the June summit. Clearly, there has yet to be full agreement in the EU on how to operationalize “de-risking”, a sign that a unified European approach to China is still a long way off, even if there is more agreement today that some sort of strategic thinking on the issue is needed.

European approaches to China – whether by the EU, its member states and other countries in the region – have changed since the publication of the first ETNC report on “Mapping Europe-China Relations – A Bottom-up Approach” in 2015. The European Think-tank Network on China (ETNC) has for many years now analyzed the variations among European countries’ relations with China on a range of issues, including economic interdependencies, soft power, the Covid-19 pandemic, political values or the impact of China’s growing rivalry with the United States (all publications available on the network’s website: <https://etnc.info>). The EU institutions can only act with support of member states; at the same time, initiatives launched by Brussels often set the tone and pace for actions taken in European capitals.

Ten years after Xi Jinping took the helm in China, European countries have become more aligned on how to deal with this aspiring world power. However, approaches towards China vary depending on the intensity of relations, the extent and nature of economic dependence as well as attitudes towards the authoritarian government in China. Some have devised national China strategies, some prefer a less public, more decentralized approach, others do not consider China an important issue for their national politics. National approaches and their evolution in recent years are laid out in the country chapters of this report.

In addition to the chapters, each author completed a survey on the aforementioned guiding questions. Some questions were non-exclusive with multiple responses possible. For example, a country could have both an official, as well as a sectoral China strategy. Furthermore, respondents could choose to skip any question. As a result of this methodological approach, the number of responses may not match the total number of participants for each section of the survey.

Moreover, some of the questions were open-ended with some room for interpretation, such as what counts as an “unofficial” China strategy. Respondents could also indicate if they did not have enough knowledge or information to answer a specific question. Hence, the lack of a response does not necessarily imply the lack of a national mechanism or approach. The following is a summary of the key findings.

Almost all European countries have developed strategic approaches to China

Discussions on China in all European countries have matured

Compared to the situation a decade ago, it can be clearly stated that the discussions on China in all European countries have matured. Many governments and other stakeholders have developed more sophisticated policies, coordination mechanisms and regulatory tools with which to approach China. Out of the 24 countries in this report, 20 countries and the European Union pursue more strategic approaches to China in the sense that they discuss, analyze and communicate their stances in structured and formalized settings.

Only a minority of European countries has published an official China strategy

Even though exchanges with China have intensified tremendously since the turn of the century, only six European countries reviewed in this report have cast their approach into a more formalized China strategy. Norway came in first in 2007, the Netherlands followed in 2013 and 2019. Sweden also joined the group in 2019, the same year the EU presented its tripartite “partner, competitor, rival” approach in its Strategic Outlook. Sweden, at the time, did not speak of a strategy, but a “communication”, stressing that it was following the EU’s example. Both governments published the strategies on request of their respective parliaments.

In 2021, Finland’s “Action Plan on China” painted a rather dire picture of the future of mutual relations. In July 2023, Germany published its first ever China strategy after fierce discussions within the ruling coalition over its general direction and tone. Outside the EU, Switzerland’s Federal Council, the country’s highest executive, published the “China Strategy 2021 – 2024”, calling out challenges more explicitly, while insisting on continued engagement.

Experiences with formulating national China strategies have been mixed. On the flipside were diplomatic pushback from the Chinese side and constant pressure to update strategies in a geopolitical environment that is continuously, and sometimes dramatically chang-

ing. There are good reasons for deciding against a full-fledged strategy, but it appears that many governments now see the benefits and the necessity of formalizing their approach to China on some level. On the positive side, authors in this report note gains on transparency, knowledge development and greater alignment from discussing the issue among wide groups of stakeholders.

A larger proportion of European countries has China-specific approaches embedded in their policy frameworks

Among the countries analyzed in this study, nine have relevant frameworks in place or formulated approaches in differing contexts that are recognized by the respective governments. But these are not published as official China strategies. The United Kingdom and Ireland, for instance, outlined their China policies in speeches given by their respective Foreign Ministers in spring 2023. The Belgian Foreign Ministry has developed a China strategy this year but has not yet publicly communicated on it. The Austrian government has announced the development of a China strategy, but with no time frame given and it remains unclear if it will ever come to fruition.

Others make China policies part of more overarching strategies. In France, China features as a topic in the Indo-Pacific Strategy. In Lithuania, it is part of the National Security Strategy and the Indo-Pacific Strategy published in 2021 and 2023 respectively. Latvia includes China policies in the yearly report of the Foreign Minister to parliament. In Spain it is mentioned in its more recent foreign policy and national security strategies. Denmark's most recent foreign policy and security strategy (from 2023) contains some overall strategic guidance for relations with China, and it specifically refers to the EU as a key coordinator in handling the challenges from Beijing.

Political parties are only beginning to include China as a topic in their programs

Eight countries in our analysis included approaches to China in their sectoral strategies. In Norway, the topic features in various policy fields. In the Czech Republic, the export strategy serves as a backdrop for describing approaches to China, while Greece uses the Greece-China Tourism Action Plan for this purpose. According to a survey the editors of this study conducted among the contributing authors, to date, only Bulgaria, Hungary and Poland are still lacking more coordinated strategic approaches to China.

Developing strategies below the threshold of an all-of-government process is, for some countries, a reasonable way to formulate goals in their China policies without having to deal with the sometimes painful and diplomatically controversial process of devising a stand-alone document.

On the domestic level, political parties in the analyzed countries are only beginning to include China as a topic in their programs. Several parties in the Czech Republic, Germany, the Netherlands and Switzerland have published position papers on policies towards China; in Lithuania, the topic is mentioned in electoral programs. On the EU level, the center-right European People's Party and the pro-European Renew group also have formulated their own China strategies.

Better mechanisms for coordination and information sharing on China

Within governments, the level of attention for China-related issues, coordination, steering, knowledge and mechanisms of information sharing differs considerably between the countries analyzed in this study. The European Union itself and 11 countries have inter-ministerial coordination mechanisms in place. Among them are the Dutch "Interdepartementaal

China Beraad” (ICB) and the “Interdepartementaal Directeurenoverleg China”, the Swedish “China Network of the Government Offices”, the Finnish “Valtionhallinnon Kiina-verkosto”, Poland’s “Inter-Ministerial Team for the Coordination of Activities for the Development of the Strategic Partnership with China”, or Germany’s regular ministerial state secretary rounds. Eight countries have established official consultation mechanisms between government and business. For instance, in Germany, the Asia-Pacific Committee on German Business (APA) regularly convenes meetings on China, bringing together the Economics Ministry and representatives from five major business associations. In the United Kingdom, there are various bodies which engage business and government, such as the Confederation of British Industry (CBI) or the China Britain Business Council. The Czech Republic, Finland, Spain and Sweden also have business-government formats on China in place.

Coordination becomes more challenging if one wants to connect China knowledge on the national and subnational level

Coordination on China becomes more challenging if one wants to connect China knowledge on the national and subnational level, as our analysis shows. Only the Netherlands, Norway and Finland have coordination mechanisms for municipalities. Three countries – Belgium, the Netherlands, and Sweden – have established national China competence centers. Their organizational structures are different, but they all have similar purposes: improving understanding of China, bringing together existing knowledge and responding to demands from governments on different levels.

EU member states apply defensive tools conceived by Brussels differently

The EU has, in recent years, launched and established several instruments and regulations that are (not only, but also) aimed at improving capabilities to deal with China’s increasing economic and geopolitical clout. Among these:

- International Procurement Instrument
- Anti-foreign Subsidy legislation
- Foreign Direct Investment Screening
- Anti-coercion Instrument (pending approval)
- Anti-forced Labor Instrument (under negotiation)
- Chips Act (pending approval)
- Critical Raw Materials Act (under negotiation)
- Economic Security Strategy

Taking the screening mechanism for foreign direct investment (FDI screening) as an example, among the countries analyzed in this report, 16 EU member states have made national provisions, and four countries are preparing for implementation. Outside of the EU, the United Kingdom, Norway and Switzerland are engaged in parallel processes. For the time being, Greece and Bulgaria are not yet planning the introduction of similar tools.

In the context of China’s growing strength and ambitions in science, technology and innovation, the EU put forward in 2021 a strategy on cooperation in research and innovation (“Strategic, open, and reciprocal”). It suggests measures to protect research security and integrity in member states. The EU and some member states have started developing tools to better protect their interests, but the process proves to be cumbersome. According to this analysis, only six countries covered in this report have established regulations or guidelines for research institutions – Denmark, Germany, the Netherlands, Norway, Switzerland and the United Kingdom. In 2022, the EU published a Staff Working Document on tackling foreign interference in research and innovation (R&I).

Risk analysis: an approach in the making

Following the Russian invasion of Ukraine in 2022 and the resulting economic fallout for European countries dependent on energy supplies from Russia, the issue of dependence on China has been fiercely discussed in Europe (also covered in the 2022 ETNC report: <https://etnc.info/reports>). The Commission's "de-risking" agenda and the June 2023 framework on a European Economic Security Strategy are aimed at minimizing risks arising from economic exchanges in geopolitically challenging times. However, only the EU itself, Finland and the Netherlands have presented systematic and public analyses of dependencies, e.g., in critical raw materials or supplies.

Two countries – Lithuania and Latvia – have compiled internal reports on the issue, four countries – the Czech Republic, Germany, Norway, and Poland – are working on assessments. Sweden and France have also conducted an analysis. Austria, Greece, and Slovakia, on the other hand, do not appear to plan any risk assessments. In Bulgaria, the war in Ukraine and the overarching risk stemming from chronic dependence on Russian energy imports and technology are hotly debated. However, this has not resulted in any substantial reviews or policy shifts. For ten countries, no information was available to the experts compiling this report.

European countries are increasingly wary of participating in Chinese frameworks

In the past decade, China has systematically established its own institutional frameworks to increase geopolitical and economic influence. One of these frameworks is the 16+1 initiative established in 2012 to engage with Central and Eastern European countries – a format that was sometimes criticized in the EU as undermining its unity.

After a period of expansion (Greece entered the format in 2019), the group is now down to "14+1". Seven countries (Bulgaria, Czech Republic, Greece, Hungary, Poland, Romania, Slovakia) analyzed in this report are part of it, among them, two (Romania, Bulgaria) have downgraded their participation in the most recent summit meeting in 2021. Two others covered in this report (Latvia, Lithuania) have withdrawn from the group, while a third (Estonia) has also withdrawn. While some country representatives mentioned disappointment over China's economic engagement in the region as their main motive for dropping out, others have grown wary of China's support for Russia and coercive measures for deepening relations with Taiwan. The future of 14+1 is uncertain.

The Belt and Road Initiative, launched by Xi Jinping in 2013, is the best-known among China's initiatives to go global and create markets, investment opportunities for its companies but also increase political influence in the participating countries. Ten countries analyzed in this report have a high-level BRI agreement (Bulgaria, Czech Republic, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Slovakia). Switzerland and Austria entertain so-called "sectoral" agreements in the BRI context. In the case of Romania, an agreement was signed during the visit to China of a state secretary in the Ministry of Economy and Commerce back in 2015. Since the text is not public, it remains unclear whether it is a general or a sectoral one.

In Italy, Prime Minister Giorgia Meloni announced during her election campaign an intention of leaving the agreement that Rome signed in 2019 and which will be automatically renewed next year. Now, her right-wing government seems caught between a rock and a hard place: on the one hand, there is fierce opposition to withdrawing in the local business

China has established its own institutional frameworks to increase geopolitical and economic influence

community, which is worried about losing preferential treatment they perceive to enjoy as BRI members. On the other hand, a competing narrative in Italy attests that other countries get the same treatment without any MoU. On the international stage, the US and European partners expect Meloni to deliver on her campaign promise.

A majority of 19 countries participates in the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank and financial institution to support social and economic development projects globally. The EU and five other countries covered in this report are not members (Bulgaria, Czech Republic, Latvia, Lithuania, Slovakia).

Approaches to Taiwan: Nonissue for some, increasing contacts for others

While some of the countries analyzed follow China's expectations and steer clear of entertaining even informal contacts with Taiwan, there is a trend among others for increased exchanges at the political level. In light of rising military tensions in the Taiwan Strait and calls from the Xi government for unification, the number of high-level exchanges between European and Taiwanese politicians has increased recently, with more than a dozen visits in 2022/23 so far.

Most recent high-level visit to Taiwan from countries surveyed in this report

2023:

- Czech Republic: **Markéta Pekarová Adamová**, Speaker of the Chamber of Deputies of the Czech Parliament
- France: **Alain Richard**, Vice-President of the Senate, Head of the Senate-Taiwan study and exchange group, former Minister of Defense (plus delegation)
- Germany: **Bettina Stark-Watzinger**, Minister of Education and Science
- Ireland: Parliamentarians **John McGuinness**, **Brendan Smith**, **Cathal Berry**, and senators **Seán Kyne**, **Martin Conway**
- Lithuania: **Aušrinė Armonaitė**, Minister of Economy and Innovation
- Romania: **Catalin Tenita**, Member of Parliament (Chamber of Deputies)
- Spain: **Rosa Romero Sánchez**, Chair of the Health Commission - Congress of Deputies
- Switzerland: **Fabian Molina**, National Councilor (Co-President Parliamentary Friendship Group Switzerland-Taiwan)

2022:

- Finland: **Petri Peltonen**, Under Secretary of State, Ministry of Economic Affairs and Employment
- Netherlands: **Sjoerd Sjoerdsma**, Member of Parliament
- Poland: **Grzegorz Piechowiak**, Deputy Minister of Economic Development and Technology,
- Slovakia: **Peter Gerhart**, Deputy Minister of Economy. **Milan Laurenčík**, Deputy Speaker of Parliament
- Sweden: **Håkan Jevrell**, State Secretary to Minister for International Development Cooperation and Foreign Trade Johan Forssell
- United Kingdom: **Greg Hands**, Trade Minister, **Alicia Kearns**, Chair, House of Commons Foreign Affairs Committee (plus delegation)

2021:

- Latvia: Parliamentary delegation of Baltic states

Before 2020:

- Austria: **Werner Amon**, Parliamentarian, 2018
- Bulgaria: **Rumen Yonchev**, **Ventsislav Lakov**, **Petya Raeva**, **Vladimir Toshev**, Members of Bulgaria's National Assembly (private trip paid by Taiwan), 2014
- Denmark: **Pia Kjærsgaard**, Member of parliament, 2019
- Italy: Interparliamentary Friendship Group, 2016

The road ahead for shaping future relations with China

In this report we observe the trend that some European governments are becoming more aligned because they perceive China as being more confrontational than ever. The fact that China policies in many European countries have shifted to become more critical also reflects the changes in the US approach to the People's Republic, which has also become much more confrontational since 2017, when it first labeled Beijing as a “strategic competitor”.

Another trend worth mentioning is the apparent gap in a number of countries between the business community, on the one hand, who tends towards continued and even stronger engagement with China, and economy, foreign affairs or defense ministries and intelligence communities, on the other hand, who are more worried about critical dependencies and security issues.

Approaches vis-à-vis China depend on the intensity of mutual relations

The approaches the countries analyzed in this study take vis-à-vis China depend on the intensity of mutual relations – and also on the political views of Beijing's stances. In spite of the many differences, we argue that there is common ground that could possibly facilitate a more coordinated European approach to China in the future:

- In **shaping relations with China**, there is a great deal of agreement among contributors to this report that it is important to keep channels of communication open, to re-invigorate political exchange regardless of differences. The handling of cooperation formats such as BRI, 14+1 and others should be subjected to a critical examination in this context.
- In **economic relations with China**, the “de-risking” approach mainstreamed by EU Commission President Ursula von der Leyen in March 2023 is lauded by some and contested by others. Countries need to strive for a balance between seeking opportunities, cutting dependencies and attracting investments that are beneficial. The defensive mechanisms launched by the EU, like the FDI screening mechanism and the anti-coercion instrument, are considered important tools for managing these relations.
- In the **realm of security policies**, countries need to face and tackle the challenges posed by China and find unified positions on crucial geopolitical issues like China's support for Russia despite the brutal war in Ukraine, the pressure exerted on Taiwan or Beijing's influencing strategies in foreign countries.
- On the **EU level**, capacity-building needs to be front and center to navigate relations successfully and jointly with China. This entails sharing analysis and information to devise strategies and finding language that member states can agree on and unite behind.
- Seeking **alignment within the EU, but also with like-minded partners**, is another prerequisite for successful implementation of a strategic approach to China. This also means finding consensus within the EU about how to manage relations with the United States, which is compounded by concerns voiced in some European capitals about transatlantic dependencies while others pivot closer to Washington. To defend its own interests in a global environment shaped by increasing competition between the United States and China, the EU also needs to create maneuvering space by safeguarding its sovereignty.

What happened since ...

... May 2023. That was when the articles for this ETNC report were finalized. On this page, we include updates of crucial events concerning China policies in some of the countries analyzed:

Bulgaria: On June 6th, a new government came into office, which seems set to toughen the stance on Russia. This may affect relations with China should the Sino-Russian friendship of “no limits” persevere. In July, the Bulgarian Diplomatic Institute to the Minister of Foreign Affairs initiated an expert consultation to help developing the first National Foreign Policy Strategy. This will likely include language on China, as the institute is currently building up in-house China expertise.

Czech Republic: A new Security Strategy was issued on June 28th. It explicitly mentions China as a security threat. Taiwan’s Foreign Minister Joseph Wu visited Prague for the second time in June 2023, meeting the Speakers of both parliament chambers.

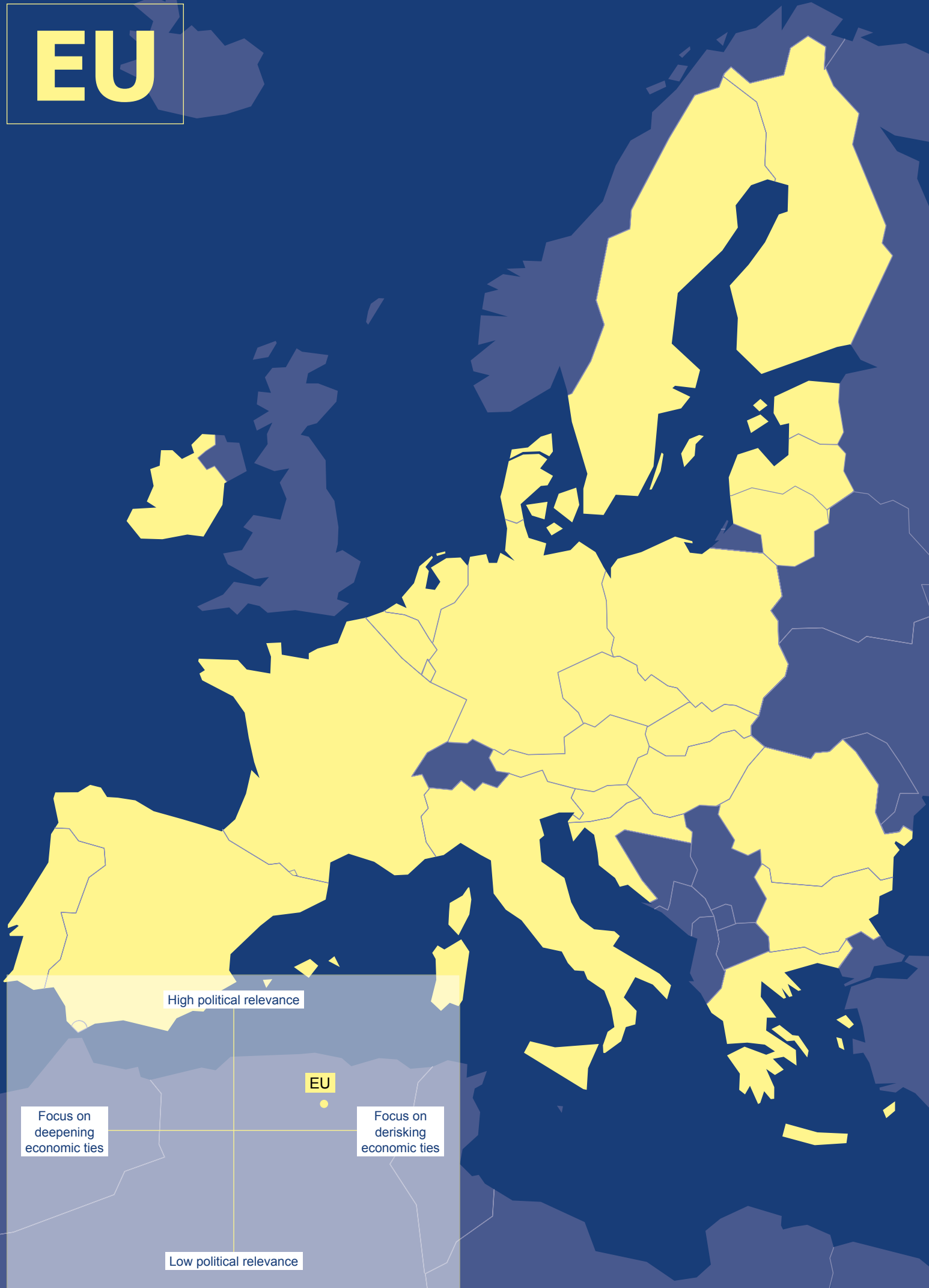
Lithuania: An Indo-Pacific Strategy was published in early July, just before Vilnius hosted the NATO Summit. Despite its stated adherence to One China Policy, the assessment of Beijing remains one of alarm.

Netherlands: In May, the government opened a Contact Point for Economic Security aimed at businesses. In June, the investment screening law (VIFO) came into force, while in July, the Dutch coalition government collapsed, leading to the cancellation of a parliamentary visit to Taiwan.

Slovakia: At the end of May 2023, Slovakia’s Deputy Foreign Minister Ingrid Brocková traveled to Beijing on an official visit. During a meeting with her counterpart Deng Li, she raised several contentious issues, including China’s position on the Russian aggression against Ukraine, human rights in China, the status of Taiwan, as well as presence of an illegal Chinese police station in Slovakia. In June 2023, the third round of the Taiwanese-Slovak Commission on Economic Cooperation took place in Taipei, attended by Slovakia’s Deputy Minister of Economy Peter Švec. The gathering concluded by signing eight MoUs and one agreement to deepen partnerships in the fields of culture, economy and trade, academic exchanges, healthcare, and semiconductors.

Sweden: At the Stockholm China Forum in May 2023, Prime Minister Kristersson acknowledged “the need for de-risking”, which indicates that Sweden supports the EU Commission’s approach. He also stated that the US is “the most important security partner for Sweden and the EU”, emphasizing the importance of the transatlantic link.

EU



EU: De-risking as the new mantra for defining relations to China

François Chimits, Francesca Ghiretti, Grzegorz Stec,

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The geopolitical challenges of the past years highlight the dimensions of competition and systemic rivalry in the EU's approach to China. The shift has been translated in the adoption of a series of policies, positions and strategies that officially do not target China, but seek to resolve many of the concerns vis a vis China. De-risking is the new go to mantra when direction is needed for the development of the relationship with China. Despite the progress made in finding an appropriate and updated response to the challenges and, sometimes, opportunities present in the bilateral relationship, the EU continues to struggle with developing a clear and strongly coordinated approach. Differences exist on three main axes: the traditional division between Brussels and member states, the difference between member states and finally, the differences between institutional preferences within Brussels' institutions. If the EU and member states seek to have an effective approach to China that brings benefits, they must aim for more internal and external coordination and cohesion.

The action: Geopolitical dynamics highlight systemic rivalry

EU-China exchanges increasingly focus on damage control

The EU's three-pronged partner, economic competitor and systemic rival approach remains at the core of its China policy, but it is the rivalrous and competitive dimensions that have gained prominence in recent years. This shift follows the burst of the Covid-19 pandemic, the closure of China for more than two years, the controversies of China's violation of human rights in Xinjiang (and the subsequent exchange of sanctions), the introduction of the National Security Law in Hong Kong, the escalations in the Taiwan Strait and ultimately China's lack of condemnation of Russia's invasion of Ukraine. This led to bilateral EU-China exchanges to increasingly focus on damage control rather than seeking points for constructive engagement (see Exhibit 2). The EU is, therefore, pondering a re-calibration of its China policy without overhauling the logic of its three-pronged approach. Taking the spotlight is "de-risking" bilateral relations and defining the bloc's position more clearly amid increasing geopolitical tension.

Russia's invasion of Ukraine in February 2022 came only a few weeks after Beijing and Moscow signed their "no-limit partnership". Nonetheless, as the war unfolded, Brussels' high-level personalities like EU High Representative for Foreign Affairs and Security Policy, Josep Borrell, expressed at various points their hopes for China to mediate the conflict. Those hopes were met by China's lack of condemnation of Russia and Chinese media amplifying Russia's propaganda messages such as that of the war being sparked by NATO expansion. As Beijing restarted in-person diplomatic exchanges in autumn 2022 and even more so following the abandonment of its zero-Covid policy, China's representatives, including the newly appointed ambassador, Fu Cong, attempted to convince Europeans that the country maintains a neutral stance in the conflict. A narrative on which Beijing doubled down with the release of its position paper on "the Political Settlement of the Ukraine Crisis" in February.

Fu Cong further signaled interest in rekindling engagement with the EU and suggested to revive the Comprehensive Agreement on Investments (CAI) that was shelved by the EU in 2021 following Beijing's retaliatory sanctions on European groups and parliamentarians related to the gross human rights abuses in Xinjiang. The idea of revamping CAI has been

endorsed by the German Chancellery, while Ursula Von der Leyen made clear that CAI, in its current form, does not mirror the EU's current interests and thus any conversation on the matter would have to take that as a starting point.

On the other side, the transatlantic agenda on China, while enlivened under the Biden administration, remains highly complicated. The Trade and Technology Council has undeniably facilitated coordination between the EU and the US, the prime example being the swift imposition of sanctions against Russia. However, the recognition by the US of China as a national security threat highlights an important underlying difference between the American approach and that of the EU. Indeed, while systemic rivalry may have come to occupy a much larger role than partner, the EU and its members do not recognize China as a national security challenge.

Exhibit 2

EU-China Summits: Finding a constructive joint agenda is increasingly difficult

Selected outcomes from EU-China summits under the last two tenures of European Commission (2015–2022)



Participants: EUCO – President of the European Council EC – President of the European Commission HRVP – EU High Representative Li – Premier Li Keqiang Xi – President Xi Jinping (in a separate meeting)

EU-CHINA SUMMIT						
# 17 (Brussels) June 2015	# 18 (Beijing) July 2016	# 19 (Brussels) June 2017	# 20 (Beijing) July 2018	# 21 (Brussels) April 2019	# 22 (video conference) June 2020	# 23 (video conference) April 2022
PARTICIPANTS						
EC, EUCO, Li	EC, EUCO, Li	EC, EUCO, Li	EC, EUCO, Li (+ Xi)	EC, EUCO, Li	EC, EUCO, HRVP, Li (+ Xi)	EC, EUCO, HRVP, Li (+ Xi)
GUIDING AGENDA						
EU-China 2020 Strategic Agenda for Cooperation (2013–2020)					Failed to agree	
JOINT STATEMENT						
✓	✗	✗	✓	✓	✗	✗
NOTABLE POINTS						
✓ Additional EU-China joint statement on climate change agreed	✗ Before: EU joint communication calling for greater economic reciprocity	✓ Reaffirmed commitment to the Paris Agreement days after the withdrawal of the US	✓ Additional EU-China joint statement on climate change and clean energy	✗ Before: EU-China Strategic Outlook redefined the EU's China policy	✗ EU demanded progress on 2019 commitments and on CAI	✗ Buildup: No summit in 2021 in light of political tensions and freeze of CAI
✓ EU-China Connectivity Platform established	✓ EU-China Roadmap on Cooperation (2016–2020) signed	✗ Disagreement on granting China "market economy" status	✓ Expressed commitment to multilateralism amid Trump Presidency	✓ MoU on dialogue on state-aid control and fair competition	✗ EU called out China's cyber operations and actions in Hong Kong and Xinjiang	✗ No common ground on response to Russian invasion of Ukraine
	✓ Provided political guidance for completion of CAI		✓ Expressed joint commitment to rules-based trading system and WTO reform	✓ Agreement on EU-China competition policy dialogue	✓ Follow up leaders' meeting in September: Geographic Indications Agreement signed, High-Level Digital and Climate Dialogues created	✗ Obstacles remain: Economic coercion, sanctions, human and labour rights concerns, reciprocity
	✗ Disagreements on steel overcapacity, but with creation of bilateral platform to address the issue			✓ Additional statement on EU-China energy cooperation		✓ Human rights dialogue to be restarted
Business meeting in the margins		Business meeting in the margins	Business meeting in the margins			

Source: MERICS

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“De-risking”
could display
the pitfalls
of the catch-
all tripartite
approach

The catch-all nature of the three-pronged approach provides a wide degree of latitude to Brussels and member states on the direction of their respective China policy, but such flexibility carries a fundamental pitfall. The EU and its member states deprive themselves of the possibility to debate and set clear priorities for a more coordinated and united approach to China. Consequently, not only the EU lacks clarity over the priorities within its relationship with China, but also it lacks a real buy in from its member states.

Against the backdrop of diplomatic reopening and China’s attempts to bring the relationship with the EU back on track, it will become increasingly important for the EU to clarify its priorities. The past two years have witnessed the EU asserting itself more decisively and adopting a series of policies that better defend its interests also in face of challenges posed by China. On March 30, Commission President Ursula von der Leyen gave a speech on China in which she reiterated the core role of de-risking in the EU’s approach towards China and announced the launch of an economic security strategy. De-risking, nonetheless, remains highly undefined, and risks displaying the same pitfalls of the catch-all tripartite approach if its contours are not defined in due course.

Admittedly, the EU had been building up its domestic geoeconomic toolbox, even before de-risking or the economic security strategy were publicly proposed by President von der Leyen. While none of the following policies are formally targeting China, each have a China angle.

- The **International Procurement Instrument**, allowing member states to ban products and firms from a country without a reciprocal de jure access to its public procurement, was finalized and formally launched.
- The **Anti-foreign Subsidy legislation**, allowing the EU to apply its domestic state aid rules to foreign firms in the single market, was also finalized.
- The **Anti-coercion Instrument** is undergoing negotiations between the Commission, the Council and the Parliament.
- Negotiations on the **Anti-forced Labor instrument** have been dynamic, with the Commission having fielded its own proposition while the Parliament and the Council are still working on theirs.
- In 2022, the EU also launched the **Chips Act**, focused on boosting the EU semiconductor sector.
- In 2023, the Commission launched the **Critical Raw Material Act**, which seeks to secure EU access to critical materials.
- In 2023, the Commission is also expected to launch an Economic security strategy in June, with China being the elephant in the room of many of the topics likely to be covered, be it dependencies, the screening of investments or export control.

Also, relaxation of state aid rules established under Covid were extended by a year. This reinforces the recent uptick in industrial policy efforts geared towards mitigating the external dependencies that the Commission identified in 2021. Industrial Policy of Common European Interest (IPCEI) – the main European instrument for pro-active industrial policies – has allowed for significant advancement on semiconductors and batteries with EU funding. Industrial policy on green hydrogen was launched too. Discussions over other ones – cloud, semiconductors (again), solar and health products - have also been dynamic.

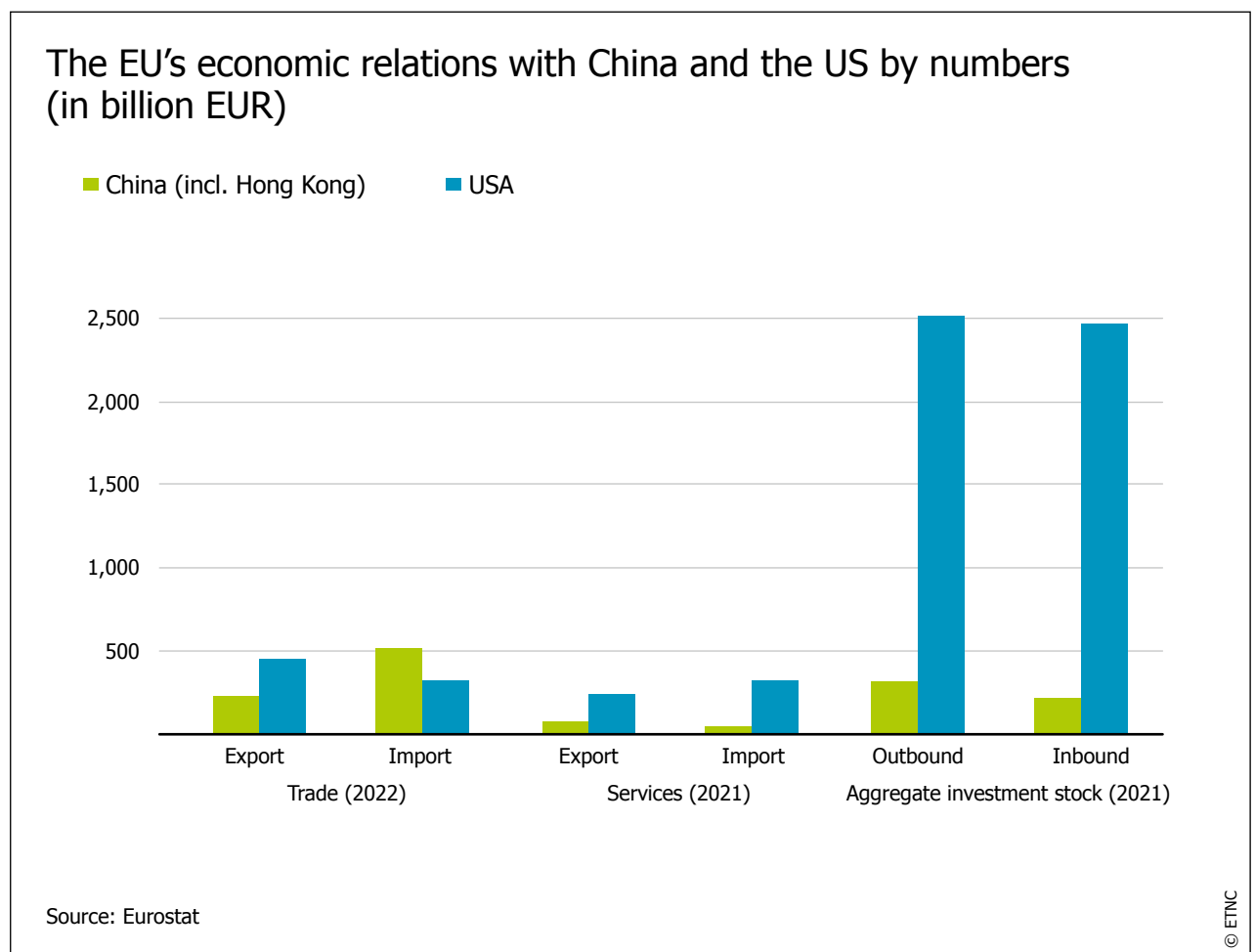
Trade agreement discussions were also revived to foster diversification and rule-based order, leading to the conclusion of negotiations with New-Zealand as well as Chile, and the (re) launch of formal discussions with India, Indonesia and Thailand.

In addition to developing its toolbox, the EU has started implementing existing tools. No less than seven new trade defense instrument (TDIs) investigations have been opened or finalized against Chinese goods or subsidies over 2022, with at least five older ones being renewed and two anti-circumventions applied. This sets China on track to remain the most impacted partner of EU TDIs (68 percent of cases at the end of 2021), and to see a continued increase of the share of its exports to Europe being subject of TDIs (at roughly 13 percent in 2021, versus around 6 from 2000 to 2010).

In terms of substance, the Commission has maintained its more stringent implementation regarding the broad definition of public bodies, below-market financing, and transnational subsidies. The EU also opened two cases at the WTO against Chinese practices regarding the international value of Chinese domestic adjudication on patents and the economic coercion of Beijing against Lithuania.

Beyond the rhetoric, EU-China economic integration is intensifying, but it still lags well behind the US (see graphic). Chinese exports to the EU were dynamic, growing at more than 8 percent over 2022, while imports were down by the same amount. In the meantime, European FDI in China have seen their second most dynamic year ever in 2022 according to Rhodium Group. More strict financial flows are harder to assess, but it is safe to assume that international European investors have not departed from peers and have unwound some of their positions in Chinese financial markets following the Ukraine invasion. This has not prevented European financial institutions from continuing to expand their activities in China as Beijing continues the slow opening-up of its financial sector.

Exhibit 3



The actors: EU on China – who is who and what is what?

The EU's China policy largely plays out through relevant frameworks. These include the annual EU-China summit bringing together the EU and PRC leadership and a series of high-level dialogues (strategic, economic and trade, environment and climate, digital and people-to-people) that connect HRVP or the relevant Commissioners with their Chinese counterparts. Rarely groundbreaking, those semi-institutionalized meetings are nevertheless fundamental to structure European positions and facilitate discussions on China.

European institutions have made a considerable effort to put China higher on the agenda

The European institutions have made a considerable effort to put China higher on the EU's agenda over the last years developing a toolbox of China related policies and strategic documents that include attempts at aligning the position of member states on China. These include the dedicated EU-China Strategic Outlook (2019), Indo-Pacific Strategy (September 2021) or Strategic Compass (March 2022). The most recent efforts include the speech on China given by European Commission President Ursula Von der Leyen on March 30 and the discussion of a new position paper on China.

The EU's China policy is shaped through an institutionalized and semi-institutionalized negotiations process between a plethora of actors playing different roles within the EU system. The level of their engagement and influence differs depending on level of competences of European institutions in the given field.

For instance, where the EU has exclusive competences – such as on customs procedures, competition and common commercial policies – the agency of the Commission and the European Parliament are the strongest, making the EU's policies on China most robust. Similarly, this grants strong impact to the DG Trade and International Trade Committee (INTA) in shaping the EU's China policy.

The relatively diluted competences in the realm of common foreign policies and security mean that the member-states led European Council and Council of the EU hold the final say. The controversial unanimity requirement creates a significant hurdle to developing a united position in general, and towards China in particular. A few member states have now advanced a proposal to move away from unanimity in foreign and security policy in favor of an approach based on qualified majority.

That is just the latest of a number of changes that are quietly emerging within the EU. The speech on China by Commission President Ursula Von der Leyen is an example of how the European Commission and her Cabinet more specifically are trying to broaden their influence in foreign policy matters, even when they go beyond the strict competence of the Commission. However, the importance and complexity of dealing with China is blurring such divisions.

In all of this the European Parliament has come to occupy the role of watchdog, making sure the other institutions do not forget about China's violation of human rights and the risks the bilateral relationship carries.

The future: The EU has some way to go to reach a consistent approach towards China

Four years after the Strategic Outlook, three years after the beginning of the Covid pandemic, and two after the first strategic dependency report, the EU is still missing a clear approach on China. This has not prevented the bloc from developing multiple actions and initiatives on the matter, as detailed above. Nevertheless, the lack of a clear approach and framework creates risks of inconsistencies between sectors and of frictions between European partners further down the road.

The lack of the “de-risking” concept’s formalization increases risks as the reopening of China and Beijing’s shift of rhetoric will create economic opportunities that have already led to a renewed push for a more cooperative approach. The recent more assertive stance and measures towards economic distortions and challenges coming from China occurred during a closed-up zero-Covid China.

As it is, the EU has yet to showcase how “to walk, chew gum and play chess at the same time” with China. More concretely, the Europeans need to demonstrate how they can simultaneously pursue all three of the systemic rival line, de-risking in economic relations and the maximization of their economic benefit in China. The economic situation in China is motivating Beijing’s friendlier communication mode towards the EU. Despite the lack of hope for any significant changes in terms of substance and goals, European leaders and communities have already been signaling a deeper engagement with China that does not seem to consider the real risks China poses to the EU.

Against this backdrop, it will remain crucial to invest more effectively in coordinating with like-minded partners on Chinese behaviors that undermine the rule-based international order and developing an appealing offer to third countries.

In the context of cooperation with like-minded partners, the EU should develop a clearer list of actions and objectives it wants to pursue in relation to China, including red lines on what is not acceptable both in terms of objectives and implementation. Then there comes the question of engagement with developing economies. The Global Gateway initiative branded as the key EU’s engagement tool for boosting relations with partners from developing countries requires more robust implementation and clearer strategic messaging. The EU still needs to develop a consistent and convincing message and offer to demonstrate why its vision of the international system, challenged by China, is also beneficial to those partners that find themselves courted by Beijing.

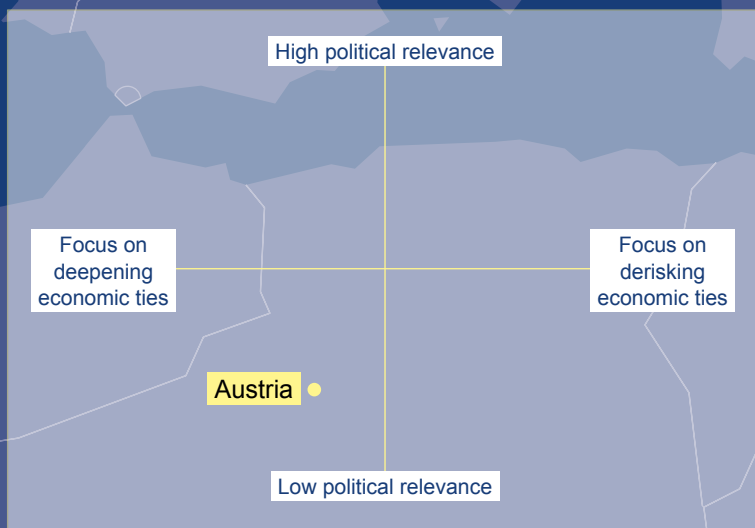
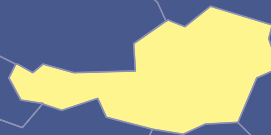
The lack of a clear approach creates risks of frictions between European partners

Spotlight on Taiwan

Under its One China policy, the EU recognizes the People's Republic of China, but reserves the right to develop relations with Taiwan that do not amount to recognition of statehood. Over the past months these relations have been developing with several key topics driving the EU's Taiwan file:

- The Council and the EEAS are developing a set of coordinated response measures to a potential spike of tensions in the Taiwan Strait.
- While the Commission is not interested in negotiating a Bilateral Investment Agreement with Taipei arguing that the Taiwanese market is already quite open, it has launched annual EU-Taiwan Trade and Investment Dialogues (since 2021) and upgraded (in 2022) the EU-Taiwan Trade and Investment Economic Dialogue to the ministerial/director-general level.
- The EU seeks to expand cooperation with Taiwanese actors in the semiconductor industry.
- The EEAS and relevant committees of the EP increase knowledge exchanges on China's foreign information manipulation activities.

Austria



Austria: Between amicable bilateral relations and support for a European China policy

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Austria's current approach towards the PRC seeks to strike a balance between, on the one hand, maintaining amicable bilateral relations with China, all the while not appearing too close to Beijing, and, on the other hand, supporting and relying on a common European approach towards China. This equilibrium rests on several pillars: the absence of domestic debate on China, the PRC's non-confrontational diplomatic approach, the low salience of the China's economic presence in Austria as well as the ambiguity of the EU's China strategy.

The action: A changing global policy environment

The Alpine Republic's bilateral relationship to the PRC – which after the establishment of diplomatic ties in 1971 expanded rather gradually – experienced a renewed political impulse throughout the 2010s. On the Austrian side this intensification of bilateral relations was largely guided by the determination to deepen economic relations. Especially in the aftermath of the global financial crisis of 2008, the Chinese market was largely perceived as a market of hope (Hoffnungsmarkt), an opportunity for growth and export diversification.¹

Although bilateral relations cooled down following the Dalai Lama's meeting with the then Federal Chancellor Faymann (SPÖ, social democratic) and Foreign Minister Spindelegger (ÖVP, Christian-democratic conservative) in May 2012, diplomatic ties were again normalized a year later with Austria reaffirming its attachment to the One-China Policy and the PRC extending the loan of two pandas to Vienna's Zoo.²

By 2015, at latest, bilateral relations regained momentum with Federal President Fischer's (SPÖ) second state visit to China, which notably resulted in Austria joining the AIIB as a founding member as well as the 16+1 initiative as an observer.^{3,4} At that time, the Belt and Road Initiative (BRI) generated high expectations for both Austrian policy makers and business representatives, as a chance to not only strengthen economic ties with the PRC, but also to benefit from Chinese infrastructure investments in the CEE region by positioning Vienna as a logistic hub⁵ and point of entry to neighboring markets.⁶

The signing of a friendly strategic partnership (freundschaftliche strategische Partnerschaft) during the joint state visit of President Van der Bellen and then Chancellor Kurz in April 2018 marked a culmination in the deepening of bilateral relations. In this context, an MoU on the BRI between the Austrian Ministry of Transport and the National Development and Reform Commission (NDRC) was signed.⁷ Subsequently, intensified political exchanges were maintained up until the outbreak of Covid-19, which induced a drop in the intensity of the relationship.

Yet, in parallel, the global policy environment surrounding the Sino-Austrian relationship has become considerably more uncertain. As is outlined in the country's yearly security outlook, a report published by the Federal Ministry of Defense, security risks associated with the PRC have multiplied since 2019. Markedly, the latest report, from 2022, lists the "systemic conflict between the US and China", as well as "EU-China tensions" respectively as a current and very likely scenario with a significant impact on Austria's domestic securi-

Austria's
relationship
with China
intensified
throughout
the 2010s

ty.⁸ In fact, the entrenchment of the US-China rivalry did not only dampen expectations for bilateral economic relations by adversely affecting Austrian businesses based in the PRC,⁹ but it also raised a growing challenge to Austria's constitutional neutrality.¹⁰

Similarly, tensions between the PRC and the European Union – epitomized by the reciprocated sanctions in March 2021 – as well as with individual EU member states have further put a strain on the Alpine Republic's foreign policy stance. Indeed, in stark contrast to the EU-China relationship, Austria's bilateral relationship with the PRC has remained stable. At the same time, the last years saw a rising awareness of Europe's, and thereupon also Austria's, dependence on China in strategic sectors. This perception was greatly amplified by shortages in PPE and other pharmaceutical products during the first months of the Covid-19 pandemic.

Balancing bilateral relations and a common European approach

Arguably, these developments have induced a broadening of Austria's foreign policy rationale towards China. On the one hand, the PRC remains an important economic partner with which Vienna seeks to intensify bilateral relations.^{11,12} To that end, Austrian diplomatic efforts refrain from engaging bilaterally with the PRC on potentially contentious issues. For instance, during the Covid-19 pandemic Austria avoided singling out the PRC regarding deficiencies in PPE imports¹³. More recently, the current Austrian Chancellor Nehammer (ÖVP), clearly positioned himself against a boycott of the Beijing Olympic Games, all the while explaining the absence of Austrian political delegates through the prevalent Covid-19 travel restrictions.¹⁴

Yet, while keen on maintaining amicable relations, Vienna has also been mindful to not appear too close to Beijing. For instance, at the news of the Sino-Italian MoU on the BRI, the Alpine Republic's federal government – at that time under the leadership of Chancellor Sebastian Kurz – clearly distanced itself from this, even though it signed an inter-ministerial MoU during the previous year.

Vienna has been mindful to not appear too close to Beijing

On the other hand, there is a clear understanding among Austrian policy makers and experts that a common European approach towards China is necessary. As the Foreign Minister states in response to a parliamentary inquiry, the EU's common foreign policy forms the foundation of Austria's strategic approach to China.¹⁵ In particular, the EU's multifaceted approach defining the PRC as a partner, competitor, and a systemic rival has quickly gained support. This accent on a common European approach is strengthened by the perception that the scope of action for Austria remains limited on a national level.

Especially in the context of controversial topics, Vienna is keen on following European initiatives. Covid-19 test requirements were, for instance, only implemented after the conclusion of a European recommendation for precautionary measures.¹⁶ Similarly, engagement on human rights issues tends to be focused on multilateral initiatives, notably joint statements.¹⁷ In that sense, Austria's policy towards the PRC aims to maintain an equilibrium between, on the one hand, sustaining amicable bilateral relations with China, all the while not appearing too close to Beijing, and, on the other hand, supporting and relying on a common European approach towards China.

Factors: lack of domestic debate, China's low economic salience, ambiguity of EU approach

Especially compared to its northern neighbor Germany, Austria has lacked a significant political debate on China. In fact, the PRC has remained a peripheral issue in the Alpine Republic's parliamentary discussion. In addition, the parliamentary parties have up until now not formulated positions on bilateral relations with the PRC. This can to a large extent be explained by the lack of domestic political capital associated to China. Additionally, there appears to be a tacit understanding across party-lines regarding the necessity of maintaining amicable relations. In that sense, relations to China do not appear to be a major source of political controversy.¹⁸

The lack of political debate has resulted in a minor role for Austria's parliamentary chamber, as well as political parties in general. Indeed, the Alpine Republic's relation with the PRC have up until now been mainly shaped by the Federal Government. The Federal Chancellery, Federal Ministry of Foreign Affairs and Ministry of Economic Affairs are especially influential. Furthermore, while interest groups (Interessensvertretungen) represent important actors of the Austria-China bilateral relationship, they rarely are in contradiction to the government's position.¹⁹ Likewise, public debate on China appears to be of limited intensity and influence.

Austria has lacked a significant political and public debate on China

Even though there has been an increase in mediatic interest regarding the PRC since the outbreak of the Covid-19 pandemic, the coverage rarely focuses on Austria and has attracted only limited public attention. Overall, the Alpine Republic's public stance towards the PRC can be described as being rather nonchalant: while perceptions have worsened recently, there seems to be no great public interest to intensively engage with China nor alter Austria's approach to the PRC. Together, China's peripheral position within domestic debates, the absence of political controversy, as well as the public's nonchalance mean that there is neither significant political nor public pressure on the Austrian government to alter its approach to the PRC.

The absence of debate is, arguably, further reinforced by the success of the PRC's diplomatic efforts in Austria, which throughout the past tumultuous years have remained rather non-confrontational. The former ambassador, Li Xiaosi (2016-2022), enjoyed a high reputation with Austrian policy makers, as well as influential social actors. He was markedly awarded Vienna's second highest honorary medal in 2021.²⁰ While the PRC's new ambassador, Qi Mei, appears to be continuing her predecessor's conciliatory approach, it remains to be seen whether she is able to integrate into the Austrian society.

Moreover, even though economic relations between Austria and China have greatly intensified during the last decade, they have been of rather low salience. Indeed, bilateral economic relations have remained rather inconspicuous given their relatively confined scope as well as the absence of prominent cases. Firstly, China's FDI stocks still remain significantly smaller than those of European countries, as well as traditional trading partners, such as the US or Japan.²¹

Moreover, Chinese investments in Austria have mostly concentrated on hidden champions – medium-sized enterprises leading in industrial subsegments, which are unknown to the wider public. These take overs have neither attracted widespread public attention nor triggered a "Kuka-Moment", i.e., a swift reversal of political perceptions.²² Accordingly, discus-

sions surrounding the design and implementation of a European FDI screening mechanism did not specifically concentrate on Chinese investments.

More broadly, Austria's economic exposure to the Chinese market is rather limited.²³ In addition, the core market of Austria's strongest brands tends to be situated either in the DACH and CEE region or the US.²⁴ Hence, the perception of economic dependence appears to be rather limited.

Lastly, the rather vague and ambiguous nature of the EU's current strategic approach provides Austrian policy makers with a substantial margin for maneuver. In particular, the multifaceted approach towards China – partner, competitor and systemic rival – leaves wide room for interpretation. In fact, in contrast to other EU members, in particular Germany, Austria appears to be pursuing a de-facto bucket approach: trade and climate change issues tend to be seen as fields of partnership and cooperation; in the context of strategic sectors, notably digital technologies, the PRC tends to be seen as a competitor; while regarding the upholding of the global, multilateral governance system China is increasingly perceived as a rival.

Austria's economic exposure to the Chinese market is rather limited

Interestingly, Austrian policy makers tend to associate these three different facets with different engagement approaches. Regarding global governance the scope for national action is perceived to be rather limited. Vienna, hence, concentrates its engagement on European and multilateral initiatives. Similarly, the reduction of dependencies in strategic sectors appear to be primarily associated with a common European approach. In contrast, trade remains a mainstay of bilateral relation with the PRC. Overall, the ambiguity of the EU's approach to China enables Vienna to maintain a balance between, on the one side, navigating the rising tensions in the EU-China relationship and, on the other side, pursuing an amicable bilateral tone.

Efforts for re-structuring of bilateral relations

In line with the current ÖVP-Greens coalition's government program, the federal government undertook first steps towards the development of a national China strategy. In particular, an inter-ministerial China coordination group, gathering representatives from all federal ministries, was established in late 2020. At the same time, the Federal Chancellery commissioned an input paper for its China Strategy. In this context, consultation with domestic major interest groups, as well as with European partners were also undertaken. Importantly, this process is aimed at increasing both China specific knowledge as well as the coordination between ministries on their engagement with China.²⁵

Although it is unlikely that the national China strategy comprises nor in itself triggers major shifts in Vienna's approach to Beijing, it represents a crucial step in structuring bilateral relations. On the other hand, whereas the publication of a China strategy might well contribute to a modest start of a political discussion, as well as public engagement on relations with China, Austria's domestic debate is likely to stay limited given the lack of political capital associated to China policy.

However, with no publicly announced timeframe, it is not yet certain when or - by that matter - whether at all Austria's China Strategy is going to come to fruition. Arguably, the formulation of a new Austrian "comprehensive" security strategy, announced by the ÖVP-Greens coalition for the fall of this year, represents an opportune moment for the Austrian

government to continue the development of its China strategy, notably by placing it within a broader thematic and geographic context.

All in all, although Austrian policy makers appear to have largely lost appetite for a significant expansion of relations with Beijing, Vienna is set to remain determined in balancing amicable bilateral relations with the PRC and support for a European China policy. By appearing neither antagonistic nor too friendly towards China, the Alpine Republic has sought to position itself in the European mainstream. However, with the EU's approach to Beijing being increasingly defined in light of the PRC's stance towards Russia's invasion of Ukraine,²⁶ Vienna's balancing act looks increasingly acrobatic.

Indeed, the absence of a *Zeitenwende* in Austria, the ambiguity of the country's 'neutrality in the European spirit',²⁷ as well as its tendency to dream of itself as a bridge-builder,²⁸ have pushed Vienna further towards the periphery of European foreign policy. Crucially, up until now the Alpine Republic's balancing of bilateral relations and European approach to the PRC was enabled by the latter's ambiguity. The ongoing clarification of the EU's approach might well place a *difficult* choice before the Alpine Republic: follow changes in Europe's China policy or find itself viewed by its European partners as a foreign policy enclave.

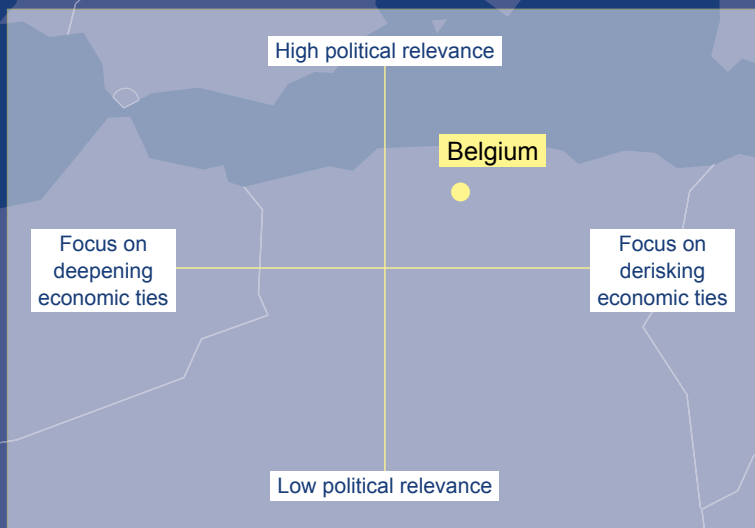
Spotlight on Taiwan

Austria has, since the establishment of diplomatic relations with the PRC in 1971, adhered to the 'One-China Principle'.²⁹ Currently, Austria holds a representation office and commercial office in Taipei, while Vienna hosts a Taipei Economic and Cultural Office. Yet, given Austria's reticence to engage bilaterally on contentious issues regarding the PRC, the Austria-Taiwan relationship has centered on cultural and economic cooperation, all the while remaining rather inconspicuous. In fact, contrary to its neighbors, Slovakia and Czechia, political relations with Taiwan did not experience any meaningful expansion over the last years.³⁰

Both the successive Austrian governments, as well as the legislative chambers have largely refrained from publicly addressing the issues surrounding Taiwan and Cross-Strait relations.^{31,32} In addition, the sub-national relations have both remained scarce and limited in scope.³³ On the other hand, economic relations, as well as cultural and educational exchanges have witnessed a gradual and pragmatic deepening in the last years.³⁴

Most recently, Austria's Ministry of Economic Affairs signed an MoU with its Taiwanese counterpart to promote cross-country innovation.³⁵ With the PRC remaining the Alpine Republic's primary economic partner in the region and without significant domestic pressure by domestic political and social actors for a change in Austria's current approach, relations with Taiwan are likely to both remain inconspicuous and only expand gradually.

Belgium



Belgium: From friends to frenemies with China

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Belgium can be depicted as an active recipient of EU China policy. Political China-debates at federal and at regional level are held on a regular basis and echo the Union's 2019 Strategic Outlook, considering China as a partner, competitor, and a systemic rival. Initiatives and developments are taking place, usually induced by European principles – such as democracy, humanity, rule of law – and strategic guidelines (i.e. from principled pragmatism to open strategic autonomy).³⁶ The Ministry of Foreign Affairs (MOFA) has an internal, though unofficial, China Strategy.³⁷ However, as examples show, Belgium's China policy has attributes similar to that of a Swiss cheese, an incomplete approach consisting of ad hoc and case-by-case efforts to cope with challenges in Belgium's relationship with China.

Introduction

From commercial opportunism towards a more realistic approach to China

Along with the EU's China disillusionment – reflected in its 2019 Strategic Outlook – Belgium's approach towards China has gradually shifted from commercial opportunism towards a more realistic position. Statements of the Minister of Foreign Affairs, legal initiatives originating from the wide Belgian political spectrum, and even private initiatives reflect this reality-check. While the Belgian MOFA's new China Strategy remains confidential, the ministry is clearly trying to navigate between Belgium's business interests as a small and geographically central trading nation and the growing security- and diplomatic challenges it faces in its relationship with China.

The complex structure of Belgium's political landscape regularly has proven to be an obstacle in developing solid and coherent policy. Following the EU Regulation on FDI Screening, a Belgian interfederal FDI screening mechanism is currently being implemented. However, the fact remains that it took a burdensome negotiation process of seven years among the numerous Belgian governmental levels, communities and regions to find the required support. A questionable Sino-Belgian extradition treaty and a disappointing Walloon business deal with Alibaba exemplify the lack of ex ante assessment capacity and of a long-term vision on the Sino-Belgian relationship.

The Sino-Belgian reality check

The 2016 Sino-Belgian Eandis case deserves special mention as it drew a clear demarcation line in Belgium's, and more specifically Flanders', approach towards China. Long before there were even whispers of the 5G security debate in Europe, Belgian considerations on foreign interference in critical infrastructure were triggered when the Chinese state-owned electric utility company State Grid attempted to buy a 14 percent share in Eandis. This Flemish energy distributor, owned by different communities, provided 80 percent of Flanders' electricity and gas. The possibility of a business transfer with the Chinese state company spurred a heated and mediatized debate.

The critics warned of the growing influence of an autocratic country in Belgium's vulnerable sectors. The proponents depicted the transfer as apolitical and hence *business as usual*. According to them, the transfer could be compared to the sale of Belgian energy corporation Electrabel to the French utility company GDF Suez in 2005. Eventually, the Sino-Belgian deal fell through due to the refusal of one of the Eandis-owning communities

to fuse the seven, initially independent, network operators. This corporate merger was a precondition for the business transfer with China's State Grid.³⁸

Even though the security considerations alone did not put a stop to the Eandis deal, they did set alarm bells ringing. A thinking exercise at the Flemish regional level was triggered on how FDI could be politically monitored to avoid risky dependencies in strategic sectors.³⁹ Endless discussions on the division of governmental competences, sector lists and applicable definitions however hampered the development process.⁴⁰

It took a European FDI Regulation, a geopolitical awakening – triggered by Belgium's gas dependency on Russia –, and seven years of political wrangling, for the Belgian political elite to agree upon an interfederal FDI screening mechanism.⁴¹ The Federal Ministry of Finance has currently assigned three people to the FDI screening team, with the aim of scaling up this number to ten. More information on the specific budget and expertise has yet to be revealed.⁴²

A parallel discussion on the presence of Chinese state companies in Flemish ports such as Antwerp and Zeebrugge (two ports that merged in 2022) lately dominated the Belgian debate on China. A research paper stressed the political and military background against which Chinese shipping companies such as COSCO Shipping and China Merchants operate. It criticized politicians and private actors for turning a blind eye to the security and dependence consequences of considerable business activities by such firms in Belgian ports.⁴³ The report was covered by the Flemish and the Walloon, printed, radio and television media, and resurrected security concerns in the Belgian political corridors.

Belgian MEPs have been increasingly confronted with China's wolf warrior diplomacy

Flemish Minister-President Jan Jambon nevertheless emphasized that, due to its scale and its interest in open and free trade, Flanders should seek a pragmatic balance between strategic interests and economic opportunities when it comes to its relationship with China. To cope with potential risks, he referred to the Flemish ex-post monitoring system by which decisions can be nullified if contrary to Flemish interests.

This monitoring system was implemented in 2019, but only applies for the Flemish state-owned sector. Its ex-post feature has been criticized due to the risk of consequential legal uncertainty.⁴⁴ Minister Jambon also emphasized the progress of the interfederal FDI screening mechanism. Thirdly, he mentioned the trade defense instruments at EU level, which are in full development and complementary to the internal Belgian levers.⁴⁵

Diplomatic quarrels

Diplomatically, an interview on the same seaport paper with the Belgian Minister of Foreign Affairs (MFA), Hadja Lahbib, caused tensions. In the interview she emphasized the complexity of the Sino-Belgian relationship, entailing a dimension of partnership, rivalry, and hostility. While the interview was not withdrawn, a request from the Chinese embassy to do so, along with warnings of economic consequences for Belgium if giving publicity to what were depicted as "rumors," leaked.⁴⁶

Belgian members of Parliament have been increasingly confronted with China's wolf warrior diplomacy. In May 2020, Flemish-nationalist Member of Parliament Theo Francken (N-VA) submitted a resolution at federal level, asking the government to encourage an independent international analysis of the source of Covid-19 in response to the reluctance of

the Chinese government towards such investigations. The Chinese embassy took offense, accusing Belgium of politicizing the pandemic along with other western countries.⁴⁷

In March 2021, Green party member, Samuel Cogolati (Ecolo), was one of the ten European politicians to be sanctioned after he submitted a recently accepted resolution on recognizing the human rights situation in Xinjiang as a possible risk of “genocide.”⁴⁸ Shortly after submitting his resolution, Cogolati became the target of a cyber-attack, which could be brought back to a Chinese state actor according to the Belgian Centre for Cybersecurity.⁴⁹

The Chinese embassy’s most recent letter was sent in response to a legislative initiative by Christian-Democrat Els Van Hoof (CD&V) on the hostile attitude of China towards Taiwan. The Chinese ambassador warned Van Hoof, also President of the Federal Commission on Foreign Affairs at the Parliament, not to “play with fire” by intervening in Chinese internal affairs.⁵⁰

The actors

The MOFA is a central actor in developing Belgium’s China policy. At the time of writing the Ministry’s modified strategy is under review, awaiting official validation. While the strategy remains confidential, the interview with MFA Lahbib as well as the resolutions submitted by the governing parties, show a clear trend towards a more realist China approach, aligning with the European evolution from principled pragmatism to open strategic autonomy.⁵¹

Nearly every Belgian party has submitted legal initiatives on the Sino-Belgian relationship – focusing on human rights, Taiwan and Hong Kong – which are being discussed or voted on in the current parliamentary term (2019-2024).⁵² The only outlier in this regard is the extreme-left party, usually abstaining or voting against such resolutions. Their argument is that Belgium should not go along with the current Cold War rhetoric which is spilling over from the US into Europe. They, moreover, emphasize the hypocrisy of criticizing and scapegoating China, while cooperating with other questionable regimes, and call for dialogue over confrontation.⁵³

The Flemish extreme-right party can also be considered an outlier, but more specifically when it comes to the topic of Taiwan. Whereas the political center unanimously recognizes the one-China policy, the Belgian extreme-right submitted a resolution in which they ask the government, besides condemning the hostilities, to recognize the island as a sovereign and independent nation.⁵⁴

Preparatory legal documents indicate that the interests of the private sector are considered in the development of Belgian policy vis-à-vis China.⁵⁵ When developing the criteria and procedures of the interfederal FDI screening mechanism for example, major Belgian industry associations such as VBO (an overarching organization representing more than 50,000 Belgian companies and 50 sectoral federations, ranging from steel to high-end production), Agoria (representing 2000 technology companies in the manufacturing, digital and telecom industry), VOKA (the Flemish counterpart of VBO representing 18,000 Flemish firms), UWE (representing 80,000 companies in Wallonia), and BECI (a partnership between the Brussels Chamber of Commerce and VBO Brussels, representing 35,000 Brussels-based firms) have urged for, and achieved, the exclusion of foreign greenfield investments in the FDI screening procedure.⁵⁶

Nearly every Belgian party has submitted legal initiatives on the Sino-Belgian relationship

Security concerns on doing business with China are often appeased by representatives of the private sector – such as the president of the China-Belgium Chamber of Commerce and the top executive of Belgium’s seaport platform – warning for protectionism and stressing the importance of free trade for a small country like Belgium.⁵⁷ A recent article shows that discursive concerns and political condemnations are not always mirrored by Belgian private business activities in practice. Over the past years, several Belgian banks have provided investment funds which included firms active in developing surveillance material and electricity for the Xinjiang detention camps.⁵⁸

In response to the fear for corporate espionage and to the deteriorating Sino-US relationship, some private entities have launched their own initiatives. Imec, a long-standing partner of ASML and one of the few companies in the world where prototypes of microchips are being tested and designed, decided to phase out all cooperation with Chinese researchers and companies. Their exchange with the Chinese Semiconductor Manufacturing International Corporation (SMIC) was halted.⁵⁹

Capacities

Upholding a coherent and proactive China strategy has proved to be a challenge for Belgium. In 2016, the Belgian government led by Charles Michel agreed upon a Sino-Belgian extradition treaty. According to a source closely involved, such a treaty was imperative for fruitful Sino-Belgian commercial relations.⁶⁰ Three years later, Beijing’s repression of the Hong Kong protests and its controversial national security law, triggered several European member states to halt similar treaties.

The current Belgian Minister of Justice eased the human rights concerns by referring to the inclusion of contractual grounds for refusal in case of the presumption of torture, political crimes, or inhumane treatment. A thorough case-by-case approach should avoid unwanted extraditions from happening. However, international law experts have questioned these guarantees and stressed that an extradition treaty with China was never a prerequisite for Sino-Belgian judicial cooperation. At European level, instruments are foreseen to conduct the transfer of suspects.⁶¹ The lack of a proper ex ante assessment on the judicial necessity, the benefits and the risks of this Sino-Belgian extradition treaty could have avoided today’s uncomfortable political ad hoc cornering of human rights concerns.

Another example indicating Belgium’s insufficient ex ante assessment capacities, is the investment of Alibaba in the trade hub of the Wallonian city of Liege. Like the extradition treaty, this business deal envisioned economic opportunities in the Chinese market. A recent report has revealed that the activities of Alibaba have not resulted in the expected employment boost, nor has it increased the trade flows from Belgium to China.

Trade between Liege and Beijing is largely dominated by Chinese products, adding to the Sino-Belgian trade imbalance. The lack of personnel within the customs service in Liege hampers a smooth controlling procedure of the sharply risen incoming freight and already led to different strikes.⁶² Security concerns and data protection issues have been raised by the Minister of Justice, which has angered the Walloon minister of airports, accusing the former of being “jealous of Wallonia’s success story.”⁶³

These examples present a disappointing picture of Belgium’s capacities in developing a robust and coherent China strategy. In 2019 the MOFA initiated two coordination instruments for Belgium’s China policy. The first one is an internal instrument gathering all China-relat-

Upholding a coherent, proactive China strategy has proved challenging for Belgium

ed services within the Ministry. The second goes beyond the Ministry and brings together the Belgian federal and local authorities that have China-related activities. The Ministry's updated confidential strategy is currently under review.⁶⁴ It remains to be seen whether the coordination instruments and the new strategy will result into proper assessment capacities and a decisive, coherent, and proactive China policy.

Future and conclusion

Similar to what is happening at European level, Belgium increasingly realizes that, while the economic ties with China remain important, the Sino-Belgian relationship also entails an aspect of competition and systemic rivalry. Since the Eandis case – which can be considered a watershed moment in the Sino-Belgian relationship – the approach of Belgium's politicians, and even of some private entities, has gradually shifted from buttering up Chinese officials with the aim of unlocking economic opportunities to raising concerns on security issues, the growing trade imbalance and China's disappointing human rights record and regional aggressiveness.

Policy initiatives, such as the interfederal FDI screening mechanism, have been launched but their implementation is often hampered by Belgium's fragmented political and constitutional landscape. The Sino-Belgian extradition treaty and questionable business deal with Alibaba reveal a lack of a coherent vision, strategic thinking, and proactive assessment capacities. These cases mostly remain a legacy of previous political decision-making, which prioritized the economic opportunities behind China's investment wallet and untapped consumer market.

It remains to be seen whether the 2019 coordination instruments within and beyond the Ministry of Foreign Affairs and its new internal China strategy can avoid similar short-term thinking and opportunistic policymaking in the future.

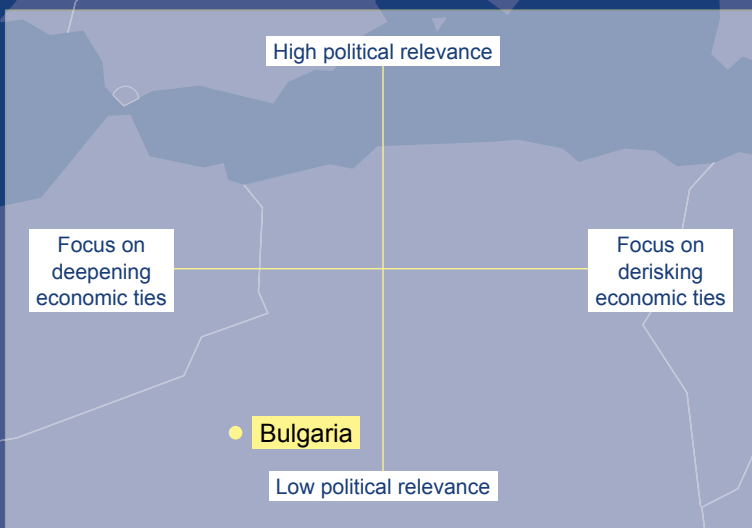
Policy implementation is often hampered by Belgium's fragmented political landscape

Spotlight on Taiwan

Consensus among the Belgian political center exists that the current one-China policy as the basis for Belgium's approach towards Taiwan should not be changed. Nor should a foreign entity provide a final solution for the Chinese-Taiwanese situation.⁶⁵ Critical resolutions on the increasingly hostile attitude from China towards the island have been submitted though.⁶⁶ Rather than acting unilaterally, Belgium's stance remains rhetorical and EU-centered.

Aware of the economic and strategic importance of peace in the area between the South and East China Seas, a larger role for the EU as a mediating actor in that neighborhood has been pleaded for. According to most Belgian politicians, the one-China policy should moreover not hamper the development of strong economic, diplomatic, and cultural ties between Belgium and Taiwan.⁶⁷ This is mirrored by the highly active Belgian representation office in Taiwan and its Taiwanese counterpart in Brussels, simultaneously representing Taiwan in Belgium and in the EU.

Bulgaria



Bulgaria: No clear strategic vision and insufficient safeguards

Mariana Trifonova, East Asia Program Director & Senior Analyst,
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Bulgaria lacks a comprehensive and coherent approach to engagement with China that is stipulated in a formal or informal national policy. Relations with China rarely make it into the policymakers' agenda, overshadowed by a plethora of domestic issues or more controversial foreign policy topics. Bulgaria emphasizes primarily the potential of China as an economic partner due to a sense of lagging behind other Central and Eastern European states in attracting Chinese investments. Limited China competence and experience in public institutions, coupled with the absence of nation-wide safeguards against potential vulnerabilities, creates asymmetry in the relationship.

Cornerstones of Bulgaria's engagement with China

Bulgaria was the second country in the world to recognize the PRC after the Soviet Union – a fact with little significance to the current state of bilateral cooperation. Bulgaria is lagging significantly behind other countries in Central and Eastern Europe when it comes to attracting Chinese investments or increasing exports to the large Asian market. This implicit need to play regional catch-up rationalizes the tendency to view China mostly as a potential economic partner.

Sectoral cooperation is focused on trade and investments, agriculture, tourism, and cultural and educational exchange. The pre-pandemic years were marked by an intensification of high-level bilateral political and diplomatic exchanges. During his trip to Beijing on the occasion of the 70th anniversary of the establishment of bilateral diplomatic ties, President Rumen Radev's meeting with Xi Jinping resulted in the elevation of bilateral relations to the level of strategic partnership.⁶⁸

The upgrade to strategic partnership also came at the tail end of more China-focused activity on behalf of the government and personally the then Prime Minister Borissov who offered to host in July 2018 in Sofia the annual Summit of the China-CEEC Cooperation Mechanism.⁶⁹ This change in attitude could be attributed to a broader shift of looking to the East in Borissov's foreign policy maneuvering in his third term as prime minister. After his return to power in 2017, he sought a more balanced and diversified approach, trying to appease not only EU and NATO allies but also important regional players such as Türkiye and Russia who both enjoy the support of strong lobbies in Bulgaria.

Maintaining relative neutrality and performing a balancing act between various competing foreign powers is not a new concept in Bulgaria's foreign policy doctrine. In fact, the country's default diplomatic stance includes avoiding individual confrontation with stronger actors in the international arena, even if their actions clearly contradict international law or democratic principles. This tendency has so far been appreciated by China as it fits Beijing's narrative of non-interference in other states' domestic affairs and respect for each country's own development model.

Bulgaria's non-existent China strategy and the drivers behind it

The issue of a national China policy has not garnered much interest from key policymakers. This could be attributed to the preference to adhere to a more flexible, strategically ambig-

Bulgaria was the second country in the world to recognize the PRC

uous approach towards China. After all, there is no precedent of drafting any type of formal policy on relations with Russia, Türkiye or the United States whose influence in Bulgaria generates much more lively discussions.

Politicians have been slow to take up the issue also because Bulgaria so far has not been the center of Chinese attention in the region. The country's EU and NATO membership, the existence of grants-based EU funding as well as strong local lobbies in the infrastructure construction sector have made it a less appealing destination for China in comparison to the Western Balkan states. However, Shopov⁷⁰ argues for the emergence of a reinvented charm offensive on behalf of Beijing through cultural and public diplomacy at a sub-national level. Without a concrete national policy in place, Filipova⁷¹ warns against the dangers of asymmetry in the bilateral dynamics, comparing a potential Chinese push for influence in Bulgaria to knocking on a door wide open.

Otherwise competing domestic lobby groups have both called out the detrimental effects of not having a coherent national approach on engagement with China. Some Bulgarian diplomats and public servants with significant experience interacting with the Chinese side have echoed similar sentiments in private. On one side, keen supporters of expanding cultural, political, and business exchanges with China have often expressed frustrations towards the central government for its failure to capitalize on the perceived economic benefits as well as the Belt and Road infrastructure projects.⁷²

Bulgaria has not been the center of Chinese attention in the region

China skeptics, on the other, generally lament the inattentiveness of public institutions who have not put in place safeguards against potential exploitation of Bulgaria's rule-of-law and governance deficiencies, such as unchecked academic cooperation agreements and joint projects with possible knowhow transfer in agriculture. They point out the lack of enforcement verification of the "Clean Networks" initiative regarding the telecommunications sector and remind that Bulgaria is yet to take steps towards adopting a foreign investments' screening mechanism.

Not having a clearly stipulated, widely acknowledged, coherent and comprehensive China policy is particularly problematic in light of the prolonged political crisis in Bulgaria since the spring of 2021. Public institutions and private stakeholders have been mostly left to their own devices in deciding how to deal with China. The discourse is dominated by the lack of consensus on other priority domestic and foreign policy issues⁷³.

China-related competency and institutional capacity in Bulgaria

At present, there is no evidence of a formal or informal "whole-of-government" coordination mechanism in place. Thus, Bulgaria could benefit from the adoption of more stringent EU rules providing a set framework for navigating engagement with Chinese counterparts on different levels. They could act as a cushion to soften the fall from potential local missteps. Investing in building up its own China competence and institutional capacity should go hand in hand with embracing EU-wide safeguards. Increased interest in China among the younger generation and the general public, may serve as the groundwork for nurturing competent China experts not only in government agencies but also in the private sector, academic institutions⁷⁴ and local authorities. In this regard, Chinese public and cultural diplomacy that has resulted in surging numbers of Mandarin language students⁷⁵ or young Bulgarians with academic or professional experience in China could turn out beneficial.

Future outlook on Bulgaria's relations with China – three possible challenges on the horizon

The obvious uptick in Sino-Russian relations in the past few years could be examined as an important factor when projecting the nature of Bulgaria's future ties with China. In fact, under certain conditions, cooperation with China could be viewed as a function of the dynamics along the Moscow-Beijing and Moscow-Sofia axes. In the flux of an ongoing political crisis with no party winning enough votes to rule independently or form a stable coalition, it is unclear whether pro-Russian or Euro-Atlantic forces will prevail. In such a scenario, inherently pro-Western politicians may choose to turn a blind eye to Chinese initiatives in the country generally supported by the pro-Russian lobby in order to secure alliances to fight the bigger battles related to corruption, rule of law, decarbonization and green policy.

It is hard to imagine Bulgaria unilaterally exiting China-CEEC cooperation

Mounting skepticism towards China in Europe so far has not forced Bulgaria to extricate itself from the China-CEEC Cooperation Mechanism, although the country's level of representation at its summits and other initiatives has often been downgraded to ambassador or deputy minister. At present, it is hard to imagine Bulgaria unilaterally exiting the regional initiative unless a formidable number of EU member states jointly give up on further engagement in the format.

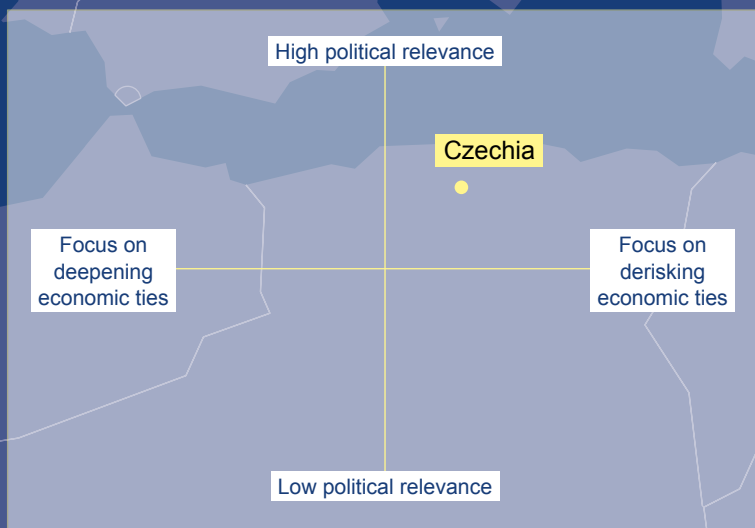
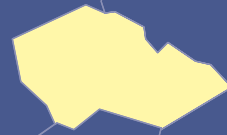
When pressured to act on its obligations by Western allies, Bulgaria always prefers to do so in a block or broad coalition of partners. Such was the case when in October 2022 Sofia joined 50 other UN members who called on Beijing to comply with all recommendations in a report detailing China's potential "crimes against humanity" regarding the Uyghur people and other Muslim ethnic minorities in Xinjiang.⁷⁶ The issue is of some significance to domestic politicians, mostly from the Movement for Rights and Liberties⁷⁷, who are closely linked to Bulgaria's 10.8% Muslim population.⁷⁸ In March 2021, MEP Ilhan Kyuchuk from the same party was blacklisted by China in retaliation to earlier sanctions adopted by the European Parliament because of evidence of China's abuses in Xinjiang.

As a result of the confrontation, the European Parliament has refused to ratify the EU-China Comprehensive Agreement on Investments – a document whose endorsement may have otherwise benefitted Bulgaria, given the country's expressed desire to remedy its disadvantaged position in terms of Chinese investments in the CEE region.

Spotlight on Taiwan

Bulgaria "adheres to the "one China" principle, considers Taiwan as part of China and does not maintain diplomatic relations with Taipei".⁷⁹ Sofia has not indicated any recent desire to revisit its stance on the matter. Unless a common EU decision is made, backed by strong US support, it is unlikely for Bulgaria to risk attracting Beijing's anger in favor of developing closer ties with the technologically advanced island. In a scenario where the United States decides to prioritize strengthening of Taiwan's defense capabilities against Beijing, it may expedite the delivery of the 66 F-16 fighter jets ordered by Taipei and slated for production in the same facility as Bulgaria's own order of 8 F-16s.⁸⁰ This could significantly delay the modernization of Bulgarian aviation and jeopardize its air policing capabilities at a time of heightened security concerns in the Black Sea region due to the war in Ukraine.

Czechia



Czechia: The Strategic Partnership with China is without strategy

Rodolf Fürst, Senior Researcher,
Institute of International Relations (IIR)

The Czech approach to China is influenced by the tradition of its past economic relations, the ambitions of domestic business circles and by the fluctuating ideological shifts that follow the changing geopolitical environment and the Czech domestic political milieu. Czech Republic, disappointed by its unfulfilled economic goals in China, for Beijing represents one of the most politically problematic partner states in post-communist Europe as a whole. Czech domestic identity-related ideologization and securitization of the Chinese issue, through which Prague emphasizes democratic values and belonging to the Western allies, makes this case remarkable in Euro-Chinese relations.

The action: Czech Republic's approach towards China

Czech Republic's tradition of ties with China dates back to the first half of the 20th century when official relations were first established and when former Czechoslovakia supplied the Republic of China with mainly arms and industrial investments. The most intensive phase in economic cooperation developed during the communist era, however, since the 1990s the economic reform and post-communist transformation in China and former Eastern European states significantly reduced the decades-existing framework for bureaucratic economic planning and exchanges. However, having the economic tradition of engaging China in mind, the Czech business lobbies never gave up the chance for tapping the huge Chinese market as the additional export space beyond the European common market.⁸¹

Since the fall of the communist regime, the predominantly economically oriented Czech polity has adopted more ideologically-, critically- and human rights-oriented views. China policy was debated among the new democratic elites, but no comprehensive or official China-related strategy emerged and the relations with China remained a divisive theme between various political parties, the media, and the public.

Czech policy does not diverge from the EU's China policy

Left-wing governments were more proactive in supporting economic engagement with the PRC, and China was included into the economic strategic documents on the government and ministerial level, as was for example, "Back to the Top: International Competitiveness Strategy of the Czech Republic for the period 2012 to 2020,"⁸² and "The Export Strategy of the Czech Republic for the Period 2012-2020," in which China as the strategic destination in Asia was mentioned altogether with Vietnam, Kazakhstan, Turkey, and Iraq⁸³. The China-related state documents, which have been available online, usually did not attract greater public or media attention. These strategic documents integrate existing EU policies and set progressive EU member states as examples. The Czech Ministry of Industry and Trade established a supporting network for export and investments through the CzechTrade, CzechInvest, and CzechTourist agencies, which operate in the PRC.

In terms of unity within the EU27, Czech policy does not diverge from the EU's China policy. The most specific concurrence happened in the Czech domestic cybersecurity area, in which Prague became internationally proactive. Czechia took on the role of organizer of the Prague International Conference on 5G Networks in 2019, under the auspices of the Government and the Ministry of Foreign Affairs where the document "The Prague proposals" was presented. Later, the recommendations of the European Commission, the so-called 5G security toolbox, were also accepted in the Czech Republic.⁸⁴

In addition, Czechia adopted the EU screening mechanism for dealing with foreign investments in strategic sectors. Prague has long supported the EU's arms embargo against China and follows official EU policy in the Indo-Pacific. Since the entry of the Czech Republic into the EU, there have been few efforts to shape the Chinese agenda, the most active policy of which would have been prior to the 2008 Olympic Games in Beijing, when Czech Foreign Minister Karel Schwarzenberg, during a bilateral visit to France – the then presiding state of the European Council, lobbied for boycotting the Olympic ceremony in 2008. After the end of the Olympics in 2008, during the Dalai Lama's visit to Prague, the prominent Tibetan guest was met by President Havel, premier Topolánek, and foreign minister Schwarzenberg.⁸⁵

The actors: Diverse and fragmented opinions are causing significant swings

Czech internal diversity and fragmentation in opinions about China is considerable. Liberal-conservative political groups, non-governmental organizations supporting human rights and most of the mainstream media oppose the Czech economic policy towards China as morally and materially unacceptable and ineffective. Such dissonance between right-wing and left-wing governments is causing significant swings in bilateral relations with China, and this rift continues to deepen as US-EU tensions with China rise.

Right-wing parties and assertive human rights advocates from the Greens and Pirates typically perceive China as a foreign and liberal Western enemy power that poses a security threat to Europe. The Czech left-wing parties, on the contrary, follow the economy first agenda and support promoting economic diplomacy, but still accept criticism of China in several specific areas, and follow the EU mainstream policy in the Indo-Pacific. This permanent ideological division shapes government institutional policies, whose political leadership changes with contending government coalitions. The business lobbies belong to the only pro-China policy actors, among those the PPF Group and Škoda-Volkswagen are the most influential.

Czech internal diversity and fragmentation in opinions about China is considerable

A special case in the Czech pro-China agenda was represented by President Miloš Zeman (2013–March 2023), who assumed the role of the leading face of Czech politics to activate political dialogue and deepen economic ties. The Czech president's six visits to China attracted international attention,⁸⁶ however, his media communication with Chinese political leadership and domestic audiences received heavily critical reactions. Zeman's attempts to encourage closer ties arise from his professional background as an economist, and Europe's post-2008 surge of interest in China, especially in the field of investment strategy. His over-the-top presentation of Chinese memorandums on promised investments that never materialized in full and his public endorsement of the dubious investment group CEFC appeared publicly to discredit this diplomacy.

Support for Tibet and Taiwan has its tradition in the Czech Parliament, the Tibet Group (established in 2018)⁸⁷, and Czech-Taiwan Friendship Group bring China critical themes on to the agenda in both chambers of the Parliament. The President of the Senate Miloš Vystrčil, the de facto second highest state representative of the Czech Republic, visited Taipei, where he was received at the highest level by President Tsai Ing-wen.⁸⁸ The last Czech parliamentary delegation followed on 25-30 March 2023, led by the Speaker Markéta Pekarová Adamová.

After the departure of the Greens from parliament, the Pirate Party, with a similar political profile, took over the role of activist. The Greens, who have been active in parliamentary

debates and preparing protest petitions, hoisted Tibetan flags outside the ministerial residence where Green party ministers worked, and attended and organized meetings with Tibetan and Taiwanese dignitaries. The Pirates advanced this policy with much more assertiveness ever since they entered parliament and city councils.

After Prague's Pirate party Mayor Hřib officially met the prime minister of the government-in-exile of Tibet, terminated the Prague-Beijing twin cities agreement, and received a standing ovation for his visit to Taipei and official meeting with President Tsai, the Chinese embassy in retaliation cancelled several planned cultural events, as well as the delivery of a panda to the Prague Zoo. The activity of the Czech Pirates also expands to the European Parliament, whose historically first delegation to Taiwan, was led by Pirate party MP Markéta Gregorová.⁸⁹

The capacity to pursue a coherent approach towards China

Like other small states in post-Communist Europe, Czechia has not ranked high in China's political and investment European agenda until the beginning of the formation of the sub-regional platform "16+1". The limited consumer market capacity, and lack of large-scale investment bids matching the Chinese priorities in energy, transport, and logistics do not present prominent outlooks.

Prague's political relations with China fluctuate in line with general geopolitical circumstances and domestic ideological visions of the Czech government. Even when a comparatively China-friendly coalition was ruling in Prague, diplomatic incidents over Tibet and Taiwan disturbed attempts to maintain an unproblematic agenda. Increasing pressure from anti-China political groups and the increasing number of diplomatic crises indicate a continued escalation of tensions in the relationship with China.

The political split mainly affects the Ministry of Foreign Affairs, as there are several political groups with different approaches, but the routine agenda is procured by only one desk officer in the Asia-territory department. The most continual approach among the governmental bodies represents the Ministry of Industry and Trade, which perceives China as a potentially relevant economic partner and additional export destination beyond the EU common market.

A series of policy reports written by Czech think-tanks and sponsored by the National Endowment for Democracy (NED) issued warnings about growing Chinese influence,⁹⁰ but concurrently published academic literature on Chinese influence in CEE took a more reserved stand against such allegations.⁹¹ Nevertheless, the policy papers and media influence on Czech public opinion, which spilled over into foreign media, prevails over peer-reviewed academic research.

Most of the Czech-PRC think tanks which appeared from 2012-2018 to serve as a platform for occasional bilateral business talks have disappeared. See for example the New Silk Road Institute Prague (NSRI), which exists de facto only virtually, while New Silk Road Advisory, New Silk Road Infrastructure, and Development & Technology Association are all no longer online available.

Overstated security-focused narratives, together with the Covid epidemic and subsequently, the Ukrainian crisis, essentially eliminated all efforts for Czech-Chinese rapprochement,

Political relations with China fluctuate in line with geopolitical circumstances and Prague's ideological visions

of which Beijing's political support and Prague's only tepid support led the relations between the two countries to degrade.

Future challenges: lack of economic success stories and positive agenda with China

The key reason for the decline in relations is the minor economic effect resulting from only a negligible portion of the promised investments being realized, and Czech public discourse concluded that China's policy pursued nothing more than an expansion of its influence in Central Europe. In the Czech public debate, media, policy reports, and academic writings indicate that the proactive political agenda without exiting dynamics of the economic processes cannot bring about the sufficient acceleration effect.

Czechia is not able to develop a consistent consensus in its relations with China. There is no positive theme in the Czech approach towards China, the general perception of the Asian power is merely negative. Pro-China politics driven by pragmatic economics has now disappeared, as the social democrats and communists failed to be elected to parliament. The anti-China politics based on the themes of safety and fear of Chinese influence has dominated the public space. Pro-Chinese president Zeman remains defeated and compromised. The election of a new Czech president, a retired NATO general, and the uncertainty regarding the Czech Republic remaining in the 13+1 format indicate continuation of the decline in Czech-Chinese relations.

The general perception of China in Czechia is merely negative

The dominant driving force behind the growing Czech ideological Sinophobia is the media and Czech think tanks in their ideological interpretations, which take the lead in debates on all issues related to China. It is true that the previous government's pro-China engagement policy did not bring convincing results, but its total negation takes the Czech political approach to the PRC to the opposite extreme. There is no Czech ambition discussed, except to create new diplomatic incidents to demonstrate that Czechia is not afraid of the authoritarian Asian power.

Spotlight on Taiwan

Czechia's unofficial political relations with Taiwan have been very active since the opening of a Taipei representative office in 1993. The Czech Republic continuously supports Taiwan's accession to the WHO.

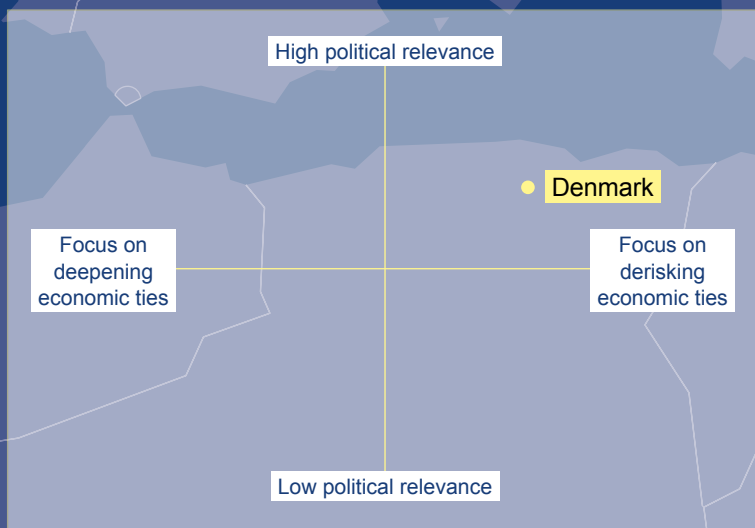
Political agenda:

- Taiwan's then Prime Minister Lien Chan was received in Prague in 1995, where he met with President Havel and premier Václav Klaus.
- President Václav Havel mentioned the possibility of re-admitting Taiwan to the UN at a press conference during the session of the UN General Assembly in New York in 1995.
- Former President Havel visited Taipei in 2004 after the end of his term of office. Similarly, the visit of former President Lee Teng-hui to Prague took place in 2000.
- Czech President-Elect Petr Pavel received a phone call from Taiwan's President Tsai Ying-wen in February 2023.⁹²

Economic relations:

- Taiwan investments: USD 1.2 billion, compared with PRC's FDI stock (EUR 1.3 billion).⁹³
- The main Taiwanese investor is the IT giant Foxconn, one of the largest Czech exporters.
- Trade: Taiwan ranks 50th in the exports of the Czech Republic (165 mil EUR in 2022).⁹⁴

Denmark



Denmark: Not quite a China strategy, nor quite of its own making

Andreas B. Forsby, Danish Institute for International Studies (DIIS)

In the absence of an official China strategy, Denmark's China policy has for many years rested on broad majority resolutions in the Danish parliament, pragmatically acknowledging the importance of the strategic partnership with China. Since around 2018, however, the consensus position has shifted dramatically towards viewing China as a competitor and rival, as also reflected in last year's Danish foreign policy strategy which for the first time contained a specific China section. In a deeper strategic sense, this transformation has not been guided primarily from Copenhagen, but rather from Washington and increasingly also Brussels. Despite the new Danish government's intentions to adopt a more pragmatic approach towards China, Denmark's strategic leeway seems limited in the era of great power rivalry.

Introduction

As security and human rights concerns have come to the fore of Danish-Chinese relations in recent years, the bilateral relationship has witnessed profound changes.⁹⁵ While previously guided by a spirit of cooperation and shared economic interests within the framework of a Comprehensive Strategic Partnership, since around 2018 the bilateral relationship has been characterized by recurring clashes, mutual distrust and the gradual dismantling of the strategic partnership program. No officially published Danish China strategy has envisioned or enacted the observed changes.

Denmark's changing China strategy seems to originate in Washington and increasingly Brussels

The Danish Folketing (parliament) has provided a loose set of guidelines that anticipate these changes, notably in late 2018 in a unanimous resolution on "The growing pressure from China".⁹⁶ Moreover, in 2022 the previous Danish foreign policy strategy unprecedentedly contained a dedicated section on China depicting it as a "systemic rival".⁹⁷ In a deeper sense, however, Denmark's changing China strategy seems to originate in Washington and increasingly also in Brussels given that Denmark's ability as a small state to pursue its own China policies has become significantly constrained in the era of great power rivalry. Security-related spill-over effects of the US-China rivalry have also forced Copenhagen to distance itself from Beijing in various domains.⁹⁸

Since taking office in late 2022, Denmark's new foreign minister (and former prime minister) Lars Løkke Rasmussen has repeatedly advocated for a more pragmatic foreign policy line, notably with respect to China: "A few years ago, we cultivated strategic relationship ties, but to shut down everything now would not make sense. We need to find a balance, and the EU can help us do that."⁹⁹

While such a rebalancing act appears extremely difficult at the current juncture, there is no doubt that the bilateral heydays of Danish-China relations are long gone. Indeed, the brand-new Danish foreign policy strategy observes that "Denmark's China policy should be engaged, clear-sighted and realistic, based on a joint EU strategy and closely coordinated with the USA and other NATO allies."¹⁰⁰

Piecing together Denmark's China strategy

In the absence of an official Danish China strategy, other government documents have offered some strategic guidance. In 2008, the Danish government signed a Comprehensive Strategic Partnership (CSP) agreement with China, providing a blueprint for how to deepen and widen bilateral relations, which was subsequently accompanied by joint work programs packed with Memorandums of Understanding for specific areas of cooperation.¹⁰¹ Over the next decade, whenever the Danish Folketing passed a resolution on the bilateral relationship, it would always stress that the “Folketing attaches great importance to the strategic partnership with China,” thereby confirming the status of the CSP as an overall strategic framework.¹⁰²

In late 2018, Folketing held a debate on “The growing pressure from China”, reflecting widespread concerns about China’s growing assertiveness and its deteriorating human rights situation.¹⁰³ Although the final resolution text still acknowledges the strategic partnership with China, its overriding message is that the Danish government needs to carefully consider, together with like-minded countries, how the West can manage the rise of China.

The newly established governmental practice of publishing an overall Danish foreign and security policy strategy provides another source of relevance here. The first strategy from June 2017 only contains two references to China, one of which mentions “the extremely positive experiences” from the CSP with China.¹⁰⁴ In the second such strategy from November 2018, China is devoted somewhat more attention (i.e., nine references), and the overall perception of China is shifting. The strategy still argues the case for engagement to promote Danish business interests, but it also observes that “our societal models and approaches to international cooperation and free trade are very different”.¹⁰⁵

A third foreign policy strategy was released in early 2022, including, for the first time, a dedicated China section. In line with official EU terminology, China is now referred to as “an economic competitor, cooperation partner and a systemic rival.”¹⁰⁶ The strategy depicts China as “an unavoidable partner for solving a number of global challenges” notes that China “constitutes a significant market,” and insists that “we will work to maintain a strong and constructive Danish-Chinese relationship.” However, the strategy primarily views China as a systemic rival, emphasizing its “more assertive line that challenges the global rules” and declaring that “together with our allies and partners [we] are ready with a response when our values and interests are trampled underfoot.”

The newly published fourth edition of Denmark’s foreign policy strategy offers less explicit strategic guidance on China, no longer describing it as a ‘systemic rival’, nor even mentioning the bilateral strategic partnership.¹⁰⁷ Still, the strategy again largely focuses on the challenges posed by China’s rise, notably the risks of becoming strategically dependent on Beijing, while referring repeatedly to the EU as the primary locus for handling these challenges.

Within the EU itself, the Danish government sees itself, in particular during the previous foreign minister Jeppe Kofod’s time in office (2019-22), as a key proponent of confronting China on its human rights violations.¹⁰⁸ Apart from this, the Danish government has been supporting several EU initiatives that indirectly targets China as an “economic competitor” or “systemic rival” such as the toolbox for 5G security, the anti-coercion instrument and the recently proposed due diligence directive.¹⁰⁹ As such, the Danish government has assumed an increasingly active role in the EU on China-related issues.¹¹⁰

Copenhagen sees itself as a key proponent of confronting China on human rights violations

The domestic actors behind Denmark's China policies

Since the turn of the century, Denmark's China policies have generally rested on broad majorities in the Folketing. In fact, the past three major China debates in the Folketing – concerning China's pressure on Lithuania (2022), China's crackdown in Hong Kong (2020) and China's growing assertiveness (2018)¹¹¹ – all concluded with the passing of unanimous parliamentary resolutions (including some abstentions). This consensus culture is further consolidated by legal requirements stipulating that ministers must report back to the Foreign Relations Committee in the Folketing whenever they have high-level meetings with Chinese officials, thereby enhancing oversight and coordination.¹¹²

Looking beyond the political establishment, the main stakeholder of Denmark's China policies is the business community. Despite the disruptive impact of security and human rights concerns, economic interests remain strong as China constitutes Denmark's fifth-largest export market and a major FDI destination for Danish companies (but not vice-versa). Hence, close ties exist between the business community and the government, notably the extensive Danish diplomatic missions in Beijing, Shanghai and Guangzhou which strive hard to promote Danish business interests through various types of representational activities.¹¹³

Recent China coverage in mainstream Danish media has been extremely negative

From Copenhagen, the Danish-Chinese Business Forum (DCBF) runs a secretariat that organizes a multitude of events and connects their members with central stakeholders, including the Ministry of Foreign Affairs (and other ministries).¹¹⁴ Its secretary general has publicly warned Danish politicians against putting our own political values front and center in relations with China.¹¹⁵ Other high-profile representatives of the Danish business community have cautioned against "demonizing China"¹¹⁶ or against adopting China policies or measures that deviate from other European countries.¹¹⁷

The media have also been instrumental in shaping Danish perceptions of and policies towards China. While the mainstream Danish media have always been critical of China, their recent China coverage has been extremely negative as demonstrated, for instance, by the growing number of China-bashing editorials in the three leading newspapers (Politiken, Berlingske and Jyllandsposten) since 2019.¹¹⁸

Furthermore, perceptions of China have hardened as the media have uncovered covert Chinese influence operations in Denmark as well as systematic efforts by the Danish authorities to prevent public criticism of Chinese high-level visitors. In particular, media revelations of a constitutional breach in June 2012 – when peaceful pro-Tibetan demonstrators were deprived of their right to freedom of expression during Hu Jintao's state visit – prompted much political and judicial scrutiny of Denmark's relationship with China.¹¹⁹

The Danish Defense agencies also significantly influence public perceptions of China. In its annual threat assessment reports, the Defense Intelligence Service (FE) has gradually come to depict China as a major national security concern (second only to Russia),¹²⁰ while the Security and Intelligence Service (PET) recently stated that "In the long term [...] Chinese intelligence activities may become the most serious threat to Denmark".¹²¹

Denmark's capacity to pursue a coherent approach towards China

Notwithstanding the growing influence of external actors on Denmark's China strategy, the Danish government remains fully capable of pursuing a coherent approach towards China. Given a relatively lean, seamless and centralized state bureaucracy that facilitates

policy coordination across different ministerial sectors, Denmark's China policies are characterized by a whole-of-government approach. On a daily basis, the Ministry of Foreign Affairs (MFA) is in charge of preparing, coordinating and implementing Denmark's China policies, while the Ministry of the State and the internal government Coordination Committee are involved in the process to the extent that important national issues/interests are at stake.¹²² Moreover, the whole-of-government approach also includes local municipalities which have no foreign policy autonomy of their own.¹²³

When it comes to the level of China competency among those involved in preparing and executing Denmark's China policies, critics have long pointed to two key challenges. First, there is a shortage of MFA officials with Chinese language skills, with only 9 employees capable of conducting a conversation in Chinese according to a recent assessment.¹²⁴ Second, the language problem is exacerbated by the MFA's rotational career system, which means that its China section (part of the office for Asia, Latin America and Oceania) is filled with generalists rather than specialists. To address these challenges, the MFA has recently hired a couple of additional sinologists and established a new senior China specialist/coordinator position.

Denmark's China policies are characterized by a whole-of-government approach

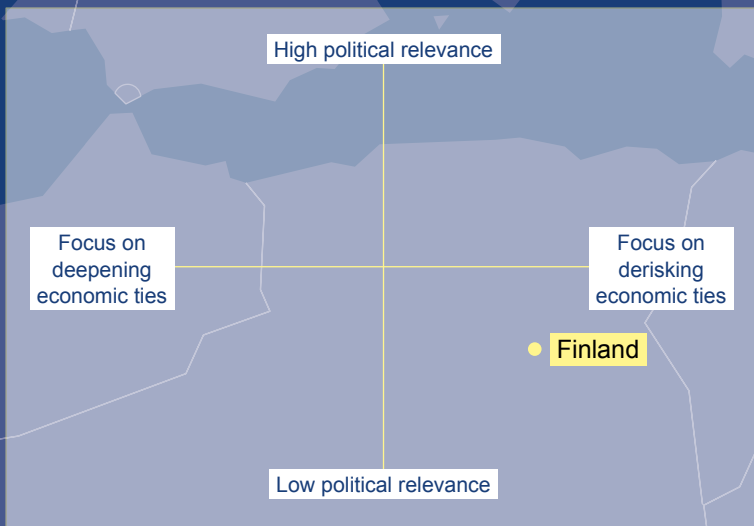
Looking ahead

As Denmark's strategic autonomy decreases in the era of great power rivalry, its relationship with China will increasingly be determined by external actors (in Washington, Brussels and Beijing). Human rights and notably strategic autonomy issues are likely to draw attention in Denmark against the backdrop of various decoupling and de-risking measures by the EU Commission and the US Congress. Whether the Danish government manages to sign a new, slimmer and greener, joint work program for the otherwise moribund strategic partnership between Denmark and China remains to be seen.

Spotlight on Taiwan

"Since the establishment of diplomatic relations between Denmark and the PRC (in 1950), Danish governments have consistently adhered to the one-China policy (not the one-China principle!) by recognizing the People's Republic of China as the only legal (sovereign) representative of China in the international community. At the same time, Denmark maintains strong economic and cultural relations with Taiwan."

Finland



Finland: The new normal in relations with China

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Finland's relations with China are guided by a de facto "China strategy", the Governmental Action Plan on China published in 2021. The document warns that the tightening political atmosphere between the great powers may limit the potential of cooperation with China and recommends Finnish actors to avoid harmful strategic dependencies. The international tensions have also affected public opinion which has turned significantly more critical about China. Different Finnish actors from policy makers to practitioners are faced with the challenge of balancing between China and the US, both equally important in terms of business interests. The Russian attack on Ukraine has underlined the importance of military security and the vital role of the US in Europe in that regard, and Finland's admission into NATO can be expected to affect the development of Finland's political relations with China.

Stagnating trade and partnership checked by an action plan

Traditionally, politics have served economic interests in Finland's relations with China, which used to be largely driven by pragmatism and the primacy of commercial engagement. Finland was never a practitioner of "megaphone diplomacy," and political relations with China used to be unproblematic. The golden age of seemingly unending economic opportunities came to an end at the beginning of the 2000s, and even the political relations started to cool down at the end of the 2010s. Today Finland's relations with China are facing a new normal characterized by growing suspicion related to the atmosphere of great power competition.

The "new normal" is manifested by a stagnation in the growth of bilateral trade and investments. For the last ten years, bilateral trade has remained at the same level in relative terms. China has stood for approximately 5 percent of Finnish exports, and 6–8 percent of imports. Finnish investments in China have not risen in many years, and the promises of Chinese green-field investments to Finland have largely not materialized. Furthermore, since the beginning of the US-China trade war, China's public image has steadily worsened. Critique towards China's unfair trade practices has been combined with security concerns related to dependency on China.

On paper, Finland–China relations are today guided by a Joint Declaration establishing and promoting a future-oriented new-type cooperative partnership,¹²⁵ signed in 2017. While initiated by China, the Finnish side took care of ensuring that the partnership is explicitly said to be complementary to the EU–China Strategic Partnership, signaling Finland's commitment to cooperation within the EU framework. The Joint Declaration makes no mention of China's "core interests," referring only to the mutual willingness of taking into account each other's key interests. As a sign of Finland's pragmatic approach in terms of avoiding unnecessarily binding and potentially contentless agreements, the partnership was launched with a joint declaration.

The partnership was supplemented by an implementation plan for the years 2019–2023, signed in 2019. The plan lists the relevant fields of cooperation and their concrete goals formulated by the cooperation partners in the two countries. Potential cooperation fields include energy, the environment and climate, education, research and innovation, urbanization and green construction, information technologies, and judicial cooperation. Arctic

Finland's
relations with
China are facing
a new normal

cooperation was especially highlighted.¹²⁶ There are no plans to renew the implementation plan after 2023 but beneficial cooperation is expected to continue.

The opportunities and challenges for Finland's bilateral relations with China are analyzed in the Governmental Action Plan on China, published by the Foreign Ministry of Finland in 2021.¹²⁷ It can be considered Finland's "China Strategy". The Action Plan states (p. 32) that "China is the second most important partner (after the US) for economic cooperation outside the EU in terms of bilateral trade, global supply chains and investment." The action plan especially highlights the potentially problematic dependencies, and states (p. 16–17) that "Finland seeks to avoid harmful strategic dependencies."

The Governmental Action Plan paints a dire picture of the future of Finland–China relations by pronouncing (p. 6) that the "tightening political climate and weakening human rights situation in China, as well as increased influence and intelligence activities, also affect Finland's cooperation with China, limiting its potential." This is in line with the changes of public opinion.

The Governmental Action Plan paints a dire picture of the future of Finland-China relations

According to a recent study by the Advisory Board for Defence Information, published by the Ministry of Defence, views regarding China's impact on Finnish security have turned drastically more negative since the late 2010s. Whereas in 2018, 12 percent of the respondents considered China's impact positive and 16 percent negative, the corresponding figures for 2019 were 6 percent and 25 percent. In 2022, only 2 percent considered China's impact positive, whereas 40 percent saw China as a negative factor for Finnish security. Also the number of respondents who considered China to have no impact had dropped from 35 percent (in 2018) to 23 percent.¹²⁸

Despite the concern over dependencies, Finnish imports from China have risen over the last few years. The China share of Finland's total imports jumped from 7.5 percent in 2019 to 9 percent in 2020, and that level has held in 2021 and 2022, too. At the same time, the China share of Finnish exports has remained stable, and despite a nominal rise in 2022, actually dropped slightly from 5.3 percent in 2021 to 4.9 percent.¹²⁹ Worse still, more than a quarter of Finnish exports to China consist of forestry products of low added value, namely pulp and waste paper.¹³⁰ The narrow base of Finnish exports to China was highlighted in a recent joint study by the Ministry of Economic Affairs & Employment and Business Finland which also noted that Finland's share of the Chinese market has fallen significantly.¹³¹ The new normal therefore seems to manifest itself also in rising trade deficit.

China's worsening image

The new normal has not come out of nowhere. Different authorities, and in particular the Finnish Security and Intelligence Service have been very vocal in expressing concern especially with regard to harmful dependencies with China. The Ministry of Education and Culture published recommendations for academic institutions' cooperation with China in 2021. While the recommendations recognize the value of such cooperation, the Ministry urged the Finnish institutions to secure their own interests, especially regarding security and competitiveness.¹³²

Also in 2021, the Finnish Security and Intelligence Service warned that many Chinese universities have ties to the Chinese military and emphasized that there is no freedom of research in China.¹³³ The Service has also singled out China as a country which has an

interest in utilizing information technology for espionage in Finland,¹³⁴ and has warned Finnish enterprises of the risks in cooperation with China.¹³⁵

The latest Government Report on Finnish Foreign and Security Policy from 2020 highlighted China's global role as a factor feeding uncertainties. According to the Report, "China's rapid rise among the global actors has shifted the great power dynamics. At the core of it lies the competition over the global primacy between the United States and China, which affects the relations between states worldwide.

The strained relationship between the United States and China forces other states and actors, such as the EU, to examine their own position in the novel political, economic and ideological competition." Furthermore, the report also hinted at the risks of China and Russia finding a common tune.¹³⁶ The report was published more than a year before the Russian attack on Ukraine, and since then China has been perceived in even more negative light due to its reluctance to condemn Russian actions.

Also, the political leadership has been unaccustomedly frank in their statements. President Niinistö expressed his concern over the US-China rivalry in a speech in October 2020. He said China was trying to gain political influence through the creation of economic dependencies and accused China of demanding partiality from third countries in disputed issues in exchange for its goodwill. He specifically pointed out China's attempts to widen its sphere of influence in the South China Sea as a cause for alarm.¹³⁷ In a blog post in November 2020, President Niinistö envisaged that the EU will strengthen its role as an ally of the US in a "league of democracies" targeted against China.¹³⁸

During her visit to Australia in December 2022, Prime Minister (2019–April 2023) Sanna Marin of the Social Democratic Party called for democratic nations to diminish their dependencies on technology and energy imported from authoritarian countries, and said that one should stop being naïve about China.¹³⁹ She has also declared that democracies must ensure their victory in the ongoing geopolitical battle against China.¹⁴⁰

Also, the media, by focusing on the China–US rivalry, has amplified the message of the great power rivalry affecting Finland. It is no wonder then that China was a theme in the parliamentary elections, held in April 2023. The right-wing conservative National Coalition Party which won the election promises in their program, published in February 2023, to draft a strategy aimed at reducing dependencies from authoritarian countries, "such as China."¹⁴¹ Other parties' published views are rather similar, even including the rightist-populist Finns' Party which in many other issues is the odd one out. There seems to be no debate of the existence of a "China threat" but the parties may engage in competition over who holds the toughest position.

Managing the relationship

With regard to implementing a national policy towards China, in line with the Government Action Plan, the different government agencies appear competent and sufficiently well-coordinated. Over the past decades, a governmental China network consisting of different national-level actors has and continues to meet regularly several times a year in order to coordinate and share information. In addition, there is also a coordination mechanism between the ministries for discussing matters needing greater confidentiality.

Government agencies appear competent and well-coordinated for implementing China policies

There are also sectoral, ad hoc coordination meetings taking place. At the regional level, municipalities in particular, that have a Sister City in China, often make impromptu contact with the MFA when they are in doubt about exchanges with their Chinese counterparts.¹⁴² However, there are doubts among government officials about the ability of Finnish municipalities with financial difficulties to say no to “too good to be true” business proposals.¹⁴³

For instance, a Chinese state agency approached a municipality in Finnish Lapland to purchase or lease an airfield in 2018, supposedly to serve China’s Arctic research. The scheme had already been turned down by Finnish authorities at the initial stages.¹⁴⁴ There are also fears of “useful idiots” among national-level politicians who are willing to promote Chinese interests without any suspicions. In 2020, the media reported of close and dubious connections that two parliamentarians from the Finns Party have had with Chinese state actors.¹⁴⁵

At the same time, there is a recognized lack of China-related expertise in Finland. The Finnish Institute of International Affairs established a Center on Global Orders and China in 2023 to increase the institute’s capacity to provide policy-relevant expertise on how China’s expanding international role impacts issues of global order.¹⁴⁶ However, although the Center’s core team has a strong research background in China and East Asia, it has been very challenging to find other qualified and competent researchers from Finland who could potentially contribute to the Center’s work. The same apparently applies to the also-newly established China Office of Finnish industries that aims to deepen their shareholders’ understanding of China.¹⁴⁷

There is a recognized lack of China-related expertise in Finland

The fundamental problem in Finland is the lack of resources related to the teaching of Mandarin Chinese. There are courses on Chinese society, economy, and politics taught in various universities and other educational institutions across the country but language training – especially beyond beginner’s level – is often not offered. However justified in other ways it may have been, the closing of the Confucius Institute at the University in Helsinki in the beginning of 2023 deprived Finland’s largest university of several language teachers. The Ministry of Education is aware of the need to foster domestic China expertise, but no solutions to remedy the situation have yet emerged.

The challenges ahead

According to interviewees representing the central administration,¹⁴⁸ Finland wants to actively participate in the formulation of EU’s China policy. Finland is against unnecessary protectionism and advocates dialogue and cooperation with China, as long as they are result-oriented. On the one hand, the EU has to demand concrete actions from China in fields where both parties vouch for the importance of cooperation, such as climate. On the other hand, climate cooperation is of such vital importance that it must not be unnecessarily hindered by petty political grievances often rising from the EU’s side. At the same time, bilateral relations must not be neglected, as Finnish national interests are not always adequately safeguarded by the EU. Few member states, besides Finland and Sweden, have significant forest-related industries, and few European airlines are as dependent on connections to Asia as Finnair.

Seen from the Finnish perspective and based on discussions with interlocutors in the central administration, there are three challenges arising from EU-China relations. First, how should Finland position itself regarding the intensifying calls for decoupling or de-risking on the European level, especially with regard to the difficulties it would pose on the ever more

acute green transition? Also, the discussion in Finland about the China threat has perhaps become unreasonably bleak in view of small size of the actual investments from China.

A second, related challenge is, how to manage bilateral trade and investments with China if a full-scale trade war or a new cold war breaks out between China and the West. For Finland, it can be surmised that the adverse effects of sanctions against Russia are relatively insignificant in comparison to the possible sanctioning of China. Thirdly, is how to keep the EU-level discussion balanced. It tends to be forgotten that while the trans-Atlantic relationship is important for security reasons, there are many problems between the EU and the US. A certain level of strategic autonomy is necessary for the EU.

With regard to the third challenge, Finland's admission into NATO will undoubtedly color all China-related discussion during the immediate future. Already in 2020, President Niinistö stressed the risks related to China, while presenting the US as an important partner. It seems likely that Finland will position itself on the side of the US in order not to jeopardize a smooth beginning to its membership in NATO, considered of utmost importance to Finnish security following the Russian attack on Ukraine. Depending on the developments in the relations between the US and China, different Finnish actors who have cooperation ties with both countries may be forced to perform balancing acts of varying difficulty.

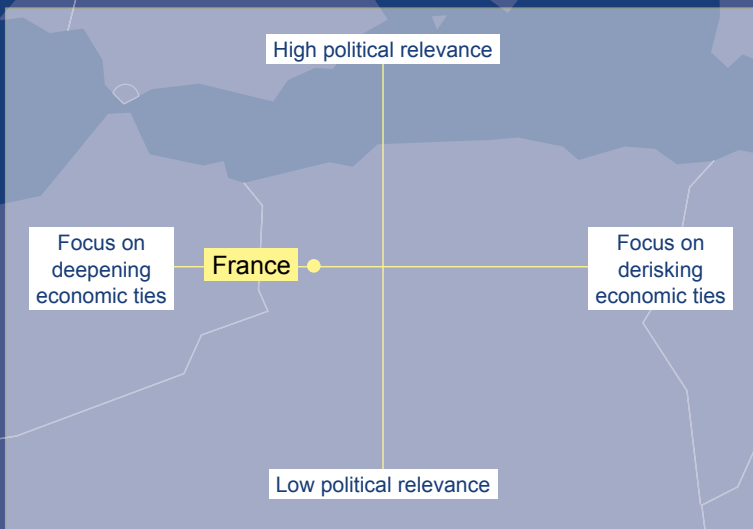
Finland's admission into NATO will undoubtedly color China-related discussion

Spotlight on Taiwan

Finland follows a One China Policy. Taiwan set up a representative office in Helsinki, Finland, in 1990. This was followed by Finland setting up an Office of Finnish Industry and Trade in Taiwan in 1991, renamed Finland Trade Center in 2018. It is part of Business Finland, a Finnish governmental organization promoting trade, tourism, and investment in Finland.

The Foreign Ministry in Finland has been vigilant in ensuring that the One China Policy does not become unnecessarily restrictive.¹⁴⁹ The Governmental Action Plan on China from 2021 states Finland's support for "Taiwan's meaningful participation in international organizations, which benefits the international community as a whole." Furthermore, Finland has been quietly raising the profile of bilateral relations with Taiwan. There have been trade talks on vice-ministerial level regularly since 2010.¹⁵⁰

France



France: An ambiguous China policy with no clear roadmap

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France's China policy is difficult to grasp because it has no clear and centralized roadmap. Diving into the tenets of France's China policy, Paris intends to preserve economic interests as long as possible, while acknowledging the profound transformation within the Chinese Communist Party. The French China policy is intertwined with the European one, and Paris is even proactive in Brussels to build up new defensive mechanisms. Beyond the bilateral relationship, France is trying to find its own way within the US-China strategic competition, alongside its American ally, but trying to avoid dangerous escalation. Still, the lack of an explicit doctrine and the blurry official communication has led to misunderstandings with partners and allies, and to coordination loopholes within the government.

The action

Contrary to its strategy toward the Indo-Pacific, France has no formal China policy or explicit strategy that guides its relations with Beijing. Its approach to China is torn between contradictory trends at the bilateral and international levels. On the bilateral level, Paris tries to keep the balance, as long as possible, between the preservation of economic interests and a certain lucidity regarding the evolution of the Chinese Communist Party toward a totalitarian rule.

In order to maintain this balance, France intends to keep the relationship as amicable as possible, including by avoiding the most sensitive issues in the bilateral dialogue (for example the treatment of Uyghurs, the lack of transparency regarding Covid-related data, or the military coercion on Taiwan), as shown during Emmanuel Macron's state visit to China in April 2023, which focused only on the "positive agenda". At the same time, France is a proactive actor in the European Union (EU) to promote new collective mechanisms to face China-related challenges, such as the 5G toolbox, the foreign investments screening mechanism, or the Indo-Pacific strategy.

Since his first term, Emmanuel Macron has always presented France's bilateral relationship with China within the broader framework of EU-China relations. He sent a strong signal of European unity to China when, in March 2019, while hosting Xi Jinping at the Elysée, he invited Angela Merkel and Jean-Claude Juncker to hold talks. In November the same year, as he flew to Shanghai, he brought with him a European Commissioner and a German Minister. And once again in April 2023, he invited Ursula von der Leyen to accompany him to Beijing and hold a trilateral meeting with Xi Jinping.

Although there are divergences between Macron and von der Leyen on what's the best approach to China, the French President supports the "de-risking" strategy that the European Commission President put forward in a speech in March. While it is necessary to define the concept and the method, "de-risking" is therefore a likely common ground to build on at the European level.

At the international level, France does not want to be drawn into Washington's confrontational approach to China. First, China does not represent the same challenge to France and the EU as to the US, which perceives it as existential. Second, beyond the risk assessment, France does not have the means to pursue such a confrontational approach to Chi-

France has no formal China policy or explicit strategy

na. Third, there is a shared assessment within the French administration that Washington's China policy may fuel escalation that would be in no one's interest.

This is why France's Indo-Pacific strategy is not opposed to that of the United States, but presents itself as a constructive alternative, a policy that aims to be peaceful, inclusive and based on multilateralism rather than heavy-handed confrontation with China. As President Macron put it, speaking before the conference of ambassadors in September 2022:

"We are not willing to have a strategy of confrontation with China in the Indo-Pacific. Our strategy in the region is to preserve the freedom that comes with sovereignty, to protect our space...and to protect our citizens and our partners.... We are not in a confrontational mindset."¹⁵¹

To sum up, Paris and Washington share roughly the same risk assessment about China (i.e., a challenge for democracy and for the current rules based international order), but they diverge on the most productive response to adopt.

Communication faux pas

However, due to miscommunication, the French position under Emmanuel Macron has more often than not been understood as "equidistance" between the US and China. The latest illustration, which triggered international outcries, was the President's comment to the press about the tensions in the Taiwan Strait, as he flew back from China: "we, Europeans," should not "adapt to the American tempo and Chinese overreaction"¹⁵². This was an unfortunate signal sent to France's partners and allies in Europe and the Indo-Pacific, most of them acknowledging that the PRC – not the US – is increasing tensions by conducting air and naval military drills in the Strait on a daily basis.¹⁵³

What is more, other unclear foreign policy concepts raise misunderstanding or even suspicion among partners and allies. For example, the concept of "strategic autonomy" promoted by Paris has been interpreted by many – sometimes deliberately – as seeking full independence from the US and NATO. The purpose is in fact to make the EU more capable and autonomous to protect its own interests and to become stronger alongside the US and within NATO, especially if the US was to decrease its military presence in Europe in order to strengthen its power in the Indo-Pacific in the coming years. Macron's statement in *The Economist* about the "brain death" of NATO in November 2019, indeed didn't help the French narrative, and instead created even more controversy and suspicion toward France.¹⁵⁴ In this light, it is noteworthy that Emmanuel Macron never questioned France's membership to NATO, even after AUKUS, while many candidates did, in the run up of the 2022 presidential election.

The blurry concept of France as a "balancing power" ("*puissance d'équilibres*"), raises the same suspicions about the so-called French equidistance. Although the concept remains admittedly unclear – even among the French strategic community – President Macron once again tried to clarify France's position between Washington and Beijing:

"We are independent: that is, on the one hand we have the United States, which is our ally; it is a great democracy with which we share common values and interests, but we do not want to be dependent upon it On the other hand, we have China, a systemic rival with which we do not share democratic values but with which we must continue to work in order to find answers to common challenges – such as the climate and biodiversity – and with

Paris and Washington share roughly the same risk assessment about China

which we continue to speak in order to try and settle regional crises and various destabilizing factors.”¹⁵⁵

A second reason that can explain communication failures and misunderstandings is the lack of an official strategic document which would clarify France’s China policy. Without such a document, in order to understand France’s China policy, one has to dissect many general official texts and speeches from different administrations and put together the dispersed pieces like a puzzle. To complicate the game, it is not rare that official documents speak about China without mentioning it.

For instance, the Minister of the Armed Forces, Sébastien Lecornu, speaking at the Shangri-La Dialogue in June 2022, talked about disinformation, hybrid strategies, the use of civilian means to reach military aims, as well as tension in the South China Sea and the Taiwan Strait, without mentioning the PRC.¹⁵⁶ Therefore, an official centralized China doctrine could help partners and allies to better understand the French position and ease suspicion. An explicit China doctrine on the part of Paris could also help coordinate China policy among the different actors within the French government, a persistent loophole so far.

The actors

Indeed, every ministry has a more or less defined China policy, but these policies are not sufficiently coordinated. The most important institutions are the Ministry of the Armed Forces (MoAF), the Ministry for Europe and Foreign Affairs (MEFA), and the Ministry of Economy and Finance (MEF). But the Elysée is actually the central and ultimate decision maker. The MEFA is especially silent on China. There are no official guidelines, and the current minister, Catherine Colonna, hasn’t made a speech dedicated to China since taking charge in June 2022, only mentioning China a few times in general speeches.

The MoAF, on the contrary, is an important driver of France’s China policy, and has provided the clearest position in the administration since at least 2017. The MoAF is the architect of the French Indo-Pacific strategy. It published the first document in 2019, which was followed by a more comprehensive one by the Elysée and the MEFA in 2021, and subsequently updated in 2022.

For reasons that remain unclear, France dropped the traditional inter-ministerial white paper on national defense since 2013, instead publishing the “Strategic Review for National Defense and Security” in 2017, followed by the “Strategic Update” in 2021, both led by MoAF. In 2022, to further blur the lines, another document was published, the “National Strategic Review”, which this time was an inter-ministerial document endorsed by the Elysée. In any case, the perception of China in these documents is rather clear-headed about Beijing’s anti-West narrative, its rising military assertiveness in the Taiwan Strait and beyond, and the challenge it represents for the current rules-based international order.

Traditionally the economic sphere used to advocate for closer ties with China, with a very high-profile representative: former Prime Minister Jean-Pierre Raffarin. However, with the drastic degradation of the business environment in China over the past years, the business sector seems more skeptical about the growth perspectives and the opportunity to expand in China, with several exceptions which strongly depend on the Chinese market: aeronautics and luxury goods.

The Ministry for Europe and Foreign Affairs is especially silent on China

Finally, within the French political landscape, the first observation is that China is not a major topic. Generally speaking, the political elite's interest in China is rather low and the expertise is even lower. Even if some political leaders from Les Républicains (right), La France Insoumise (far left) and the French Communist Party made positive comments about the Chinese political regime, the French public opinion broadly shares negative views on China, regardless of political affiliation – negative views of between 58 percent and 69 percent in 2020.¹⁵⁷

If the consensus is clear among the public, it is much harder to find within political parties. The Presidential majority (Renaissance and affiliated) follows the government's line, and therefore keeps a low profile on China, with the notable exception of the Résolution acknowledging the genocidal nature of the repression of the Uyghurs, endorsed by almost every MP from the majority in January 2022.¹⁵⁸

The alliance of left-wing parties (“Nupes”) has strong divergences on China, and as such tend to avoid the topic. Les Républicains are as well split between the liberals (who see China as a major economic opportunity) and the conservatives (who see it as a threat to France's independence). Likewise, the far-right (which traditionally has a positive perception of Russia) also perceives China as a potential cultural, economic and military threat.

With increasing media coverage on China in France, civil society is relatively well-aware and responsive to China-related issues such as the repression of Uyghurs, the Hong Kong pro-democracy movement or the political and military pressure on Taiwan.

Three challenges: Ukraine, Taiwan and a better coordinated China strategy

The political elite's interest in China is rather low

Over the past six months, President Macron has been putting the war in Ukraine on top of the bilateral agenda for two reasons. First, it is indisputably France's number one foreign policy priority. Second, he believes that “China can play, alongside us, a greater role of mediation in the coming months”¹⁵⁹. This issue raises a fair amount of controversy among the think tank community in France as well as within the administration. Most observers believe that this is a lost cause because China has no interest in getting further involved in the Ukraine war. Asking Beijing to involve itself is therefore, first, a blatant failure to grasp what China's position has been ever since the beginning of the war. Second, it is a waste of precious diplomatic time to address other pressing issues like trade and investments reciprocity or stability in the Taiwan Strait.

Regardless of Macron's unfortunate comments, peace and stability in the Taiwan Strait are, indeed, a major concern for France. It is important that the French government elaborates a clear position, prepares to respond to any contingency, and thus avoids being taken by surprise.

More broadly speaking, it would be necessary to build up an inter-ministerial coordination mechanism on China, based on clear political guidelines and objectives, preferably publicly available or confidential, if needs be. Building up this China strategy would require identifying what France's objectives with China in every given sector are, and the means and leverage available to reach them. One of the main transversal goals would most certainly be to manage France's dependencies and improve resilience vis-à-vis China.

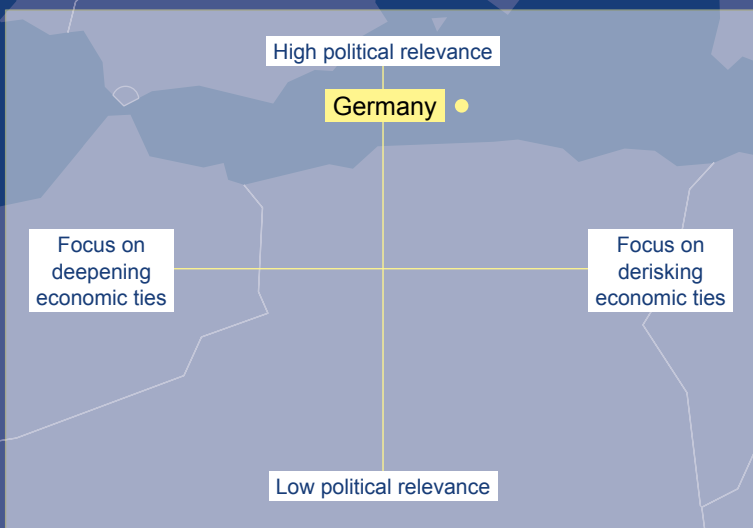
Spotlight on Taiwan

France is attached to its “one China policy”, it opposes the unilateral contestation of the status quo by the use of force and promotes the peaceful settlement of disputes. Paris does not hold official relations with Taipei, although France and Taiwan share trade and cultural relations. France has a representative office in Taipei, is the largest in terms of manpower among EU member states, and Taiwan has two representative offices in France – in Paris and Aix-en-Provence.

Both chambers of the French Parliament have an “exchange and study group” about Taiwan. Both groups send delegations to Taipei on a regular basis. A joint delegation (Assemblée nationale and Sénat) went to Taipei in September last year. Two delegations, one from each Chamber, paid another visit in April 2023.

As announced by President Macron in May 2023, the Taiwanese battery manufacturer Prologium is about to make a 4 billion euros investment in Northern France to build a “gigafactory”.

Germany



Germany's new China strategy: Ambitious language, ambiguous course

Bernhard Bartsch, Director External Relations and **Claudia Wessling**, Director Communications and Publications, Mercator Institute for China Studies (MERICS)

In July 2023, Germany passed its first ever China strategy. It acknowledges that China has changed significantly under Xi Jinping and is now a major challenge to German interests. But Germany still struggles to find the right balance between business and politics – and between national and European approaches.

The action: Merging diverse interests into a differentiated strategy

Germany's China policy has always been strongly driven by business interests. China is a key market for Germany with more than 5,000 companies operating in the country, employing more than one million staff. Crucial sectors are automotive, machinery, electrical engineering and chemicals. All of these sectors are important pillars of Germany's economic success. For German carmakers like BMW, Volkswagen and Mercedes Benz, China is the most important market, with roughly every third car being sold there.

Germany's China policy has always been strongly driven by business interests

Despite disruptions caused by the Covid pandemic and geopolitical tensions, trade relations continue to intensify. In 2022, the overall trade volume reached a record 298 billion Euros, with a fast-growing German deficit (German imports from China: 191 billion Euros; exports: 107 billion Euros).

Since the beginning of the 2000s, the deepening business ties were flanked by a growing intensity of high-level political exchanges resulting in the establishment of a wide array of cooperation and dialogue formats on different levels of politics, economy and society. The government consultations, initiated by Angela Merkel in 2011, created corridors for cooperation on, for instance, high-tech topics like autonomous driving or digital manufacturing. They also facilitated agreements on deepening research cooperation involving companies, technical universities, and national research institutions.

Human rights issues and civil and political differences were always important factors in German debates about and exchanges with China. At the same time, the assumption that intensifying mutual trade relations would at some point lead to political change in China ("Wandel durch Handel") has been a trademark – some would say "fig leaf" – of Germany's China policy.

Over the course of the Xi Jinping era, German companies have come to realize that navigating economic opportunity and political risk has become more difficult, resulting most prominently in a 2019 landmark position paper by the German Federation of Industry (BDI) in which China, for the first time, was labelled not only as a "partner" but also a "systemic competitor".

The deterioration of US-China relations and pressure from Washington and other like-minded countries also resulted in an increased sense of urgency that Germany (and the EU) need to define the guardrails of their relations to China more clearly. Other factors were concerns over technological and economic dependence on China, problematic developments in the Chinese market, such as unfavorable data regulation and the lack of reciprocity, and China's growing global influence. Responding to these shifts, the coalition

government of Social Democrats (SPD), Liberals (FDP) and Greens, led by SPD politician Olaf Scholz, committed to devising Germany's first China Strategy after the 2021 elections.

The actors: From individual politicians to parties and high politics

In recent years, China policy has moved from the fringes to the center of German political debates. Previously, it was mostly individual politicians who formulated prominent positions towards China, stirred debates on the sidelines or simply drew their parties along. For instance, in 2019, the question of Huawei's involvement in building 5G infrastructure led to mid-sized uprising in the Christian Democratic Union (CDU) against Angela Merkel's China-friendly line, when her inner-party rival Norbert Roettgen challenged her course and forced the government to accept more restrictive legislation. Within the Green Party, two prominent party elders, former party chairmen Reinhard Buetikofer and Juergen Trittin, for years locked horns on the right approach to China, though it wasn't a key issue in Green party politics.

China has moved from the fringes to the center of political debates

This has changed. The parliamentary groups of three of the four major political parties now have released their own China position papers: the Social Democrats (SPD, 2020¹⁶⁰), the Christian Democrats (CDU, 2023¹⁶¹) and the Liberals (FDP, 2023¹⁶²). The Greens, despite being the driving force behind the national strategy, have not published a distinct strategy paper on the country, but mentioned China an extensive 16 times in their 2021 election manifesto.

All these papers share a similar analysis of China's course and the challenges that China poses, but differ slightly in how they emphasize options for the path forward – the Greens being more pessimistic when it comes to seeking opportunities for cooperation, while the SPD seems more optimistic about the partnership agenda. Chancellor Olaf Scholz seems to be leaning toward the cautious rationality of his predecessor, Angela Merkel, and has been criticized¹⁶³ for his ambiguous course.

Germany's first "Strategy on China": Clear compass, unclear road ahead

In July 2023, after one and a half years of extensive consultations with stakeholders and intense negotiations between ministries, Germany approved its first "Strategy on China"¹⁶⁴. The 64-page paper is meant to fulfil two goals: 1) to present the government's views on China and the challenges it poses, and 2) to outline the means and instruments needed to enable the government to pursue a coherent approach that asserts German and European values and interests. On the first goal, the strategy delivers clear language, while on the second ambition, it remains ambiguous and preliminary.

Starting from the premise that the German approach to China needs to change because China has changed, the analysis in the strategy is frank to a degree that Beijing-friendly critics consider undiplomatic. The strategy:

- states that China is striving for "regional hegemony", aiming to "reshape the existing rules-based international order" and "calling principles of international law into question";
- points to "serious human rights violations", e.g., in Xinjiang, Tibet and Hong Kong;
- analyses that China's economic strategy aims at creating "economic and technological dependencies with a view to using these to assert political objectives and interests";

- assesses that China engages in “economic and academic espionage in an attempt to gain access to German corporations’ trade and research secrets”;
- asserts that Chinese authorities engage in “illegitimate interference” and “acts of transnational repression”;
- upgrades security issues, e.g., by calling Beijing’s close relationship with Moscow an “immediate security concern for Germany”; and
- concludes that “elements of rivalry and competition in our relations” have increased.

But despite the clear orientation that the paper provides, when it comes to transmitting these realizations into concrete policies and actions, the strategy is – understandably – more elusive. On the one hand, the government is careful not to shut any doors: “Systemic rivalry with China does not mean that we cannot cooperate”, the paper postulates, adding the hope that this could happen on the basis of fair conditions. On the other hand, there are real concerns to what extent regulation can effectively mitigate risks. The government therefore only issues a vague call to companies to raise their risk awareness and not expect bailouts in the event of a geopolitical crisis.

More specific instruments that were discussed during the drafting process (and became public through a series of leaks), included mandatory transparency requirements and stress tests for large companies with high exposure to China. In the end, the government only committed to further exploring the issues and options at hand and holding “confidential discussions” with corporates. Likewise, no specifics were included on critical infrastructure (Germany so far hasn’t banned Chinese companies from its telecom networks), on out-bound investment screening or on regulating joint research, despite the fact that “China’s Military-Civil Fusion policy is placing limits on our cooperation”.

All of this builds squarely on the EU Commission’s mantra of “no decoupling, but de-risking”. The strategy makes a strong commitment to enhancing a coherent European policy on China (which has not always been seen as a key feature of Germany’s China policy). Besides close coordination, Germany specifically promises:

- not to negotiate with China on matters for which the EU is responsible. (In the context of the Comprehensive Agreement on Investment (CAI), officials from the German chancellery are understood to have discussed the topic frequently with Chinese counterparts.)
- to “explore” where EU partners or institutions could be included in bilateral talks with China, such as government consultations. (The German government made a similar commitment in its coalition agreement, but so far hasn’t acted on it.)
- to make greater use of bilateral exchanges with China to raise EU-wide economic interests.

The strategy makes a strong commitment to a coherent EU China policy

The capacity: The strategy provides focus, but differences in actors’ interests persist

While the “Strategy on China” provides clear orientation on how to understand China and the challenges it poses to Germany, the paper cannot be expected to put an end to intense political debates about concrete decisions.

The degree to which China policy has moved to the center of politics is shown by the political struggles that accompanied the finalization of the strategy. While the Green-led foreign office, the penholder for the drafting process, wished to approve the strategy in early 2023,

well before the government consultations with the Chinese, the chancellery dragged the process out over months until after the consultations and just before the parliamentary summer break.

Tensions between different political priorities were also visible in the case of the Hamburg harbor investment of Chinese state-owned enterprise COSCO: While the Greens-led Ministry of the Economy (along with six other ministries) warned of Chinese investment in critical infrastructures, the chancellery helped push through COSCO's bid for a (albeit smaller than envisioned) stake in the port. The deal was finalized in June 2023, one day before the 7th Sino-German government consultations in Berlin, which resulted in the launch of a new "climate and transformation partnership", one of the few areas in which both the Greens and the chancellery – and the business community – still see potential for cooperation with China.

It is improbable that any of these decisions would have been taken differently if the "Strategy on China" had already been in place before the government consultations instead of three weeks after. At the same time, the effects of the strategy must not only be explored at the national level. While guidelines for foreign policy are devised by the federal government, Germany's 16 federal states ("Länder") have their own subnational foreign policies, for example through city partnerships or regional economic contacts.

The effects of the strategy must also be explored at the sub-national level

In recent years, there has been an increasing awareness at the subnational level that an all-too-naive approach to cooperation with China does not benefit the regions. Efforts to develop China expertise locally have been stepped up, as have exchanges among regions and with state or federal authorities. According to the wordings in the national China strategy, Berlin intends to support regular, expert-level meetings. However, a precarious budget situation and the traditionally difficult coordination among and with federal entities could hamper efforts to come up with a more coordinated approach to China.

The future: Three trends to watch

1. Putting the new Strategy on China to work

While various areas for action are spelled out, real progress will depend on political leadership. Momentum will largely depend on the political sense of urgency on these issues. The Federal Government has committed to report regularly about the implementation of the strategy. Meetings at the level of State Secretaries are intended to monitor progress and "maintain appropriate strategic situational awareness".

Ministries are meant to coordinate their activities, and stakeholders (including the parliament and federal states) are promised a role in the evaluations of the strategy. But besides the government's own progress reports, the dynamic state of relations with China will create many opportunities in the coming for the media and other stakeholders could reference the Strategy on China to ask critical questions.

2. The future of German businesses relations with China

German China policy continues to be largely shaped by the interests and needs of German industry – and a narrative of deep economic dependence. Signals about the development of their business therefore get close and nervous attention, in particular in a phase where China's economy appears to be facing a multitude of structural problems and Sino-US ten-

sions increasingly force companies to “choose sides”. The old belief that “Whatever is good for German companies in China is good for Germany” is undermined by concerns about “concentration risks” and increasing, often unfair competition.

Current political and public debates frequently center around the fate of the German automotive industry, which is struggling to keep pace in the transformation towards new energy vehicles – a sector that today is largely driven by the Chinese market and in which Chinese companies are poised to overtake their German competitors.

3. Working with partners

While Germany officially commits to working closely with partners, especially within the EU, the country does not have a very consistent record on walking the talk. In Brussels, the European Commission is pushing hard to create momentum for joint member state action that can only be successful if Europe’s largest economic power is willing to take over a leadership role. Time may be running out for consolidating a European course vis-à-vis China and on other global issues, as elections in the US are looming.

Working with transatlantic, G7, EU partners and beyond will be key

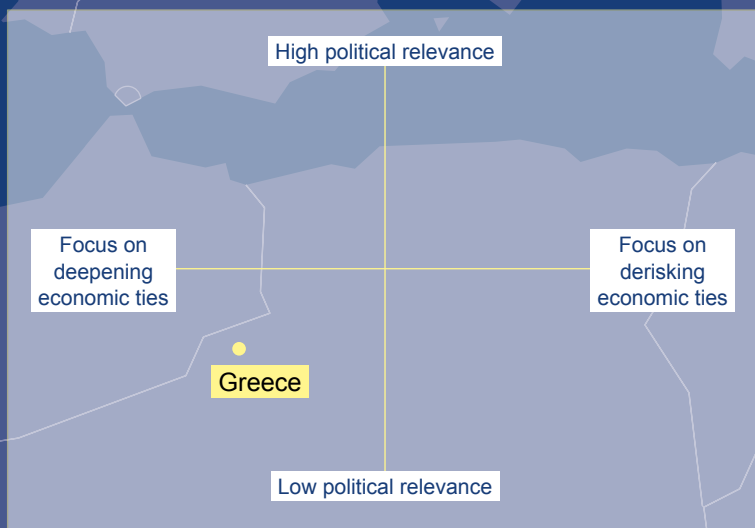
Berlin is keenly aware that Europe’s space for maneuver is largely dependent on the US, and that Washington’s agenda might become considerably less forthcoming to European interests if a Republican takes the White House in 2024. Therefore, hardwiring transatlantic and G7 initiatives as much as possible and aligning better with partners in the EU and beyond will be key for securing space for a proactive European agenda. But even if the present coalition does put more emphasis on coordination with Brussels on China on paper, there is a lot of skepticism in Germany as to whether it is sensible and worthwhile to put national interests second to those of the EU. The German government will need to find constructive ways to best pursue national interests through and with the EU.

Spotlight on Taiwan

Like all European states, with the exception of the Vatican City, Germany does not maintain official diplomatic relations with Taiwan. As part of its One China policy, the Federal Republic recognizes the People’s Republic as the only sovereign state in China. In the recent past, public and policy support for the island has grown due to China’s de facto ending of “one country two systems” in Hong Kong and its increasingly martial tones, pushing for “reunification” with Taiwan.

The Strategy on China commits to expanding relations with Taiwan, supporting “issue-specific involvement on the part of democratic Taiwan in international organisations” and states that “military escalation would also affect German and European interests”. German business is particularly concerned that an escalation around Taiwan could disrupt important supply chains in the region and severely disrupt activities in China. In March 2023, Germany’s Science Minister, Bettina Stark-Watzinger, officially travelled to Taiwan, the first visit by a German cabinet member in 26 years. In July, German Justice Minister, Marco Buschmann, welcomed his Taiwanese counterpart, Tsai Ching-hsiang, in Berlin.

Greece



Greece: In need of a China strategy

Plamen Tonchev, Head of Asia Unit,
Institute of International Economic Relations (IIER)

While Greece is firmly committed to its western allies on issues, such as the war in Ukraine, Athens is intent on staying on good terms with China. This is more of a tacit arrangement rather than a policy based on a well thought-out and public “China strategy”. Greece’s China policy, while underdeveloped and informal, is conditioned by three key factors: (i) expectations of economic gains from cooperation with China; (ii) Beijing’s political weight; (iii) a lack of China knowledge and Greece’s susceptibility to Beijing’s public diplomacy. At present, Greece is ill-equipped to deliver a coherent approach to China. However, in case of a major international crisis, Athens will align itself with transatlantic partners.

Greece’s approach to China

There seem to be three key drivers of Greece’s stance towards China, though none of the underlying assumptions seems to be well-founded. First, until recently, Sino-Greek relations were driven primarily by trade and investment. However, since 2019 European countries, the US, Australia and Gulf states have become considerably more active in the country, and China’s relative weight as a source of investment capital has diminished. By and large, initial expectations that China would play a leading role in helping the Greek economy recover through FDI have not been met.¹⁶⁵ The Greek government still hopes that it could attract Chinese investment in manufacturing and agriculture, however Beijing prioritizes transport, energy and telecoms. At the same time, tourism is a key sector of the Greek economy and there is room for increased flows of Chinese tourists to the country.

Greece’s trade deficit vis-à-vis China is steadily climbing up

Greece’s trade deficit vis-à-vis China is steadily climbing up. Given that green transition is a high priority of the Greek government, solar panels and electric vehicles account for a growing share of imports from China. For instance, the most powerful actor is the Chinese company JinkoSolar, which had a 50 percent share of the Greek photovoltaic market in 2021.¹⁶⁶

Second, Athens is eager to stay on good terms with China, which is a permanent member of the UN Security Council. Greece’s top foreign policy priority are relations with next-door Turkey, whose belligerent behavior is a major concern and Athens needs to rally as much international support as possible. At the same time, there is no compelling argument why China should choose Greece over Turkey in case of an armed conflict between the two neighbors. Greek state officials admit in private conversations that Beijing is unlikely to take sides in case of a flare-up in the Aegean Sea or the Eastern Mediterranean.

Third, Beijing’s cultural diplomacy is a prominent feature of Sino-Greek relations: China consistently flatters Greece which is proud of its glorious antiquity and culture, and Athens willingly accepts all of Beijing’s initiatives in this area.

While it is mostly Beijing that takes pains to demonstrate its putative cordial friendship with Athens at levels as high as possible, the Greek side does not shy away from ostentatious officialdom either. All Greek governments have had intensive exchanges with China. Thus, Prime Minister Kyriakos Mitsotakis traveled to Shanghai in November 2019, a few days before Xi Jinping’s state visit to Greece. Top PRC diplomat Yang Jiechi visited Athens in

September 2020, and Mitsotakis was happy to feature his conversation with the Chinese guest on the official website of the prime minister.¹⁶⁷

The Chinese defense minister Wei Fenghe was also in Greece in 2021¹⁶⁸, on a visit that yielded no substantive outcome, but certainly raised eyebrows in western capitals. In July 2021, the Greek prime minister had a phone call with the Chinese president and accepted an invitation to attend the Beijing Winter Olympic Games in February 2022¹⁶⁹ – though, in the end, he aligned himself with the western diplomatic boycott of the opening ceremony. China’s foreign minister Wang Yi visited Greece in October 2021¹⁷⁰ and in August 2022 met his Greek counterpart Nikos Dendias again on the sidelines of a forum in Phnom Penh.¹⁷¹ In February 2023, the PRC vice-premier Sun Chunlan visited Greece to launch a Center for Ancient Greek and Chinese Civilizations.

Somewhat loose alignment with EU policies

Greece endorses the EU’s triple definition of China as a partner, competitor and systemic rival, set out in the 2019 Strategic Outlook and takes note of the deterioration of Sino-European relations, but the Greek government would like to see some “bridge-building” between Brussels and Beijing.¹⁷² In line with the vast majority of EU member states, Athens has firmly supported Ukraine and cannot help noticing China’s pro-Russia neutrality, however the Greek government is unwilling to confront Beijing on this issue.

Athens would like to see some “bridge-building” between Brussels and Beijing

On another note, Greece is one of the few EU member states without a foreign investment screening mechanism. This should not be attributed exclusively to a China-friendly stance – rather, Greece is keen to attract FDI as a high priority after the severe fiscal and economic crisis in the 2010s. In fact, while Regulation 2019/452¹⁷³ came into force in October 2020, a year later the Greek Parliament passed Law 4864/2021 on Strategic Investments that moves in the opposite direction.¹⁷⁴

Greece’s capacity to pursue a coherent approach to China

Despite the frequent exchanges between Athens and Beijing, Greece has not acquired an official China strategy and at present is not even close to that. An internal document drafted in 2021 for the Prime Minister’s office does not seem to have been discussed in earnest and has not become a point of reference in terms of policy making, the main reason being that other issues – such as relations with Turkey and Russia – are deemed much higher foreign policy priorities.¹⁷⁵ There is no government body overseeing cooperation between Greek actors and Chinese counterparts. Similarly, there is no permanent structure tasked to streamline China-related research and the formulation of relevant policy recommendations.

At present, Greece does not have an adequate capacity to articulate a coherent China policy. To varying degrees, this is evident at all levels of the public administration, businesses, academia and civil society. Greece’s national security strategy was adopted in October 2022¹⁷⁶, though it has not yet been published - reportedly, China was only covered in it marginally. Up to 2021, the Ministry of Foreign Affairs had a directorate covering China, Taiwan and the Korean peninsula. Since then, the China desk has been included in a larger – and clearly understaffed – directorate, which covers the vast area of Asia and Oceania.

There are at least three Greek-Chinese chambers of commerce, which represent specific business interests and do not have the capacity – nor the interest – to touch upon issues

broader than trade. Notably, there is not a single university chair in Chinese studies. Only three think-tanks are known to carry out some research into Chinese affairs, and China-related papers are occasionally produced at universities on an ad hoc basis. As a result, the academic community is not in a position to inform national policies vis-à-vis China. In addition, no Greek media outlet has a correspondent in China and related information is retrieved from foreign news agencies.

Not only is China knowledge in Greece extremely limited, but currently it is driven by Chinese – rather than Greek – institutions, such as three Confucius Institutes (CI). The first CI started operating in 2009 at the Athens University of Economics and Business, with 3,000 beneficiaries of Chinese language and culture programs, though it is not clear how many students have actually graduated from the language courses.¹⁷⁷ The other two CIs have been operating for a short time: the CI at the Aristotle University in Thessaloniki was founded in 2018, and the agreement for the creation of the CI at the University of Thessaly was signed in 2019. The Laskaridis Foundation, set up by a prominent ship owner, hosts a Chinese Studies Center, which is supported with human and financial resources by the Chinese Academy for Social Sciences (CASS). Furthermore, there is a China Cultural Center, inaugurated in Athens in 2016.

Main actors shaping Greece's relationship with China

In the absence of a well thought-out China strategy and an all-of-government coordination mechanism, Greece oscillates between pledges of commitment to its western partners and a flurry of cooperation schemes with Chinese actors. Thus, a deputy foreign minister in charge of economic diplomacy¹⁷⁸ acts as Greece's national coordinator in charge of cooperation within the 17+1 (currently 14:1) format. Enterprise Greece, overseen by the Ministry of Development and Investment, is tasked with both FDI attraction and the promotion of Greek exports, so it is frequently in touch with Chinese state services and businesses.¹⁷⁹

In October 2021, the Ministry of Education signed an MoU on cooperation between Greek and Chinese universities.¹⁸⁰ Study in Greece, a government program, is linked to the Chinese Service Center for Scholarly Exchange (CSCSE) on the basis of an MoU signed in July 2022.¹⁸¹ The Ministry of Tourism has signed a joint action plan for the 2022-2024 period aiming at larger Chinese tourist flows to Greece.¹⁸²

It is hard to overstate the role of the Greek shipping industry in the evolution of economic ties between Athens and Beijing.¹⁸³ Since 2000, Greek shipping companies have benefited from Chinese loans and have reportedly placed orders worth some USD 50 billion at Chinese shipyards.¹⁸⁴ Other business actors are real estate agencies, which look forward to the return of Chinese Golden Visa applicants after the resumption of travel to Greece. Travel agencies and hotel managers are also eager to see more Chinese tourists in the country. Universities, too, flirt with the idea of attracting Chinese students as a source of revenue.

In general, left-leaning parties in Greece tend to be more sympathetic of China in comparison to other segments of the political spectrum. Some civil society groups have voiced criticism of COSCO's presence in the port of Piraeus, though this is only a local trend. Media coverage of Sino-Greek relations is fairly balanced, however there are several media outlets that have content-sharing agreements with Chinese counterparts and often recycle Beijing's official narratives.¹⁸⁵

No Greek media outlet has a correspondent in China

China is not a prominent topic in Greece

What lies ahead?

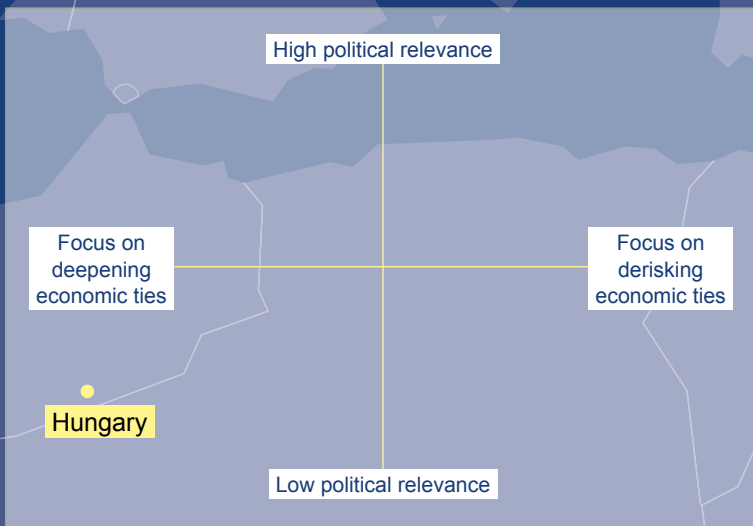
China is not a prominent topic in Greece, which is preoccupied with challenges relating to next-door Turkey. As a result, China is not perceived as a threat, and is viewed primarily as a trading partner and a political heavyweight. From now on, the issue of Chinese investment is not expected to be high on the agenda, as Greece is successfully attracting investment capital from other sources. What is likely to become a more visible issue over the next year or so relates to the expected flows of Chinese tourists and, most probably, a new surge in the number of Chinese Golden Visa applicants.

Yet, Greece is increasingly compelled to reconcile competing economic and strategic priorities as a result of a rapidly changing geopolitical environment, both globally and in the country's vicinity.¹⁸⁶ Notably, Athens has opted for Ericsson, instead of Huawei, for the construction of 5G networks.¹⁸⁷ While China is rarely discussed in public by Greek government officials, they would confidentially refer to the following two concerns: (i) a parallel international system promoted by China as a counterweight to what Beijing views as a moribund Pax Americana; and (ii) a major crisis around Taiwan which would force the EU – including a wary Greece – to take sides in the stand-off between China and the West (see box on Taiwan).

Spotlight on Taiwan

Athens is aligned with the EU's One-China policy and does not recognize the self-governed island as a separate entity. In fact, Greece is extremely cautious not to vex China and avoids any references to this issue, even though there is a Taipei Representative Office in Athens. While Greek media regularly cover developments in Taiwan, as well as in Hong Kong and Xinjiang, Greece consistently abstains from all UN statements critical of Beijing on 'sensitive' China-related issues.

Hungary



Hungary: China's last friend in the EU?

Tamas Matura, Assistant Professor, Corvinus University of Budapest

Though the Hungarian government has not formulated its China strategy in an explicit way, its goals are clear: On the domestic level strong ties to Beijing are expected to create economic opportunities and thus political support for the ruling party, while private business interest may also play its role. On the international level Beijing may serve as an important friend that boosts the bargaining position of Prime Minister Viktor Orbán in his grand chess game against the West. Recent international developments, however, have undermined this strategy and triggered increased US and EU pressure on Hungary. Meanwhile, crumbling EU-China and China-Central Europe relations render the position of Mr. Orbán more valuable to Beijing, which may make him more adamant about the pro-China policies of his administration.

Hungary's invisible China strategy

Since the Orbán government has never published an official China Strategy, one can only speculate about the intentions of the government. Based on the developments of the past decade it seems that Mr. Orbán's close relationship to Beijing aims to achieve two strategic goals.

First, the government hopes that strong ties to the PRC may lead to economic advantages in the form of increased trade and investment relations – set forth by another strategy that has never been formulated in a written format: the Opening to the East Strategy, which aims to reduce the country's dependence on EU markets and to increase the share of Eastern investors and trade partners since 2011 – that could support the domestic political popularity of the ruling party and could serve some private interests of businesses close to the government.

Budapest hopes that strong ties to the PRC may lead to economic advantages

The economic success of this approach is questionable. The government argues that China is now a major investor in Hungary, bilateral trade has been growing dynamically and thanks to the goodwill of Beijing, Hungary was one of the first countries to roll-out Covid-19 vaccinations to its population. Meanwhile, critics point out that the level of Chinese investment is still relatively low, and that the Hungarian economy does not profit too much out of the Chinese companies in the country, despite some major projects by Wanhua Yantai, Huawei or Bank of China, or maybe soon by battery makers CATL and EVE Energy.

Trade has been growing rapidly due to the sharp increase of imports (and trade deficit) from China, while exports to the PRC have been stagnating for many years. Furthermore, vaccine procurement from China has raised many questions regarding the efficacy and price of doses.

When it comes to domestic politics the pro-China attitude of the government did bear some fruits. The Orbán cabinet has been emphasizing the importance of China and Sino-Hungarian relations since 2010, and the foreign policy strategies of the government such as the "Opening to the East", or Hungary's accession to the BRI or the AIIB and the public praising of Chinese investors all shaped a pro-China narrative in governmental communication and in pro-government media outlets. Pro-government media portrayed Chinese actions in a positive light, while mainstream independent and opposition media was either neutral or slightly negative.

Furthermore, Mr. Orbán has reinforced his positive tone about the East Asian country as it helped to depict the West as an even less favorable partner. (i.e., China is successful vs. the West is on the brinks of collapse). The Covid-19 crisis offered another opportunity to the Hungarian government to paint a pleasant picture of China while it could denounce Western “incompetence”. Official comments have never blamed Beijing for the outbreak of the pandemic. On the contrary, the Hungarian government has been emphasizing the massive amounts of medical equipment sent from China to Hungary. The outcome of these governmental communication efforts was a sharp increase in China’s reputation among Fidesz voters, which in turn, has contributed to the popularity of the ruling party and its massive election success in early 2022.¹⁸⁸

Second, the perceived or actual support of Beijing may improve the international diplomatic bargaining position of Hungary vis-à-vis the European Union and the United States. This latter dimension has become an important element of Hungarian foreign policy since the deepening of tensions with Western allies and EU institutions and fits into the broader picture of Hungarian diplomatic efforts. Ever since Mr. Orbán announced his intention to turn Hungary into an illiberal democracy, he has been trying to form a global alliance of similar regimes from President Bolsonaro to Mr. Erdogan, Netanyahu, and Putin to President Xi and even Trump.

Beijing's support may improve the bargaining position of Hungary vis-à-vis the EU

Part and parcel of this endeavour was the use of Hungarian influence – mostly vetoes blocking EU statements accusing Beijing of cracking down on democracy in Hong Kong or criticizing its human rights record in Xinjiang – in the EU to support not only Chinese but also Russian, Turkish, Israeli or other interests. This foreign policy, based on hedging and a loud and aggressive communication strategy, worked surprisingly well in the peace and prosperity of the 2010s.

It seems, however, less applicable in recent years as the illiberal club turned stillborn with the political fall of many of its members, and as Russia’s aggression has made European countries rally around the flags of the EU and NATO. Despite the above-described fundamental changes in the international landscape, Mr. Orbán seemingly tries to double down on his pro-China policy. Indeed, as he has become the very last friend of Beijing in the whole EU, his relative importance may have grown in the eyes of the Chinese government.

The visit of state councillor Wang Yi to Budapest in February 2023 and the subsequent announcement that Mr. Orbán may visit China in the near future both demonstrate the strength of bilateral ties while EU-China relations experience serious tensions. Whether this unique position is worth its price in the form of the reputation lost in Washington and Brussels is a question only Mr. Orbán could answer.

The actors: The Prime Minister is in the driving seat

Given the highly centralised nature of governance in Hungary, it is fair to say that the main driving force behind the pro-China policies of the country is the prime minister. Other members of the administration rather execute than formulate foreign policy, including the China policy of Budapest. When it comes to the specific task of attracting Chinese investors to Hungary, the Ministry of Foreign Affairs and Trade and its affiliated institutions play a pivotal role. Meanwhile those times are long gone when Hungarian businesses were enthusiastic about opportunities in China.

High expectations of the early and mid-2010s have been cooled down by reality and sobering experiences, as entering the Chinese market is beyond the capacity of most Hungarian companies, while the presence of Chinese financial capital and investment in Hungary has remained limited. It must be admitted that the announced EUR 7.3 billion investment by Chinese battery maker CATL would be a game changer, the final outcome of the project remains to be seen as skyrocketing utility prices may trigger second thoughts on the Chinese side, even though the construction has started nevertheless.

Generally speaking, civil society is not strong enough to substantially shape the foreign policy of the government. Demonstrations against the planned campus of Fudan University in Budapest meant a rare exception, when the wider public and opposition parties combined their forces to push the government back on this issue in 2021. Though the unexpected public upheaval caught the Hungarian government off-guard, the administration adapted itself to the situation quickly, and in light of the upcoming elections it decided to abandon the Fudan project, at least for a while.

Future challenges

The main challenges of Hungary's China policy all stem from the same structural question: is the pro-China attitude of the government sustainable considering the rising tensions between Beijing and the alliance system Hungary belongs to? The longer Budapest sticks to its current trajectory, the harder it will be to change course if no other options remain in the coming years. Of course, the war in Ukraine dominates the European agenda now, and thus questions related to China are somewhat pushed aside, though not forgotten.

High expectations of the early and mid-2010s have cooled down

One can expect that Washington and its European partners will eventually turn their attention to the long-term challenges posed by China again, and then policies of Hungary could come into the crosshairs. Next to the European level, another concern is the future of the 14+1 and of the Visegrad 4 cooperation. Many expect Czechia to leave the 14+1 in 2023, which would increase the weight of Hungary further in the China-CEE cooperation, but at the same time would put the V4 under even bigger pressure. President-elect Pavel has already expressed his reservations about the future of the Visegrad cooperation, and the demise of the V4 would mean another step toward the isolation of Budapest in the EU.

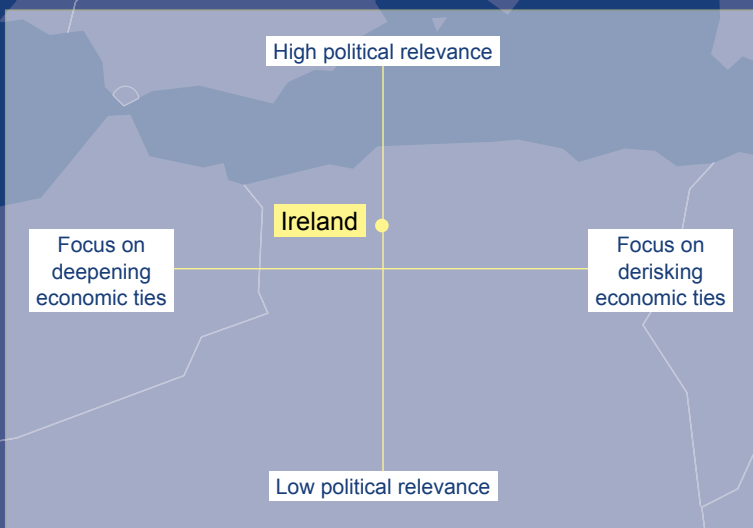
Meanwhile, it has to be noted that the main point of tension with the EU and V4 partners is not China but the pro-Russian policies of the Hungarian government. In case of last resort Mr. Orbán may decide to subtly distance Budapest from Moscow, which may offer him some space to manoeuvre to keep his ties to Beijing intact, at least for a while.

Spotlight on Taiwan

The Orbán government has been employing a two-faced policy vis-à-vis Taiwan. Direct investments from the island are always warmly, though not very visibly welcomed by the Hungarian MFA, as Hungary is only second to the Netherlands in terms of Taiwanese FDI stock in the whole EU.

Meanwhile, when it comes to political cooperation Budapest always sticks to Beijing's expectations and keeps relations to Taipei at a very low level. In 2020, Hungary was one of those countries that did not support Taiwan's accession to the WHO, following a call between the Hungarian and the Chinese Ministry of Foreign Affairs.

Ireland



Ireland: From dragging its feet to breaking into a sprint

Alexander Davey, Analyst, Mercator Institute for China Studies (MERICS)

Ireland does not have an official China strategy, yet a pattern of approaches can be tracked via that of successive governments. The Irish-Sino bilateral relationship is predominantly focused on trade opportunities, and over the past 10 years Ireland's economic relationship with China has had a positive trajectory keeping it at the center of the relationship. Certain challenges in recent years, however, have brought attention to relations and spurred on Ireland to accelerate its alignment with the EU's strategy, transitioning from a passive to active recipient of EU China policy. The government must carefully navigate this policy transition, yet ministerial departments' differing and varying degrees of interest in China could undermine a coordinated approach to balance competing policy goals.

The action: Ireland presents itself to China as “the gateway to Europe”

2022 marked the 10th anniversary of the China-Ireland strategic partnership for mutually beneficial cooperation.¹⁸⁹ Since signing this reciprocal partnership, the Republic has proved to be an important political partner for China on a bilateral level. The relationship is characterized by continued high-level strategic coordination and reciprocity.

Ireland is a small open nation with an outward facing economy that the Irish government presents to China as the “gateway to Europe” for trade and investment.¹⁹⁰ Its economic model, underpinned by a relatively low corporate tax rate to incentivize exporters to manufacture there, facilitated Ireland to typically enjoy a trade surplus in goods with China.

Among all indicators of economic relations, exports to China (or China's demand for Irish goods) are the determining factor for Ireland-China interdependence. In 2022, Ireland was the only EU member state to maintain a trade surplus in goods with China.¹⁹¹ And even though the country is the EU's 14th biggest economy, it is the bloc's fifth-largest exporter to China (EUR 13.033 billion). The consistent trade surplus may be a cause for concern with regard to potential dependencies on or even vulnerabilities to the Chinese market. Under certain specific conditions these could threaten the country's economic security. The composition of trade exports reveals whether such risks exist. Based on customs data, integrated circuits are by far the dominant export to China, though most of which involves an internal transaction between Intel's Ireland-based frontend and China-based backend facilities.¹⁹²

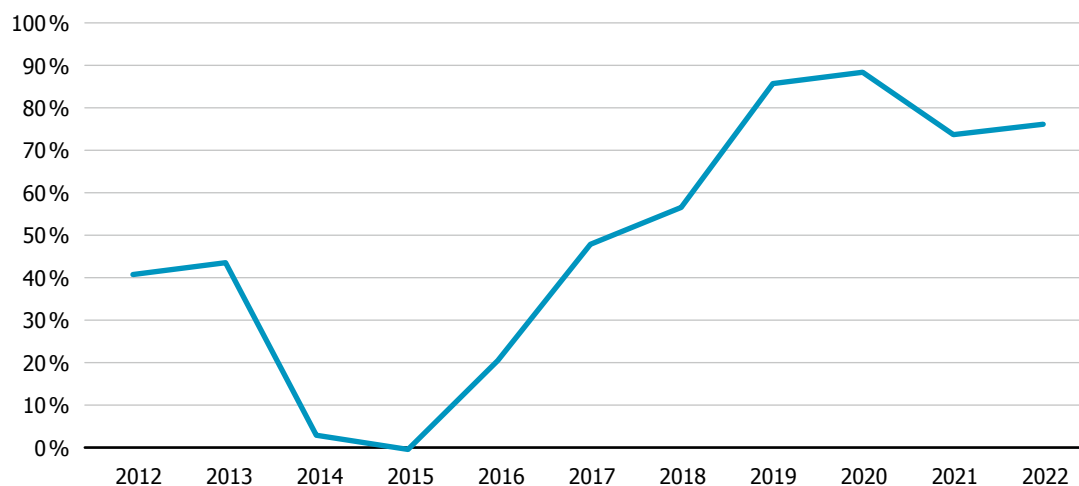
Integrated circuits made up 63% of Ireland's exports to China in 2022

Ireland's parliamentary budget office attributes the high share of Ireland's main China export – described broadly as “Electrical machinery, appliances, transport equipment” – to its replacement of the US as the largest export destination of these goods in 2018.¹⁹³ In 2022, 77 percent of Ireland's exports of integrated circuits went to China. Of the country's total exports to China last year, integrated circuits make up a whopping 63 percent, while agricultural products, traditionally seen as Ireland's dominant export to China, make up a mere 4.4 percent.

However, Ireland's maintained trade surplus is understood within Irish policy circles to signify the stability of its trade relationship, yet this confidence may instill a belief that the trade relationship does not constitute a potential vulnerability. For instance, such potential vulnerabilities include a sudden halt on the export of integrated circuits for reasons linked to the US imposing restrictions on exports of critical technologies – see US chip ban¹⁹⁴, China's

Over three quarters of Ireland's Integrated Circuit exports go to China

— Share of IC exports



Source: UN Comtrade

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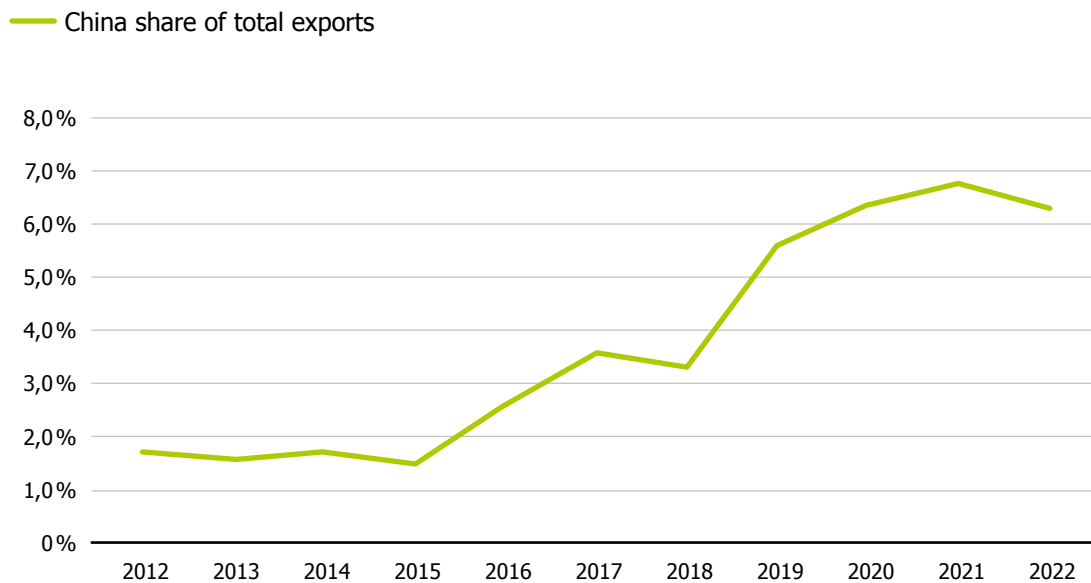
Exhibit 4

banning of specific semiconductor firms' chips from critical infrastructure – see Micron¹⁹⁵, or China's economic coercion of a country for political reasons – see the case of Lithuania¹⁹⁶.

Regarding FDI, the Republic's enterprise-friendly environment has coaxed US multinational companies to invest and set up their European headquarters on its shores. Likewise, the Irish government is welcoming Chinese investment and companies, potentially creating a site of strategic competition between the two. Currently, there are more than 40 Chinese companies in Ireland concentrated mainly in IT, finance and aviation leasing – the most notable being Huawei Technologies, Bytedance's Tiktok and Wuxi Biologics – numbering more than 3,000 employees on the island.¹⁹⁷ In 2023, fast-fashion retailer Shein is building out its team in Ireland¹⁹⁸, its rival Temu has set up its EU base in Dublin¹⁹⁹ and its parent company PDD holdings has moved its HQ from China to Ireland, potentially to avoid geopolitical risks.²⁰⁰ Vice-versa, by the end of 2020, Ireland had established a total of 501 foreign-invested enterprises in China, with a cumulative non-financial actual investment of USD 2.73 billion. Well-known Irish companies such as Ornuua, Kerry Group, Glanbia and CRH have set up factories and R&D centers in China.²⁰¹

Ireland's enterprise and political officials carry out a balancing act between maintaining good ties with the US tech industry while quietly inviting more Chinese companies to invest on the island.²⁰² Public diplomacy carried out annually on St. Patrick's Day shows how this balancing act is performed. Taoiseach²⁰³ Leo Varadkar travelled to Washington DC to meet with President Biden, while Minister for Transport, Climate, Environment & Communications Eamonn Ryan travelled to Beijing²⁰⁴ to meet with his counterpart Huang Runqiu, China's Minister for Ecology and Environment.²⁰⁵ Both meetings would involve increasing Ireland-US and Ireland-China economic trade and investment relations.

Share of exports to China has grown since 2012 agreement



Source: UN Comtrade

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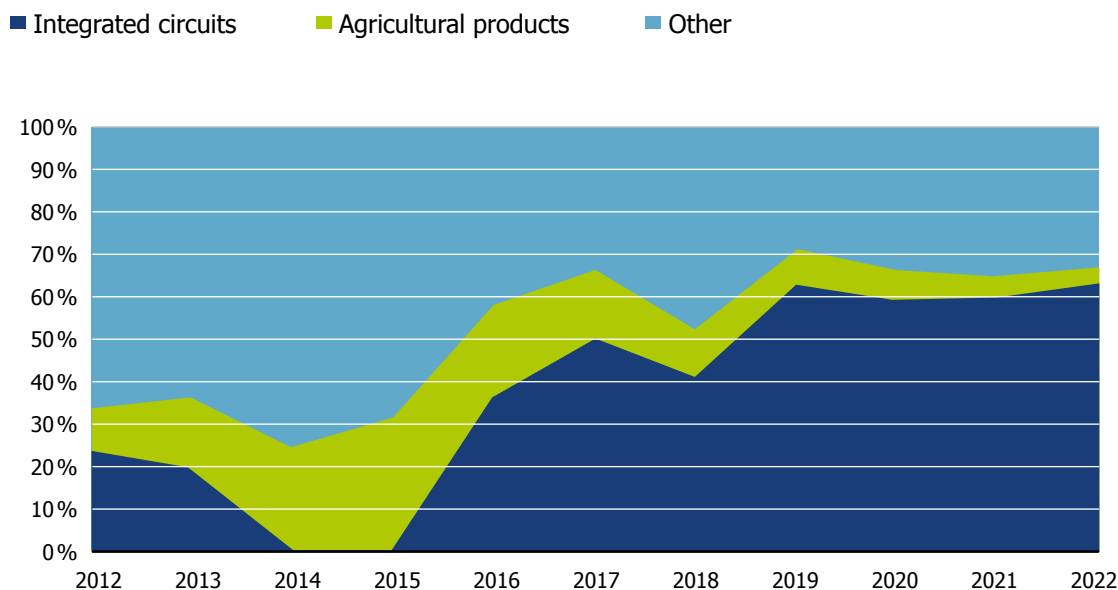
Exhibit 5

At the same time, the Irish government has signed on to letters in collaboration with other countries, made statements about China's human rights abuses in Xinjiang²⁰⁶ and Hong Kong²⁰⁷, and gone as far as to suspend its extradition treaty with the former colony.²⁰⁸ Yet, Irish diplomats have stated that they do not publicly confront China over human rights issues but bring up their concerns privately and in a bilateral manner. The tension between Ireland's pro-business policies and values-based outlook can lead to policy contradictions. If not dealt with appropriately this could undermine the credibility of the Republic's approach to China.

The Irish government is now juggling multiple demands of drawing investment from both the US and China while attempting to minimize risks by navigating between the interests of the two and the complex internal politics of the EU. The convergence of global economic and security issues with competing US and Chinese interests means Ireland may find itself squeezed between the two.

EU membership, neutrality and Brexit have been decisive in shaping thinking and policies of successive Irish governments towards China. First, the Irish government claims to align itself in many ways with the policies of the EU and supports the EU's current three-pronged – cooperation partner, economic competitor, systemic rival – approach as a framework for navigating relations with Beijing. Second, the non-membership of military alliances is the cornerstone of Ireland's neutral status and explains why it is not a member of NATO and has remained neutral throughout its integration into the EU thanks to its "triple lock" mechanism. As a result, Ireland wields "soft power" among non-aligned countries like China for its militarily neutral status and continued provision of peacekeeping forces to the UN which allows for Ireland to exert its influence.

Integrated circuits, not meat and dairy dominate exports to China



Source: UN Comtrade

© ETNC

Exhibit 6

Third, Brexit has pushed the Irish government to diversify and look for alternative markets to the UK. This has brought Irish and Chinese trade closer. In 2018, in the wake of Brexit, then Minister for Foreign Affairs Simon Coveney stated that “Ireland is ready to step into the gap created by Brexit and wishes to replace Britain as China’s new “trusted friend.”²⁰⁹

The actors: Ireland’s largest parties and business agencies maintain close contacts with China

Ireland’s two largest parties, both center-right Fine Gael (FG) and Fianna Fáil (FF), and the center-left Green Party (GP) form Ireland’s current coalition government, led by Taoiseach Leo Varadkar (FG) and Tánaiste²¹⁰ and Minister for Foreign Affairs Micheál Martin (FF). There is not much difference between Ireland’s main political parties regarding their stance towards the PRC, each seeking to maximize economic opportunities when in government, while using the EU – to both provide cover and greater impact as a united body – to criticize China on certain issues.

The Industrial Development Agency (IDA)²¹¹ and Enterprise Ireland²¹² in tandem with the Department of Enterprise, Trade and Employment are the main drivers for trade and investment between Ireland and China. The Department of Agriculture maintains strong engagement with its Chinese counterparts in consistently seeking market access to export Irish produce – from dairy products to pigmeat, crab, salmon, beef and sheepmeat. However, considering the minimal share food commodities constitute of the total share of Irish exports (as seen in the above graph) it could be said that there is an overinvestment of government resources and time on opportunities (10 trade missions to China since 2012) that offer only a marginal increase in return.

Ireland needs greater China competency

To make best use of opportunities and manage risks, that is, to shape a coherent China policy, Ireland needs greater China competency. Although the Republic has 13 current politicians as IPAC²¹³ members, there is an absence of indicators of China competency within government and the civil service, and of China-related coordination efforts among government ministries, suggesting a weak capacity for the Irish government to formulate a coherent China policy.

China strategy?

While the Irish government does not have a public dedicated China strategy, only an “Asia Pacific Strategy”²¹⁴ from 2020 that briefly mentions China, its balancing between fostering an economic relationship with the US²¹⁵ with that of quietly inviting Chinese investment^{216 217} could constitute an unofficial strategy by Irish policymakers and legislators.

Did recent China challenges push Ireland to “de-risk” its China approach?

The almost-three-year exit ban placed on businessman Richard O’Halloran in China due to a business dispute between his employer, an aircraft leasing firm, and Chinese shareholders, caused the Irish government to consistently advocate for his release. Exit bans such as that imposed on O’Halloran are a violation of the internationally-accepted right to freedom of movement and its expanded use, on foreign businesspeople in particular, is a worrying trend for an Irish government that promotes doing business with China.

A Fuzhou Police Overseas Service Station was operating in Ireland without permission of the state. This infringement of Irish sovereignty was a cause of concern for the Irish government and led them to quickly order it to be shut in October 2022.

After ten years of operation, Ireland’s Department of Justice ordered its Immigration Investor Programme to no longer accept applications from February 2023. 94 percent of applicants, or over 1,500 of the more than 1,600 applicants were Chinese nationals. It appears that EU research of such programs’ negative implications, pressure from the Commission and reasons concerning potential undue influence led to the Irish government ending the program.

More recently however, following swiftly in the footsteps of EU Commission President Ursula von der Leyen’s speech on China and not long after Biden’s state visit to Ireland²¹⁸, Foreign Minister Micheál Martin echoed the Commission President in outlining his government’s policy shift on China. He called for Irish stakeholders to be aware of their level of exposure to China, citing von der Leyen’s reference to “de-risking” relations with China, defining it as “developing our economic and systemic resilience to, in turn, protect our values and interests.”²¹⁹ He added that this does not mean turning their backs on important relationships with China and that his government would continue to work with Chinese companies established here – something Wang Yi asked Martin for on the sidelines of the MSC. He went on to state that Ireland “... will also work with European Union partners to shore up our economic security,”²²⁰ hinting to greater alignment with EU China policy.

Milestones in Irish policymaking on China 2012–2023



Source: Author's own research

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Exhibit 7

Government actions towards China show that there is still quite a bit of confusion in how to approach China. Yet it appears that the overarching goals are to maintain and expand the trade surplus, compete for FDI, and seize upon investment opportunities in China. The actions of different government departments towards China illustrate a variety of competing interests. Comparing departments such as the Department of Business, Enterprise and Trade, and the Department of Agriculture with that of the Department of Foreign Affairs, there is a higher level of China-oriented engagement among the former two department ministers than that of the latter.

Despite its generally more neutral and business-oriented stance, Ireland's approach to China is coming under pressure to align with that of the EU. In autumn 2022, then Irish Foreign Minister Simon Coveney stated that Ireland would soon put into place the foreign direct investment (FDI) screening measures developed by Brussels to safeguard vital assets.²²¹ Similarly, with regard to national security in relation to Chinese telecommunications vendor Huawei, the Irish government is establishing the European Electronic Communications Code that allows the government to take measures to safeguard the supply of critical components by "vendors considered high risk" to protect the security of Ireland's telecommunication networks.²²²

The slow processes of implementing both measures suggest an element of reticence to enforce them for fear of decreasing Ireland's attractiveness as an FDI destination and potentially upsetting relations with China.

A checklist of different EU policy tools benchmarking Ireland’s China policy

Policy tools	Status
FDI Screening Mechanism	In legislative process ²²³
EU 5G Security Toolbox	Endorsed policy initiative ²²⁴
Legislation to allow blacklisting networking equipment from high-risk vendors on national security grounds.	Enacted ²²⁵
National contact point for knowledge security	Not under consideration
Toolkit to help mitigate foreign interference in research and innovation ²²⁶	Not under consideration
Information/contact point for local government ²²⁷	Not under consideration
Assessment of strategic dependency ²²⁸ on China	Not under consideration

Ireland looks to remove barriers within the EU single market. As a small economy it does not support industrial policies – posed to tackle the “China challenge” – to provide state aid for “European Champions” as it is unlikely to be able to compete with larger economies of Germany and France.²²⁹ The absence of Irish companies from Important Projects of Common European Interest (IPCEI) shows just how Ireland’s economic model is ill-aligned to EU industrial policy. Therefore, the Irish government’s likely perspective towards “de-risking” is to be one focused on a level playing field in specific sectors in order to maintain a pro-free trade slant rather than one that aims to loosen state aid rules.

Spotlight on Taiwan

Like the EU, Ireland subscribes to a “One China” policy recognizing the People’s Republic of China as the sole government of China. It does not maintain official diplomatic relations with the Republic of China’s government or recognize Taiwan as a state.²³⁰ In January 2012²³¹, Ireland closed its Institute for Trade and Investment office in Taipei due to “austerity measures,” three months before it signed a Strategic Partnership Agreement with China. In 2021, then Deputy PM Leo Varadkar stated that IDA Ireland handles the Taiwanese market from Singapore and has no plans to open a new office in Taipei. Enterprise Ireland’s office in Hong Kong and a consulting firm in Taipei provide marketplace services to Irish companies looking to do business in Taiwan.²³²

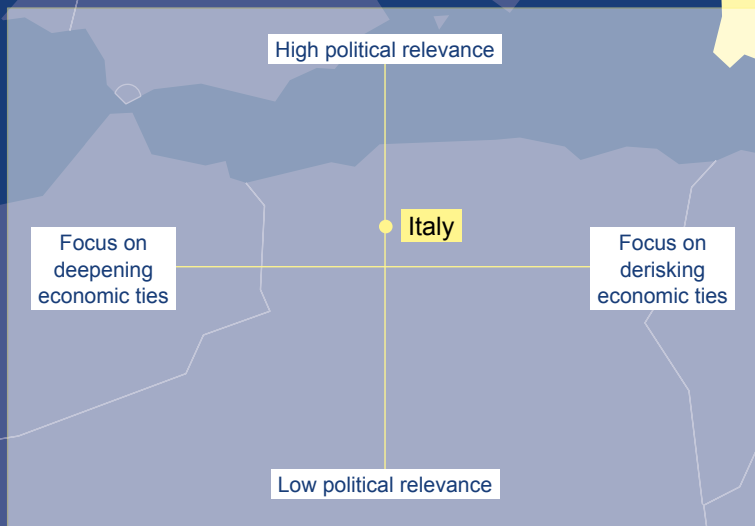
The future: Dublin needs to mitigate dependencies and increase coordination and capacity on China

Growing interdependency needs to be assessed for potential risks

Given its interest in increasing trade with China, Ireland has until recently opted for a less confrontational and balanced approach to the PRC. This had allowed for trade in goods and services to grow and FDI to take place in both countries. Nevertheless, this growing interdependency needs to be managed and assessed for potential risks. If any economic or strategic dependencies are deemed critical, de-risking rather than decoupling should be the goal.

1. Ireland's export-dependent model of trade with China raises concerns of trade over-dependence, especially with regard to electronic integrated circuits. A US government export restriction on its producers in Ireland or a PRC government import ban to China of US ICs fabricated in Ireland would have a significant impact on Irish jobs and corporate tax revenues.
2. Sudden political upheavals arising from China's role in Russia's invasion of Ukraine, a potential invasion of Taiwan, or an inflection point in US-China tensions could strain Ireland-China relations, further threatening economic security. Also, a negative economic shock in China on trade would affect the overall EU economy which could lead to second order negative effects on Ireland's economy. In the unlikely event of a trade war between the EU and China, small open economies such as Ireland are set to lose most (welfare losses of -2.04 percent).²³³
3. The Irish government needs to evaluate whether inter-ministerial, vertical, or horizontal cross-sectoral coordination mechanisms on China are needed to address the lack of China coordination. Similarly, bolstering China-related expertise and capacity in the civil service, reviewing the reactive methods of diplomacy towards China, and evaluating the capacity to take a more pro-active approach in shaping and receiving EU policy on China could prevent future incidents such as the cases of Richard O'Halloran's exit ban or the establishment of the Fuzhou Police Overseas Service Station.

Italy



Italy: Tilting towards “security first”

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Francesca Ghiretti, Analyst, Mercator Institute for China Studies (MERICS)

The preference of the governing political party or coalition has significant impact on Italy's approach to China. The last two governments, that of PM Mario Draghi and of PM Giorgia Meloni have placed stronger attention to Italy's security interests and to alignment with European and Transatlantic allies, without, however, losing sight of the opportunities that a stable diplomatic and economic relationship with China brings to Italy. A Memorandum of Understanding signed in 2019 made Italy the first G7 country to subscribe to the Belt and Road Initiative. Four years later, the diplomatic grand gesture mostly empty of actual gains for Italy is back on the Italian government's table who must decide whether to renew the MoU by the end of 2023. And the government appears keener not to renew it, but not everyone agrees with this approach. Despite such an important diplomatic move, China is not a pressing matter for Italy's foreign policy.

Introduction

As for most other European countries, the economy is the main driver of Italy-China relations. For example, when Wang Yi visited Rome in February 2023, export of Italian products and market access for Italian enterprises were among the main themes of the meeting. The hope for a stronger and more favorable economic relationship was also one of the Italian government's main drivers of the decision at the time to sign a memorandum of understanding to join the Belt and Road Initiative. The anticipated economic boost in the relationship, however, did not materialize. Italian exports to China have grown since 2019 but the growth appears to have remained at the pre-2019 pace suggesting the MoU did not have a significant impact.²³⁴

Italy hosts one of the largest Chinese diaspora in Europe

Culture is often presented as being a fundamental link between China and Italy. As in other countries, such as Greece, China has often adopted the diplomatic tool of the commonalities between great ancient civilizations. Following the footsteps of his predecessors, the new PRC Ambassador to Rome, Jia Guide, as soon as he was appointed mentioned the strong linkages that exist between Italy and China as ancient civilizations.²³⁵

Academia is also an important tenet of the bilateral relationship. Italy hosts 11 Confucius institutes affiliated to Italy's main universities and several Confucius classrooms spread across the country. The risks associated with academic connections and scientific cooperation, especially for scientific cooperation, have been in the spotlight of intellectual debate, but have not evolved into a thorough political discussion among the ruling elite.

Furthermore, Italy hosts one of the largest Chinese diaspora in Europe. Notwithstanding their size, Chinese communities in Italy drew little attention until a few years ago. More recently, they have come to the spotlight of public and political attention mainly due to the controversial issue of alleged “Chinese police stations” on Italian territory, which emerged following the publication of a report by the Spanish non-governmental organization Safeguard Defenders that denounced the presence of such stations in several European countries, many of them in Italy.²³⁶

The report accused these “police stations” of carrying out monitoring and repression of Chinese dissidents abroad. The report drew attention to the fact that since May 2016, thanks

to an agreement signed in September of the previous year by the then Renzi government, major Italian cities had seen joint patrols between Chinese and Italian police to ensure the safety of tourists from the People's Republic.²³⁷ Subsequent agreements had also established Italian police patrols in China.²³⁸ According to the Safeguard Defenders report, the 2015 agreement allegedly led to the establishment of "Chinese police stations."

The credibility of the report by Safeguard Defenders has been questioned for the several reading comprehension errors of China's official documents and other mistakes.²³⁹ Indeed, what Safeguard Defenders refer to are "service centers" linked to provincial governments in the PRC and tasked to carry out bureaucratic activities, but which have no authority on security matters, nor do they have any bearing on agreements for joint police patrols. Such "service centers" are not regulated by bilateral agreements, and the government has expressed the need to conduct investigations, which are currently underway.

Italy's approach to China has aspects of consistency

Italy does not have an official strategy towards China. However, a relatively consistent approach can be tracked throughout different governments. Regardless of whether a particular government would officially take a position favorable to China, each would try to improve the economic relationship, be it to attract more Chinese investments, raise exports of Italian products or improve market access for Italian enterprises in China.

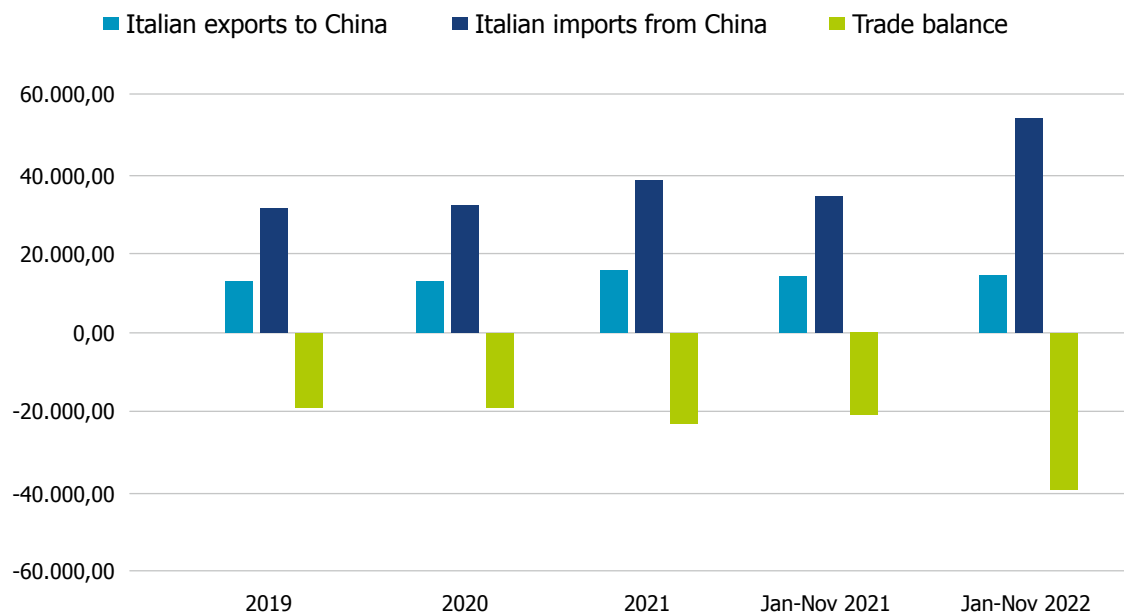
Italy does not have an official strategy towards China

The political narrative around China may have different approaches depending on the political orientation of the government, but the diplomatic and economic approach has changed little over time. The government of Mario Draghi had partially changed such an approach by more closely scrutinizing business deals, especially acquisitions, and Meloni seems to be following in Draghi's footsteps, and perhaps pushing it even further.²⁴⁰

The overall approach that Italian governments have been adopting throughout the years has not dramatically differed from that of other European countries and it easily sits within the official EU approach. Even signing up to the Belt and Road Initiative in 2019, albeit having raised a lot of fuss, is not really a detour from the European position. For one, the language selected for the Memorandum of Understanding (MoU) mentions EU initiatives, regulations and positions.²⁴¹ And the agreements struck between Italian and Chinese entities do not differ greatly from those concluded between other European and Chinese ones.

Nonetheless, while Italy in the past managed to actively shape part of the European China-related agenda, now it is mostly a passive receiver of an agenda driven by others.²⁴² The Italian industrial confederation (Confindustria) adopted a position paper²⁴³ in 2019 that encapsulates its position towards the situation that Italian enterprises face when dealing with China. The advantage China has via state-owned enterprise and unfair competition is the main theme of the position paper. It especially highlights how a strategy to guarantee more competitiveness for Italian enterprises must be embedded in a European strategy. (see exhibit on page 88).

Italy's exports to China lag far behind its imports from China (Trade volumes in million Euro)



Source: Graph created by the authors based on the data provided by Italy's Central Bank

© ETNC

Exhibit 8

The actors

The government has historically been the main driver of the country's approach towards China, which has often displayed a strong political component. Bureaucrats, such as officials within the Ministry of Foreign Affairs, have been able to guarantee that the underlying policy did not undergo major changes from one government to another, but politics still plays a major role in the shaping of the relationship. Currently, one important difference seems to exist between the preference of the Prime Minister's Cabinet, which is keen not to renew the MoU with China and the position of the Ministry of Foreign Affairs, which views the non-renewal as an unnecessary move that would strain diplomatic relations with China.

There are other actors, such as the Italian industrial confederation (Confindustria), that attempt to have a role in shaping Italy's approach to China. Confindustria, for instance, often discusses with Italy's governmental institutions on specific topics, including the relations with China. In addition, among these actors, there is also the Italy-China Council Foundation, an association that includes Italian and Chinese companies and individuals and that were established with the precise aim of deepening economic relations between China and Italy;²⁴⁴ and the China-Italy Chamber of Commerce (CICC) whose purpose is to promote the "Made in Italy" in the PRC.²⁴⁵ These associations often interact with Chinese entities at non-institutional levels.

Among Italy's civil society, universities and scholars in general have attempted to play a role in Italy's approach to China, although their impact has been very limited so far. An example is the China-Italy Philanthropy Forum set up by the TOChina Hub of the University of Torino, whose aim is to provide a "channel for relevant people-to-people exchanges."²⁴⁶

Other attempts have aimed to become a bridge between local institutions and China. An example is the Collegio di Cina, nowadays relabeled Asia Institute, which is a platform with five founding partners: the University of Bologna, the regional government of Emilia-Romagna (the region where Bologna is located), Bologna municipal government, Emilia's industrial confederation (Confindustria Emilia) and BolognaFiere S.P.A. However, they have contributed more to providing "China literacy", less on orienting Italy's China policy.

The capacity

Like many European countries that do not prioritize China in their foreign policy, there are too few people focusing on China in the government and in the ministries and there is weak coordination among the different offices and bodies. Italy has few people dedicated to China, few dedicated departments, little to no inter-departmental and inter-ministerial coordination mechanisms and overall little China expertise at government and ministerial level.

The Italian Ministry of Foreign Affairs does not have a China desk, it has a North-East Asia desk led by a Director for Asia and Oceania. The North-East Asia desk is composed by three to four people who cover China, Mongolia, Japan and South Korea.

China is not a foreign policy priority for Italy

The above becomes even more striking if we consider that the economic relationship is expressly considered to be the most important aspect of Italy-China relations and as of January 2020 foreign trade has been moved from the Ministry of Economic Development to that of Foreign Affairs²⁴⁷, but the number of personnel at the North-East Asia desk remains very limited, and other ministries do not provide official figures on China. And often staff find themselves having to juggle competences and tasks that are geographically wide.

The Italian MFA has created a coordination platform on China between different ministries and other entities including the Bank of Italy, but the lack of dedicated people in other ministries, lacking the required competences and the overly busy agenda of the North-East Asia desk at the MFA has made this coordination effort not fruitful or efficient.

Although Italy is far from having the necessary capacity to deal with what China is today and it lacks the inter-ministerial attention needed, it should be noted that attention to bringing competent people on board on China has been growing and examples include the decision by former Minister of Foreign Affairs Luigi Di Maio to nominate Ettore Sequi, former Ambassador to China, as his Chief of Staff, who is now Secretary General for the current Minister of Foreign Affairs Antonio Tajani. And Luca Ferrari, former Ambassador to China, has been nominated as "sherpa" for the G7 and the G20.

The future

Since China directly or indirectly will have an increasingly large impact on Italy and Italian foreign policy, capacity building should be a priority for this government and those that follow.

Notwithstanding that China is not a foreign policy priority for Italy, Italy has long been dealing with the opposing tensions that inform its approach to China. On one hand, China is still viewed as a land of opportunity and as an important market for Italian businesses and products, on the other, the perception of China as a threat especially to Italian assets is growing.

The government of PM Mario Draghi set the trend of more generously blocking Chinese investments that not only posed a risk to national security, but also to national interests

intended more widely, as it was the case of Iveco. Now, Adolfo Urso, Minister of the new far-right government led by PM Giorgia Meloni, is exploring how to further strengthen the Italian screening mechanism for foreign direct investments by possibly reviewing deals already concluded – a first in the European landscape, and potentially creating a fund to help companies that see investments being blocked or taken away.

Italy's biggest challenges on China policy remain its own capacity-building efforts

Speaking of reviews, during her electoral campaign, PM Meloni promised to review the agreements included in Italy's BRI MoU with China. According to the text of the MoU signed in 2019, the review is due by the end of 2023 or the MoU will be automatically renewed in 2024. So far, the Meloni government has been able to manage well the two deep-rooted tensions of Italy's approach to China that pin opportunities against risk. However, the decision she faces will tilt that balance, perhaps only momentarily, but if the government decides not to renew the MoU it must stand ready to deal with retaliation from China, should that arise.

Furthermore, Meloni will have to decide what to do with a potential state visit to Beijing. If the meeting on the side of the G20 and the visits by other European leaders are of any indication, Meloni is likely to keep a friendly tone, find some opportunities for Italian businesses and raise some pressing issues such as Taiwan, human rights and Ukraine. The latter would be especially aimed at pleasing the ally on the other side of the Atlantic, an approach that so far has consistently accompanied this government.

Overall, Italy's biggest challenges on China policy remain its own capacity-building efforts, on a country that either directly or via its competition with the US will shape a large part of Italy's decision-making, and the fast-changing political leadership that bring forward often contradictory narratives that appear to disrupt continuity, even though such continuity exists.

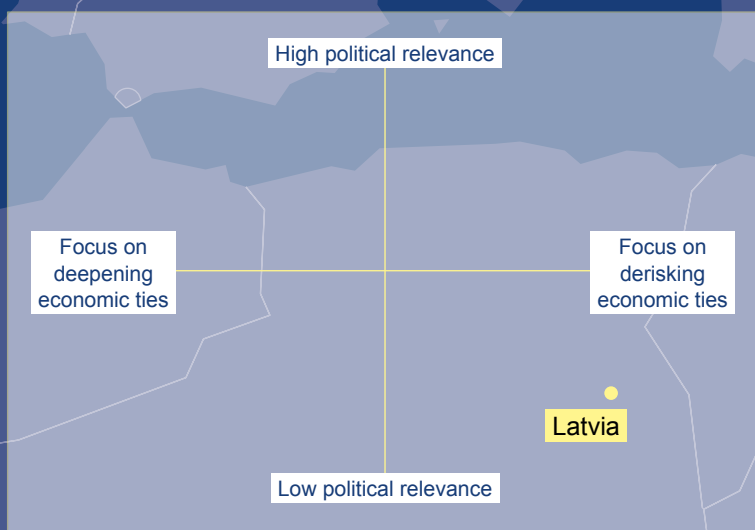
Spotlight on Taiwan

In accordance with its "One China Policy" the Italian Republic does not maintain²⁴⁸ diplomatic relations with Taiwan, recognizing the People's Republic of China as the only Chinese state entity. On the other hand, Italy is engaged with Taiwan on commercial, economic and cultural projects facilitated by the presence of a Taiwanese Representative Office²⁴⁹ in Italy. Non-governmental actors continue to build bilateral relations with Taiwan and try to influence the country's approach via official means such as thematic roundtable discussions and unofficial exchanges.

An area where dialogue about economic ties occurs is the Italian-Taiwanese Forum for economic, industrial and financial cooperation that is co-chaired by the Italian Ministry of Foreign Affairs (which is in charge of foreign commerce) and the Taiwanese Ministry of Economic Affairs.

A visit from a delegation of Italian MPs to Taiwan, largely from Brothers of Italy (PM Meloni's party) has been postponed several times. The last official visit from Italian MPs was a visit in 2016 by the Italy-Taiwan Interparliamentary Friendship Group. In 2019, a delegation from the League (also part of the current government coalition) visited Taiwan.

Latvia



Latvia: Settling in for a moderate “steer clear” approach

Una Aleksandra Bērziņa-Čerenkova, Head of the Asia Research Programme, Latvian Institute of International Affairs (LIIA)

Latvia does not have a dedicated China strategy, a development of an “unofficial” Latvian code of conduct on China can be tracked. After a decade of economic opportunity exploration yielded underwhelming results and against the backdrop of relationship deterioration between China and the West, Latvia has decided to disassociate itself from China-led formats in 2022. The country appears to have adopted a steer-clear approach towards all China-related engagement that could hold security implications, therefore no official China strategy is expected to emerge in the nearest future. The future of Latvian China policy will need to address China’s position with regard to Russia and the war in Ukraine, re-cast Latvian interests within a broader Indo-Pacific narrative and balance Latvia’s infrastructure needs with concerns about China.

The action Latvia’ informal code of conduct

Until 2012, Latvia had no significant exchanges with China, therefore, no official approach to the country or even its region existed. That year, Latvia joined the framework of China’s Cooperation with Central and Eastern European Countries (best known as “16+1”, due to the original number of European participants). In 2022, when Latvia along with Estonia²⁵⁰ stated it will no longer participate in the grouping, the country’s official approach to China evolved from hopes for economic engagement, to disappointment, to anxiety over security issues, which in turn has led back to no exchanges. In a sense, the Latvian national approach to China has gone full circle.

The Latvian national approach to China has gone full circle

Due to the short and underwhelming nature of the Latvia-China engagement, Latvia has not produced a public and dedicated China strategy. Geopolitically, the emphasis of the Latvian foreign policy thinking is mainly placed on the Euro-Atlantic space, and now especially so given Latvia’s bid to become a non-permanent UN Security Council member for the 2026-2027 term via elections of the UN Security Council non-permanent seats in 2025.²⁵¹

However, one can gauge the development of an “unofficial” Latvian code of conduct on China. Engagement with China is focused on the economic domain, given Latvia’s strict geopolitical orientation towards the EU and NATO. The Latvian establishment saw China as a prospective export market, an opportunity to breathe new life into the massive and stagnating transit sector, including ports and railroads, as well as, at least during the early stages of engagement, a technologically advanced greenfield investor.

The cornerstone of the “unofficial” approach was to explore the economic potential within the broader confines of a European position, avoiding political alignment or becoming a bargaining chip in the hands of Beijing. This mindset has shaped the Latvian policies vis-a-vis China, as well as the limitations of the Latvian engagement – the Latvian stakeholders were against China-proposed loans, and didn’t see Chinese investors or construction companies playing a part in local and regional infrastructure projects under the conditions proposed by the Chinese side.

Increasingly since 2019, in line with the general Transatlantic trend however, Latvia has deprioritized the search for economic domains that could be immune to the EU and NATO

understanding of China-related risk. Exacerbated by China’s economic retaliation towards Lithuania²⁵² after the country began strengthening relations with Taiwan in 2021, the current Latvian unofficial strategy is about avoiding China altogether rather than cautiously engaging with it.

In his 2013 Speech at the Foreign Policy Debate in the Saeima (the National Parliament) – a top foreign policy reference document in the Latvian context – Latvia’s Foreign Minister Edgars Rinkēvičs mentioned China merely as one among many economic partners in the Asia Pacific.²⁵³ A decade later, the 2023 Annual Report of the Minister of Foreign Affairs contains a separate section on China, which attempts to introduce a balance between cooperation and avoidance, ultimately falling back on an EU position rather than a national one:

“Latvia considers it important to continue the European Union’s multi-level approach to China as a cooperation partner, economic competitor and systemic rival. And we must continue to call on China to take a more determined and responsible position against Russia’s war. It is especially important and purposeful to defend the economic interests of the European Union and to achieve equal access to the Chinese market, as well as to oppose China’s practice of using economic pressure as a political instrument against individual member states of the European Union, thus affecting the common market of the European Union. Latvia supports the need to implement constructive relations with China, especially in overcoming global challenges such as climate change, non-proliferation of nuclear weapons, as well as promoting stability in the Indo-Pacific region, while being aware that the gap in values between the European Union and China continues to widen.”²⁵⁴

The current Latvian unofficial strategy is about avoiding China altogether

The text also mentions Latvia’s withdrawal from “16+1” but at the same time expresses willingness to build constructive and open relations with China. The position reads as a moderate one in comparison to Latvia’s neighbour, Lithuania, as it does not denounce cooperation in principle. Although, the significant challenges mentioned by the foreign minister above leaves no room for any practical pursuit of such cooperation. Without loud declarations, Latvia is nevertheless setting in for a “steer clear” approach to China. This “steer clear”, however, does not preclude avoiding controversy, such as over human rights or Taiwan. Even though Latvia is not a leading European voice on issues that might provoke China, it certainly is not a laggard either.

The actors: Ministerial disconnect

During the decade of Latvia’s participation in “16+1”, a cross-stakeholder consultative mechanism, a working group for the coordination of events organized within the cooperation format of Central and Eastern European countries and China, was in place (discontinued in 2022). It was coordinated by the Ministry of Foreign Affairs, and included various state (incl. ministerial), non-governmental, business, academic and other actors.²⁵⁵ Apart from this, no attempt has been made to establish an inter-ministerial or “all-of-government” coordination mechanism on China.

The most visible state actors involved in China-related policies in Latvia are the Prime Minister’s Office, the Ministry of Foreign Affairs, and the Ministry of Transportation. Although initially both ministries were mutually enhancive in exploring the opportunities for cooperation brought about by the “16+1” format and which resulted in the establishment of the Logistics Coordination Secretariat at the Ministry of Transportation (now discontinued).²⁵⁶

However, since 2018-2019 there has been a disconnect between the two. The communication of the Ministry of Foreign Affairs on the approach to China has been more security oriented and risk-averse, whereas the Ministry of Transportation has continued to speak of economic opportunities and business interests for port, railroad, and aviation companies in transporting large bulk, liquid, chemical, agricultural, general and container cargo, and post shipments.

On the same day as the Ministry of Foreign Affairs announced its decision to cease participation in “16+1”, the Ministry of Transportation welcomed the PRC Ambassador²⁵⁷, reassuring him that “the Latvian transport and logistics sector can offer effective, economical and safe transport services and logistical solutions. Based on the bilateral Latvian-Chinese agreement on air and sea transport, as well as a rail transport agreement concluded between the two countries’ ministries, entrepreneurs in both countries can engage in mutually advantageous cooperation”.²⁵⁸

As for non-state actors, the business associations used to be a visible presence during the engagement phase of the Latvia-China relations, yet currently the hopes of businesses have moved on to other markets in East Asia, including South Korea, Japan, and India²⁵⁹.

The future of Latvian China policy

The hopes of businesses have moved on to other markets in East Asia

After a short but intensive history of opportunity exploration (2012-2019), during which Latvia nonetheless placed emphasis on a joint EU position, and continued to side with its geopolitical security guarantor, the US, the country did not develop a comprehensive national China strategy, relying on a more decentralised approach of stakeholder consultations. Since the country has decided to disassociate itself from China-led formats in 2022, and to steer clear of all China-related engagement that could hold security implications, no China strategy is expected to be adopted in the nearest future.

Russia’s war in Ukraine is likely to continue to dominate the national political foreign affairs focus throughout the next year(s). This has two implications for the Latvian China approach: First, the continuous emphasis on Transatlantic commitments as the cornerstone of national security and sovereignty will preclude the Latvian political establishment from exploring links with China given the state of US-China relations. Second, China’s “pro-Russian neutrality”²⁶⁰ may cause Latvian civil society to develop a sentiment of discontent towards China.

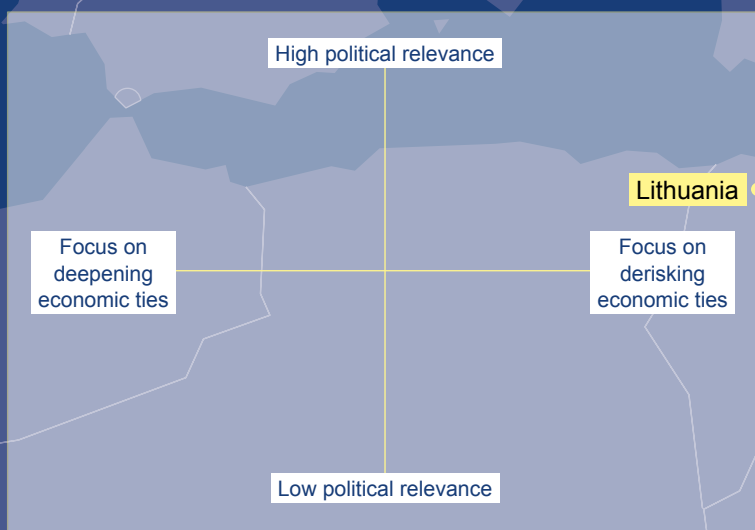
With the deterioration of the relations between the PRC and the West giving rise to a de-prioritisation of China in the Latvian foreign policy thinking, as well as due to the country’s strong security alignment with the United States, Latvia is strategically expected to adopt an Indo-Pacific outlook rather than a China-centred one.

Spotlight on Taiwan

According to official statements, Latvia continues to follow the “One China” policy.²⁶¹ With respect to Latvia’s accomplishments and further work on national foreign policy and the European Union, the 2023 Annual Report of the Minister of Foreign Affairs does not mention the “One China” policy.

Since 1994, a Taipei Mission in the Republic of Latvia has been operational (downgraded from Consulate General, 1992-1994), which also covers Estonia.²⁶² Since Riga’s regained independence, there have been several parliamentary visits to Taiwan and a joint Baltic visit to Taiwan for the Open Parliament Forum in November 2021 was hailed “historical”.²⁶³

Lithuania



Lithuania: How strategic is the review of the relationship?

Konstantinas Andrijauskas, Institute of International Relations and Political Science, Vilnius University

Lithuania's approach to China began to shift in 2019 but acquired strategic characteristics in late 2020 when the newly elected center-right government proclaimed its "values-based foreign policy" along with a radical review of this bilateral relationship as one of the main priorities. Subsequent decisions made in Vilnius, in particular, leaving the China–Central and Eastern European Countries (CEEC) format and opening the Taiwanese Representative Office, resulted in a real crisis of relations with Beijing. The Chinese government unilaterally downgraded bilateral diplomacy to the level of chargé d'affaires and initiated unique economic coercion measures that targeted Lithuania in global supply chains. Despite the review's close association with the current government, this policy direction does amount to Lithuania's de facto China strategy that has already produced results that would be hard to reverse.

The action: All in for "strategic diversification" away from autocratic countries

Lithuania's thinking and policies regarding China have been shaped by several factors that can be connected with different levels of analysis in its international outlook and foreign policy. On the global systemic level, Lithuanian decision makers have been increasingly aware of China's rise in general and its various manifestations in particular, the most significant being China's deepening strategic partnership with Russia, a country perceived as an existential security threat in Lithuania, and also China's growing strategic competition with the United States, Lithuania's main security provider.

On the regional sub-systemic level, Vilnius is concerned about China's challenge to European unity, prosperity and normative power. On the national level, Lithuania has recently emerged at the forefront of Chinese assertive foreign policy with some notable idiosyncrasies in economic and diplomatic domains. Finally, on the individual policy-making level, Lithuania's ongoing review of its relationship with China has been initiated by the current government and can be associated with several of its prominent members.

Lithuania has emerged at the forefront of Chinese assertive foreign policy

It is especially the latter observation that has a direct bearing on what can be considered Lithuania's de facto China strategy. Although there is no single, written, and public official document defining it, the ongoing review has indeed been driven by an approach that can be deemed strategic and rather clearly identified in at least three different sources, namely discourse of the key decision makers, references to China in official documents of significance, and practical domestic and foreign policies.

Accordingly, the framework for Vilnius' review of its relationship with Beijing was provided as early as mid-2020 in an op-ed co-authored by the country's future minister of foreign affairs, Gabrielius Landsbergis, and his prospective deputy, Mantas Adomėnas, who is widely considered to be the architect of Lithuania's turn to Taiwan. The authors' call for their country to decidedly choose between liberal democratic allies and a "totalitarian and predatory Chinese communist regime"²⁶⁴ found its way into the new government's agenda, when their political party emerged victorious in general elections held in autumn that year.

Indeed, the new center-right government's official program approved in December 2020, besides "recognizing and acknowledging the growing global economic and political role

of China, and while pursuing peaceful and mutually beneficial bilateral cooperation that is based on the international law,” expressed explicit concern about China’s “demonstration of its growing military and political aggression” as well as “growing and systematic scale of human rights violations.”

To address this challenge, the program pledged to pursue “strategic diversification” from “autocratic countries,” particularly in East Asia. Notably presented under the rubric of “Lithuania’s defense frontline,”²⁶⁵ this de facto strategy was further elaborated upon a year later, partly in reaction to a crisis in the bilateral relationship – caused by Vilnius’ policy decision to radically review its China relationship and to deepen unofficial relations with Taiwan – and Beijing’s subsequent multi-dimensional pressure campaign against the country.

Lithuania’s National Security Strategy, updated in late 2021, for the first time added China to the list with Russia as the two main authoritarian actors that pose new challenges to Western democracies under the conditions of increased global unpredictability. The strategy specifically pointed out that Chinese “communist ideology” contradicts Lithuanian values and national interests, while also mentioning “economic and technological dependence” as Beijing’s main tool to consolidate its position in Europe and elsewhere in the West.²⁶⁶

For diplomatic reasons, it is expected that Lithuania’s assessment of China would be somewhat milder in the country’s Indo-Pacific Strategy that is currently being prepared at the Ministry of Foreign Affairs (MFA). Apparently, the underlying ambitious goal would be to end or at least alleviate the abnormality in Lithuania’s bilateral diplomatic relationship with China without, however, discarding any of the policy achievements, including in the country’s unofficial ties with Taiwan.

Lithuania’s bold Taiwan policy has been more controversial in Brussels

On the policy implementation level, the current government has been remarkably consistent with such pledges. However, not all its key initiatives in this regard have been perfectly aligned with the EU’s approach to China, despite the rhetoric of Lithuanian decision makers who are usually eager to claim otherwise. While Vilnius addressed the tacit charge of the China–CEEC format as being divisive for Europe very seriously and has effectively become a driver behind the framework’s ongoing disintegration, its bold Taiwan policy has been more controversial in Brussels and among fellow national capitals. None have followed suit thus far, even though some voiced support for Lithuania, also because the Chinese pressure campaign in essence amounted to an attack against the EU’s entire single market and normative credentials.

In a nutshell, this inconsistency partly derives from the EU’s own ambiguity in its approach to China, as the current Lithuanian decision makers have basically focused on the “economic competitor” and “systemic rival” components of the EU’s notorious 2019 trifecta.

The actors: Intelligence community and center-right politicians in the driver’s seat

The above description of Lithuania’s China strategy implied full responsibility for the ongoing review to the current government composed of a coalition between three center-right political parties. Therefore, despite the fact that Vilnius has been clearly changing its outlook on Beijing since at least 2019, the year when Lithuanian intelligence for the first time explicitly defined China as a threat to the country’s national security and a nasty diplomatic incident caused by a pro-Beijing group’s public confrontation with pro-Hong Kong protesters in Vilnius led to an incipient chill in bilateral relationship, it was the current government’s

foreign policy actors that faced domestic and even outside criticism for their policies, particularly at the height of the Chinese pressure campaign between late 2021 and early 2022.

One of the main accusations was that the MFA or rather a few politicians who recently occupied positions of authority there unilaterally decided to embark on this “values-based” course without properly consulting with any other relevant domestic actors or interest groups: the center-left political opposition that is usually more cautious in foreign policy,²⁶⁷ representatives of the business community that would be most affected by the review,²⁶⁸ and even the president²⁶⁹ who as head of state is also responsible for foreign policy making, according to Lithuania’s parliamentary constitution. Neither did this de facto China strategy fully mirror the then attitudes of the Lithuanian society at large.²⁷⁰

In essence, the review seems to have progressively evolved from the shifting outlook of the country’s security and intelligence community as well as from an increasing number of (mostly center-right) politicians. As expected, many relevant domestic and notably multinational²⁷¹ economic stakeholders held critical views of this shift, even though they were not necessarily publicly vocal about it. While both the post-2020 Seimas (Lithuanian parliament) and the cabinet remain the main drivers of the policy in question, the center-left political opposition has been thus far unsuccessful in clearly affecting it, as their respective rhetoric has often suggested for the current government to do.

No current principal foreign policy actor seems to have ever visited China

The capacity: First steps of policy coordination on China

As it can be grasped from the above, the topic of coherence is in many ways at the heart of understanding Lithuania’s complex approach towards China. Judging from the key examples of discourse and documents on the matter, the current government does indeed perceive its Chinese counterpart through the perspective of an almost Manichaeian struggle between democracy and authoritarianism. Such views appear to be informed by Lithuania’s own tragic experience of Soviet communist occupation, genuine concern about China’s increasingly assertive domestic and foreign policies, and more pragmatic calculations on the global balance of power, with varying degrees of each argument present among different decision makers.

Notably, none of the current principal foreign policy actors (president, foreign minister, prime minister, parliament speaker or chairs of foreign affairs and national security and defense committees at the Seimas) seem to have ever visited China, though some of them have been to Taiwan, including as recently as early 2023 in an official capacity.²⁷²

The above analysis also confirms the absence of an established China policy coordination mechanism in Lithuania. The closest initiative to such a framework on the all-of-government level was launched only in mid-January 2022 when President Gitanas Nausėda organized an ad hoc “meeting on the resilience of the Lithuanian economy”²⁷³ that also included foreign minister Landsbergis and a couple of his colleagues in the cabinet, representatives of the opposition, and business leaders.

Prior to this event that aimed to tackle the crisis in the country’s relationship with China, particularly its economic coercion, the head of the MFA presented his “de-escalation plan” requested by the president two weeks earlier. It was there and then that the government representatives made it clear that they would not back down in the dispute with Beijing, as their main measure for “de-escalation” actually amounted to addressing the matter of

Chinese undeclared and secondary sanctions to the World Trade Organization through the EU.²⁷⁴

As of early 2023, such tactics seem to have achieved certain success since China has been softening its economic statecraft measures without, however, making Lithuania reverse its decisions.²⁷⁵ Apparently, Beijing's tacit change of course came from re-evaluation of the cost-benefit equation due to the relatively limited impact of measures placed upon Vilnius itself and also the surprisingly broad and steady, if only tactical, response by the collective West to these actions.

The future: A return to the status quo ante in relations with China is hard to imagine

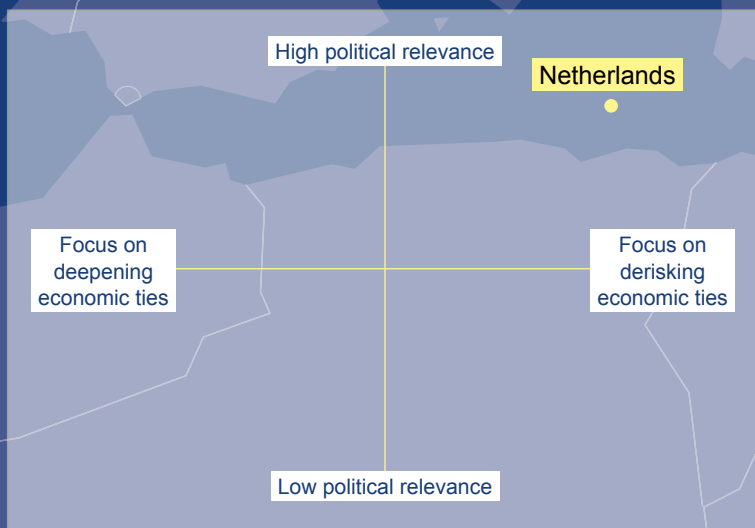
Although subtle changes in China's approach to Lithuania may have a lot to do with the need to prioritize other domestic and foreign challenges, from the perspective of Vilnius, several key issues remain. The first is the dilemma of how to normalize the official bilateral relationship with Beijing at least back to the ambassadorial level without sacrificing much awaited recent gains from deepening ties with Taipei.²⁷⁶

It is hard to imagine a return to the status quo ante

The second challenge is to formulate an objective understanding of the Sino-Russian nexus during the latter's war against Ukraine, a topic that is bound to be prominent during the upcoming NATO Summit hosted by Vilnius in mid-2023. Lithuanian responses to both prior issues would depend a lot on the third and arguably underlying challenge, namely ensuring consistency and sustainability of the current government's approach to China, particularly considering the country's general elections expected in late 2024.

In other words, the decision makers in power today have a relatively small amount of time to show that their review of the relationship with the world's second largest economy and the most clear-cut emerging superpower was worthwhile on economic, political and security grounds. Despite continuing criticism by the political opposition, it is hard to imagine a return to the status quo ante in Lithuania's relations with China. Much in this regard would depend on the success of the country's strategic diversification in the Indo-Pacific, including the pivot to Taiwan.

Netherlands



Netherlands: The securitization of China and protecting Dutch technology

Vera Kranenburg, Junior Research Fellow at the Clingendael China Centre

The Dutch government published a China policy paper in 2019, which was the first major China policy document since 2013. Between 2013 and 2019, 'China' has become an issue of public debate. The 2019 policy paper, the core tenet of which is "open where possible, protective where necessary," shows that certain parts of the relationship with China have become securitized. Since then, the balance between openness and protectiveness is shifting further towards "protection." More coordination across government on China exists today. New initiatives such as the China Knowledge Network, the Information and Contact Point for regional governments, the Contact Point for Knowledge Security and an investment screening law show that the Dutch approach to China continues to evolve. A major topic for future development of Dutch China policy is the role of technology.

The new Dutch approach: politicization and securitization of China

In 2018, the Dutch parliament requested the government to write a China strategy. As a result, the Dutch government published its new China policy paper in May 2019 entitled "Netherlands-China: a new balance." This title signals that the 'old balance' no longer fit reality.

The balance between open and protective is shifting towards the latter

The core strategic tenet of the 2019 China policy paper is: open where possible, protective where necessary. The 2013 and 2019 documents are similar on some issues, such as human rights. However, the differences are no less striking: China as a topic overall has become politicized,²⁷⁷ and certain aspects of the relationship, like Chinese investments in Europe, have become securitized.²⁷⁸ The 2013 policy paper explicitly stresses that the government seeks to attract a lot of Chinese investments,²⁷⁹ whereas the 2019 paper states: "for the sake of our national security, the risks posed by Chinese activities in the Dutch economy, such as investments, will be identified, analyzed, and managed in a timely manner." The 2023 update of the paper, "a shift in the balance," reinforces this trend: the balance between open and protective is shifting towards the latter.²⁸⁰ Parliament's reception of the 2019 policy paper was largely critical. A motion calling on the government to expand the chapter on human rights gained broad support. In response, the foreign minister sent a letter to parliament with a new section on human rights,²⁸¹ which underlines the politicization of 'China'.

Driving factors for the twin-trend of politicization and securitization are US-China rivalry²⁸² and concerns over economic and knowledge security.²⁸³ The Netherlands is still open for business with China, but the Dutch government pays more attention to certain strategic sectors. In 2020 it stepped in twice to prevent a Chinese takeover of a Dutch company: shipbuilding company Royal IHC and high-tech company SmartPhotonics. Both possess interesting technology that the government did not want to fall into Chinese hands. An investment screening law²⁸⁴ has come into effect in 2023, which should take away the need for the minister to directly intervene.

The Dutch approach aligns with the EU's, which is also explicitly stated in the first paragraph of the 2023 update of Dutch China policy. The Netherlands plays an active role in shaping China policy in Brussels, for example by taking initiative together with Germany and France on the creation of a European Indo-Pacific Strategy. China policy themes that the Netherlands wants to advance in the EU are:

1. resilience and open strategic autonomy, in particular the implementation of EU instruments and strategies,
2. engaging regional partners, in particular ASEAN,
3. coordination with the US,
4. EU-unity and solidarity,
5. economic relations between the EU and China.²⁸⁵

The actors

Parliament

China has become a topic the Dutch parliament is strongly engaged in. In 2022, “China” was named in 31 motions tabled in parliament,²⁸⁶ of which 15 were specifically about China.²⁸⁷ These motions were tabled by parliamentarians from 15 different political parties spanning the entire political spectrum. Striking is that this increased politicization of China does not lead to strong polarization over China: even the far-right, pro-Russia party FvD is very critical of China. Everyone is critical, but the focus differs. Often, progressives focus on human rights, conservatives focus on security.

Parliamentary motions on or related to China are predominantly focused on human rights or security issues. Key parliamentarians shaping the public debate on China are Sjoerd Sjoerdsma (D66,²⁸⁸ social-liberal centrists) and Ruben Brekeldmans (VVD,²⁸⁹ conservative-liberals). Sjoerdsma is particularly focused on human rights in relation to China. He tabled a motion in February 2021 on qualifying Chinese policy in Xinjiang as “genocide.” This motion was adopted by the Dutch parliament, the first parliament in the EU to do so. The Dutch cabinet did not recommend voting in favor of this motion because the criteria the Netherlands uses for classifying human rights abuses as genocide had not been met. Sjoerdsma was included in the Chinese sanctions list in March 2021. Another outspoken voice on China is Brekeldmans, who is mainly focused on potential security challenges that China poses to the Netherlands or the EU.

Progressives focus on human rights, conservatives focus on security

A third parliamentarian who is particularly active on China within parliament is Tom van der Lee, member of the Green Party.²⁹⁰ Before the government published its 2019 China policy paper, the Green Party published its own view on the Dutch relationship with China.²⁹¹ In 2022, van der Lee tabled a motion on postponing the Joint Economic Dialogue that the Dutch government was planning to hold with China until after a UN General Assembly meeting in September of that year. This motion was adopted. In a letter to parliament, the Minister for Foreign Trade and Development Cooperation wrote that the Joint Economic Dialogue would not take place until ample time had passed after the UNGA.²⁹²

Prime Minister Mark Rutte

A prominent issue is export restrictions on Dutch company ASML, which has a monopoly on the most high-end semiconductor manufacturing equipment, EUV (Extreme Ultraviolet). As a result of US pressure, the Dutch government never granted an export license for ASML's EUV machine to China after it was requested in 2019.

In October 2022, the US decided to expand export controls on semiconductor manufacturing equipment for US companies selling to and operating in China, and has been in negotiations with the Dutch and Japanese governments to do the same. On March 8, 2023, the Dutch Minister for International Trade and Development Cooperation sent a letter to

parliament announcing additional export control measures on the most advanced DUV (Deep Ultraviolet) immersion lithography and deposition.²⁹³

When China-related issues enter the domain of great power politics, Dutch prime minister Mark Rutte also plays an important role. The US tried to bring the issue of semiconductor equipment export controls to the EU-US Trade and Technology Council (where the European Commission meets US government), but this did not fly because national security is a national competency. The Dutch government did not raise the issue within the European Council, and Rutte himself visited Washington where negotiations took place (as he did in 2019 when potential EUV export control was on the agenda).

Business and Industry

Dutch business and industry are concerned with their ability to continue trade with China. Dutch businesses, ranging from major corporations to small enterprises, have investments in China and benefit from Chinese exports. Shortly before the publication of the government's China policy paper in 2019, the Dutch industry association for tech companies FME published its own China strategy emphasizing that opportunities of working with China need to be the guiding part of China policy, but that some attention for security risks is also needed.²⁹⁴

The Dutch government has several China policy coordination mechanisms in place

Although there are industries that see China mainly as a competitor, such as the dredging industry, many others benefit from trade with China. A major company is ASML, whose CEO has publicly stated that more export restrictions for its semiconductor manufacturing equipment to China will lead to a larger chip shortage, which will hurt everyone. A group of high-tech companies (particularly quantum and photonics companies) warned in late 2022 that the new Dutch investment screening law had the potential to hurt their sector because it is more stringent than similar laws in other European states.²⁹⁵ They voiced concern over not being able to receive Chinese investments, and the risk that these investments would go to other European companies.

China capacity within government

Creating the 2019 China policy paper has resulted in more coordination across national government bodies in their approach to China policymaking, more China capacity in those bodies and more outreach to subnational and civil society actors.

Government coordination

Regarding the first, the Dutch government has several China policy coordination mechanisms in place, which have been expanded and solidified since 2019. There is an internal China policy coordination mechanism within the Ministry of Foreign Affairs, called *Departementale China Werkgroep*. The policy coordination mechanism that includes all different ministries is called *Interdepartementaal Chinaberaad*. Both of these mechanisms are preparatory, and their work leads to policy decision making in the *Directeurenoverleg China*, where higher ranked civil servants meet. This takes place every 2-3 months and includes all ministries but also specialized agencies (for example the Dutch Enterprise Agency and the National Coordinator for Terrorism and Security) as well as the Dutch Embassy in Beijing.²⁹⁶

Starting in December 2022, a taskforce on strategic dependencies will convene once a month, to which all ministries are invited to join. Also in December 2022, several ministers sent the Dutch strategy for critical raw materials to parliament. Both the taskforce and

this strategy take a country-agnostic approach, but in large part deal with China. On the ministerial level, the previous cabinet established a ministerial commission (temporary) on economic security. The current cabinet has a sub-council of ministers (permanent) on Defense, International, National and Economic Security. They are coordination mechanisms for ministers to discuss economic security, including in relation to China.

Knowledge network

The 2019 paper also noted that the level of knowledge needed for different parts of the government to adequately deal with China was insufficient. Therefore, additional China and China-related positions were created, in particular at the Foreign Ministry, Ministry of Economic Affairs and Climate and Ministry of Education, Culture and Science. Over the past few years, the intelligence services have also put more focus on China, for example in their reports²⁹⁷ and by expanding China-related positions.

The 2019 China policy paper has also led to the establishment of the Dutch China Knowledge Network (CKN).²⁹⁸ CKN aims to bridge the gap between experts with “China knowledge,” spread out across universities and knowledge institutions, and civil servants from different ministries looking for knowledge and information. Bridging this gap is done through funding research projects, networking events, courses and in-depth conversations with experts. As a result, there are around 20 research reports available that answer questions particular ministries were asking, ranging from *China’s influence on the Netherlands’ future maritime logistics hub function* to *China’s economic and political role in the Caribbean and Central America* to *Chinese Influence and Networks among Firms and Business Elites in the Netherlands*.

In 2022, the Dutch government established the National Contact Point for Knowledge Security

Government outreach

Since 2021, Dutch regional governments, such as municipalities and provinces, can go to the Information and Contact Point,²⁹⁹ set up at the request of the Ministry of Foreign Affairs at the Dutch Enterprise Agency, for questions on China. Examples are Chinese requests for economic or business visits, potential twin-city agreements or MoUs with Chinese organizations. The Information and Contact Point also shares information on the national government’s China policy and relevant developments or research with regional governments and local and regional development organizations.

In 2022, the Dutch government established the National Contact Point for Knowledge Security. This Contact Point is a collaborative effort between different ministries, where anyone with a connection to a knowledge institution (such as a university) can ask questions on the risks and opportunities of particular international cooperation the institution is, or wishes to be, engaged in. This Contact Point takes a country-agnostic approach. After one year, the Contact Point received 148 questions, of which 52 were about cooperation with partners in China.³⁰⁰ After receiving a question, the Contact Point reaches out to the relevant people within the government in order to answer it. The Contact Point provides information and non-binding advice to the questioner.

Future China challenges

Technology

Technology plays a considerable role in the Sino-Dutch relationship and in navigating increased US-China rivalry. The 2020 government intervention to avoid a Chinese takeover

of SmartPhotonics and the prominent issue of ASML and export controls described above already underline the importance of technology.

Discussion on Chinese technology in the Netherlands is ongoing

In 2023, the implementation of the investment screening law will start. The Minister of Economic Affairs and Climate informed parliament in late 2022³⁰¹ that when the new law comes into effect, the ministry will investigate whether the acquisition of chip startup Nowi by Nexperia (a Chinese-owned Dutch chipmaker)³⁰² falls within the scope of the new law and can be screened.

The issue of technology is not only relevant when cutting-edge Dutch companies are involved, discussion on the use of Chinese technology in the Netherlands is also ongoing, and has previously included Huawei 5G tech,³⁰³ Chinese cameras in Dutch trains,³⁰⁴ Chinese scanners at (air)ports³⁰⁵ and the usage of TikTok on government smartphones.³⁰⁶

Influence

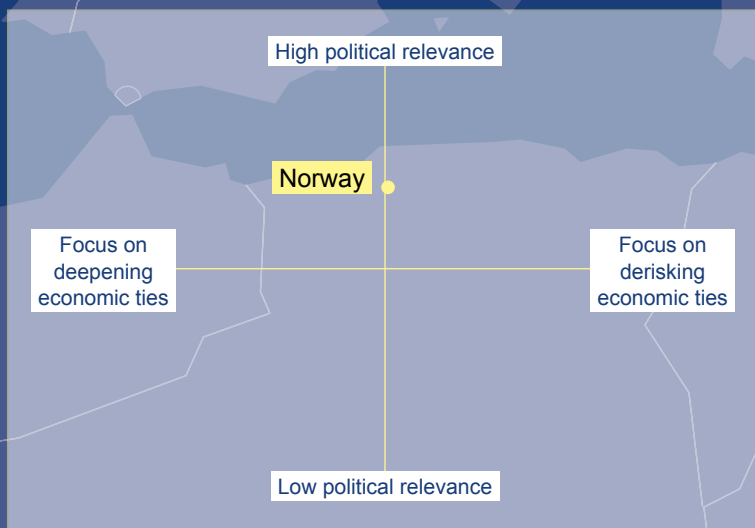
A second issue that will continue to gain prominence in the Dutch public debate is that of unwanted Chinese influence. Confucius Institutes, a Chinese-funded human rights center at the Free University of Amsterdam and two illegal Chinese police stations are examples from the past few years that have sparked debate. According to the Dutch Foreign Ministry, the police stations are closed.³⁰⁷ The Free University of Amsterdam has closed the human rights center.³⁰⁸ Investment by COSCO in the Port of Hamburg inspired some public attention for COSCO investments in the Port of Rotterdam.

Spotlight on Taiwan

The potential for conflict in the Taiwan Strait has gained increased attention in the Netherlands, particularly since the visit by US speaker of the House of Representatives Nancy Pelosi in summer 2022 and Chinese military drills conducted in response to this visit. Debate on what role the Netherlands plays when it comes to including Taiwan in multilateral forums, and what the role of Europe should be in the case of escalating tensions in the Taiwan Strait continue in the media,³⁰⁹ in parliament³¹⁰ and in government.

The Netherlands has a one-China policy. It has diplomatic relations with the People's Republic of China, not with the Republic of China (Taiwan). The Netherlands does have trade and cultural relations with Taiwan that are promoted via the Netherlands Office in Taipei. In 2020, the Office changed its name from "Netherlands Trade and Investment Office" which received criticism from the Chinese Embassy in The Hague and the PRC's Foreign Ministry spokesperson.³¹¹ Out of all European countries, the Netherlands is the largest investor in Taiwan.³¹² The Dutch Foreign Ministry's recent China policy update (January 2023) states that "the cabinet disapproves of violence and intimidation as well as unilateral steps to change the status quo."

Norway



Norway: Between engagement and caution

Hans Jørgen Gåsemyr, Senior Researcher,
Norwegian Institute for International Affairs (NUPI)

Norway's overall China policy seeks to combine engagement and caution, wanting to collaborate while also protecting national security and the international status of liberal norms. Lacking an updated, comprehensive China strategy, the main features of the policy are shaped by ministries and other stakeholders working in various policy fields. Information sharing and coordination across the government, concerning China-related issues, are certainly increasing, but it is difficult to assess the effects or get a full picture of what Norway is aiming to achieve in relation to China.

The main China policy features

Having established diplomatic relations in 1954, the Norway-China relationship has since followed largely stable paths, with interactions continuing to increase following China's opening up in the late 1970's. There are two notable exceptions to this stability track: first, in 1989, when Norway joined the international sanctions regime against China, in connection to the brutal dissolution of the demonstrations in Beijing that summer; and second, in 2010, when China launched a political boycott of Norway after the Norwegian Nobel Committee awarded Liu Xiaobo the peace prize.

The Norwegian government issued a China strategy back in 2007

China never accepted the non-governmental status of the Committee or the prize, and the boycott lasted for six years, ending in a joint statement, in which the Norwegian government reiterated respect for "China's core interests", and the normalization of bilateral relations, in late 2016. Norway has since remained a relatively stable corner in China's Europe-diplomacy puzzle and economic relations have expanded substantially over the last decade.³¹³

Three overarching issues and goals have, for many years, continued to steer Norwegian China-policy:

1. promoting business opportunities alongside China's economic growth,
2. strengthening cooperation around climate and sustainability issues alongside China's expanding environmental footprint,
3. engaging and challenging China in multilateral settings alongside its increasing influence, including on human rights issues where the countries have diverging views.

These issues featured prominently in the China strategy which the Norwegian government issued back in 2007, and they remain on top of the agenda still, although national security and liberal norms protection issues have gained considerably more attention in recent years.³¹⁴ The lack of an updated and comprehensive China strategy remains subject of some debate, which is indicative of the many dilemmas and complex interests that many European countries face – internally and externally – when trying to formulate functional China policies.

The current coalition government, consisting of the Labour party and the Centre party, articulated one line about China in their political platform document from 2021: "Collaborate with China, following a Nordic and European line, about joint interests, and stand up for Norwegian societal values and international human rights". Hence Norway is clearly aiming

to align with other European countries and the EU on China policies. As a close associate – but not a member – of the EU, Norway does join many EU initiatives, like endorsing sanctions and human rights statements concerning China, but remains excluded, still, from key EU policy discussion and decision making.

Albeit not an obvious feature of Norway's China policy per se, it is worth mentioning that Chinese interests in the Arctic have garnered increasing attention in recent years. Welcomed, enthusiastically by Norway too, as a permanent observer to the Arctic Council in 2013, China's longer-term interests in the region have become subject to more debate, exacerbated, in part, by increased scrutiny from the US, and the strengthening of Russia-China relations.

With Norway serving as Chair of the Arctic Council, for the next two years from May 2023, Norwegian diplomats will face enhanced attention concerning how they manage Council affairs, which are already complicated by boycotts and sanctions against Russia in relation to the invasion of Ukraine. Some Chinese representatives have questioned the legitimacy of a council functioning without proper Russian participation, but it remains to be seen how China will respond to new initiatives, all the while Russia remains blocked from regular, political interaction with the other Council members.³¹⁵

Chinese interests in the Arctic have garnered increasing attention

The main actors and coordination mechanisms

Overall, there is more discussion about China now, both within government, in the media and among actors in business and academia, than what was the case a few years ago. In the political domain and in the parliament (Storting), foreign policy is characterized by relative consensus, and debate and coordination within the Storting's foreign affairs and defense committee are well respected. However, some parties and politicians are known for stronger advocacy around certain issues, which is the case concerning China policy too. In particular, the Liberal party and the Green party frequently raise critical or principled questions concerning China, typically calling for stronger criticism of China in relation to developments in Xinjiang and Hong Kong and support for Taiwan. They are at times joined by members of the Progress party and individual politicians from other parties.

On the government side, the Ministry of Foreign Affairs is in charge of coordinating foreign policy. It conducts annual bilateral discussions with its Chinese counterpart, covering a broader set of issues, through a consultation mechanism that the two sides initiated in 2016. However, China-related issues cross into the responsibilities of multiple ministries. The Ministry of Justice and Public Security and its associated directorates and services are playing increasingly notable roles overseeing changes in the fields of national security and intelligence, some of which responsibilities are shared with the Ministry of Defence. The latter also maintains military relations, which include funding and staffing a defense attaché position at the embassy in Beijing.

The Ministry of Trade, Industry and Fisheries is responsible for most business areas and is the majority owner of Innovation Norway, the government business promotion company, which is represented at the embassy and consulates in China. Moreover, the ministry is leading the uncompleted negotiations for a Norway-China free trade agreement. The negotiations have stretched over several years, but lost pace in 2021, when EU's investment deal with China was shelved, and is now being halted indefinitely (by the Norwegian side), in part, because, of the war in Ukraine and changes in the international security situation.³¹⁶

Norway has for several years been promoting stronger knowledge cooperation with China, for which the Ministry of Education and Research, and associated directorates, foot relevant policies, programs, and funding schemes. The ministry funds and staffs a research attaché position at the Beijing embassy. Finally, the Ministry of Climate and Environment is responsible for climate and environmental cooperation, which is also the key focus of the official development aid that Norway still grants to China. The ministry has an attaché position at the embassy in Beijing. Other ministries are responsible for activities in their respective areas but have fewer resources for working on China specifically.

Government coordination is maintained through several interdepartmental groups – for overall China policy and for various policy issues for which China is becoming increasingly important. Coordination and information sharing across state institutions have definitely increased in recent years, with the initiation of several forums, roundtables and working groups, but it is difficult to assess the effect of this. Some actors are complaining about what they consider to be inconsistent, or even contradicting, government messaging concerning China, in academia, for instance, where actors are asked to strengthen knowledge cooperation, by one ministry, while being cautioned about the possible risks of partnering with Chinese institutions, by another.

Navigating between major power interests and rivalry will remain a challenge

Similar confusion is voiced in commercial arenas, where entrepreneurs and investors sense increasing uncertainty related to the direction of investment and trade regulation, especially when dealing with critical infrastructure and knowledge- or technology intensive products. Companies and business associations are active promoting their commercial interests, but the recognition of changing conditions for international economic interaction, amid enhanced major power competition and rivalry, seems to be widely shared too. Illustratively, the general secretary of NATO was invited as keynote speaker to the annual meeting of the Confederation of Norwegian Enterprise in January 2023.³¹⁷

Three main questions

Alongside China's economic growth and enhanced international position, Norway faces policy dilemmas that are shared by many European, liberal democracies. The overall Norwegian China policy seeks to maintain collaborative engagement, while coming to terms with the challenges and risks that a stronger or growing China may pose to national security and the status of liberal norms internationally. Navigating between major power interests and rivalry will remain an overall challenge. Moreover, looking into the immediate future, three questions are set to beg further discussion.

Firstly, the Norwegian government will have to justify the lack of an updated and comprehensive China strategy, should they still choose not to make one. Not having issues framed around a strategy does provide some flexibility, but it also adds confusion and recurring noise when actors are faced with apparently contradicting government incentives. Articulating the complexity of interests involved in responding to China as a global economic and political actor may help some actors better understand the multifaceted issues and interests involved. Doing so may not necessitate the formulation of a formal strategy, but it calls for a clearer and more elaborate expression of government goals and measures. As it is now, the government says rather little, in any comprehensive shape or form, about China.

Secondly, Norway's status as a member of NATO and close US-ally, but a non-member of the EU, is bound to garner more discussion as both NATO and EU will develop more active China-policies. Although Norway maintains a close association to the EU, it is shut

out from meetings, discussions and decisions in policy areas that are becoming increasingly engrained in key foreign policy- and security-related debates. The better the EU gets at coordinating its China policies, the higher the costs of remaining on the outside of the EU (member-based) fellowship may become. Although Nordic collaboration may remain strong and even strengthen, any effective, joint European policies towards China will have to go through the EU.

Thirdly, Norway is still in the process of negotiating a free trade agreement with China. Although new rounds of negotiations are currently stalled, with Norway assessing the international security situation, questions concerning the potential completion of a trade deal will not go away. Landing a decision regarding whether to move forward, keep stalling or cancel the entire process, will remain a dilemma for a government that wants to both collaborate and engage, while simultaneously caution against getting too close or dependent on China.

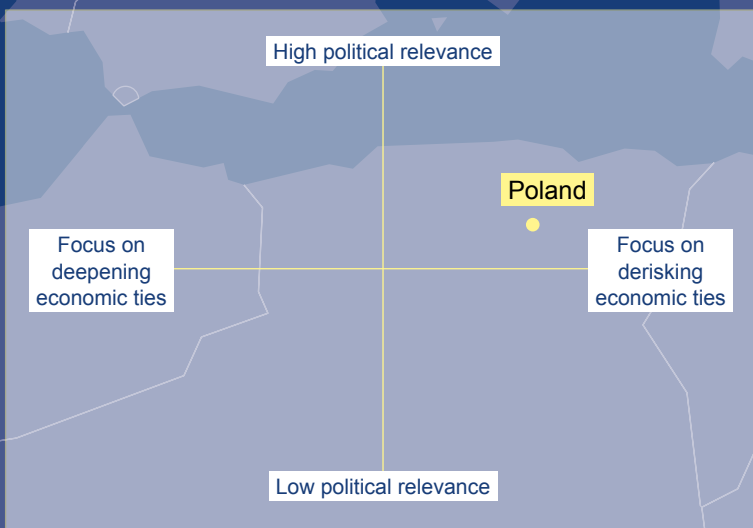
Spotlight on Taiwan

Norway maintains a steady one-China policy, having recognized Beijing and the People's Republic of China as the appropriate government of China in 1950, with diplomatic relations established in 1954, and not having made any substantive changes in its relations to Taiwan in recent years.

Direct points of Norway-Taiwan interaction remain relatively limited, although trade has increased for several years. The Norwegian business representation office in Taiwan was closed in 2002, due to limited activities, and Taiwan closed its Taipei representative office in Oslo in 2017, reasoned by efficiency concerns regarding its overall representation in the region.

Norwegian interests concerning Taiwan are in principle handled by the embassy in Singapore. Some Norwegian parties and politicians continue to advocate for strengthening relations and offering support to Taiwanese interests, but this has not resulted in any substantive changes to the overall Norwegian policies.

Poland



Poland: Fading hopes for cooperation with China

Justyna Szczudlik, Head of Asia-Pacific Programme,
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After a period of enthusiasm and hope for closer ties with the PRC, perceived as a political and economic opportunity, Poland's perception of China is gradually turning negative. China's endorsement of Russia after its invasion of Ukraine accelerated growth of Poland's distrust of China. Despite declarations by Poland's authorities that the country is interested in cooperation with the PRC, the prospects are rather murky.

The action: A hardening approach to China

Over the last 15 years, there have been two main objectives of Poland's policy towards China. The first and most important was economic rationale. China, as a huge and lucrative market, was seen as an opportunity to increase exports and reduce the ever-growing trade deficit on the Polish side. In short, Poland tried to convince China to remove non-tariff barriers and gain better market access, mainly for Polish food and agricultural products such as meat, milk, apples, etc.

The second was a political goal - to strengthen cooperation with China as an ascending global power. The idea was that Poland could not afford to have only very loose ties with the PRC as its international role grew. Intense relations with China were seen as one of the leverages for strengthening Poland's position in the EU and globally. Since 2017, however, a modification of Poland's approach to China is noticeable.

The economic-related aim remains unchanged. Poland still hopes to reduce its trade deficit and signals its willingness to cooperate with China. However, recent economic and political developments in China, such as the process of China closing up during Covid, the announcement of the "dual circulation" concept and increasing PRC global assertiveness, have affected Poland's perception of China. Moreover, the lack of tangible results of economic cooperation (also under 16/17/14+1 format) and unfulfilled Chinese economic promises have made Poland cautious about the PRC as a potential economic and political partner. A good example of this vigilance is the new Chinese proposal, presented in mid-2021, to build a wholesale market for Polish agricultural products, which was met with a lukewarm response from the Polish side.

Polish political attitudes toward China have been changing for years and can be depicted as an incremental transformation from enthusiasm (2008-2016) to increasing vigilance (since 2017). The first signs of change were noticeable in 2017. There were two main rationales behind it. The first was the lessons learned from China's high-tech and critical infrastructure ambitions revealed in the "Made in China 2025" document and examples of Chinese high-tech acquisitions in the US and Europe.

As a result, Poland has modified its position towards Chinese investments. This change can be summarized as keeping control over Chinese investors and not to give them a free hand in doing business in the country. The second reason was related to China's deepening ties with Russia, a country that is seen in Poland as the most serious security threat. This perception of Russia by Poland predates the Russian occupation of Donbas and Crimea. For years, Poland had raised its concerns about China's deepening cooperation with Russia and conveyed these messages to their Chinese counterparts. However,

For years,
Poland
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concerns about
deepening
China-Russia
cooperation

in 2017, China and Russia conducted their first joint naval exercises in the Baltic Sea. Moreover, China attempted to add Russia to the selected lower-level gatherings within the (then) “16+1” without consulting or even informing other participants.

Since 2017, Poland’s approach to China has been cautious, but this does not mean that China is seen as a serious challenge or threat. The thinking in Poland was that the country should keep open channels with China and that shallow economic ties would not expose Poland to potential coercion. In the following years, new factors determined the change in Poland’s approach to China. The first was the global debate – initiated by the US – about the market restrictions for Chinese 5G companies.

Although Poland is still working on amending the country’s cyber security law, it seems that Chinese 5G providers are de facto banned from entering the Polish market. The 5G standard is considered critical infrastructure and Poland enforces its rights to exclude selected companies on security grounds. The second factor was China’s unprecedented coercion against Lithuania following the opening of a Taiwanese (not “Taipei”) representative office in Vilnius. And the third factor was China’s support for Russia prior to (a joint statement by the two countries unveiled on 4 February 2022) and after its invasion of Ukraine.

Despite announcements signaled several times by the MFA, there is no Polish strategy on China. China is barely mentioned in “Poland’s Foreign Policy Strategy 2017-2021” as a partner for infrastructural projects.³¹⁸ A new comprehensive document on Polish diplomatic directions has not yet been published.

There is no Polish strategy on China

As far as Poland’s activities at the EU level regarding cooperation with China are concerned, the country is part of the mainstream, which means that it supports all initiatives related to China, such as equipping the Union with a wide range of defensive mechanisms and tools. Nevertheless, Poland is not active in proposing new EU-wide mechanisms or solutions relating to China.

The actors: Inter-party consensus on China

The ruling party (or coalition) is the main driver shaping Poland’s China policy. There seems to be a political consensus when it comes to the country’s stance on China. A good example was the change of government after the 2015 elections – from the centre-left Civic Platform to the right-wing Law and Justice Party. The previous cabinet had been revitalizing relations with China (since 2008), which resulted in the elevation of bilateral ties to “strategic partnership” in late 2011 during the visit of Polish President Bronislaw Komorowski to China. The new government continued this approach. In November 2015, the newly elected President representing Law and Justice, Andrzej Duda paid an official visit to China reaffirming the policy of his predecessor. This was followed by Xi Jinping’s visit to Poland in June 2016, during which bilateral ties were upgraded to a “comprehensive strategic partnership”. Then, when the ruling party began to modify its policy towards China in 2017, there was no criticism from the opposition.

The influence of the business community and lobby groups on the Polish approach to China does not seem to be very indicative. For years, it was the government and its agencies that encouraged Polish entrepreneurs to consider doing business with China. Since the Polish economy is based on small and medium enterprises that are oriented towards the European market, they have not been willing to leave their “comfort zone” and go to a distant and unknown country with a different culture.

There are, however, examples of some fairly large Polish companies already present in or working with China – like the Polish Airline LOT or the copper producer KGHM (Copper sales to China account for around 10-15 per cent of the company's sales revenue) – lobbying or seeking governmental assistance for problems in doing business in China. There were examples of groups from the agriculture sector pressuring the government not to ban Huawei from the Polish market as they were concerned about the possibility of retaliation from China. While other business groups have raised concerns regarding the economic cost of banning Huawei.

There is also a group of experts on China in both public and private think tanks and universities, as well as journalists specializing in China and Asian affairs. They are – from time to time – asked to provide suggestions and recommendations, but the real impact on state policy towards China is impossible to assess and measure.

Enhanced coordination

Despite the lack of national strategy on China, there is a coordination mechanism that aims to improve the coherence of the country's approach to the PRC. In December 2012, a year after upgrading bilateral ties to the strategic partnership level, then Prime Minister Donald Tusk appointed a governmental body, the Inter-Ministerial Team for the Coordination of Activities for the Development of the Strategic Partnership between the Republic of Poland and the People's Republic of China. Although the new Law and Justice government has made some changes, these are minor and mostly concern the renaming of the ministries that participate in this body.³¹⁹ The team was assigned the following main tasks:

- to formulate recommendations in order to improve the coordination of the activities of governmental administrative bodies
- to ensure ongoing exchanges of information between governmental administrative bodies
- to devise conclusions and recommendations on the directions of development of the comprehensive strategic partnership of the Republic of Poland with the People's Republic of China

The team is headed by a secretary or undersecretary of state in the Ministry of Foreign Affairs. The deputy head is a representative, at the rank of Secretary of State or Undersecretary of State, designated by the minister responsible for economic affairs. Members of the team are the Polish ambassador to China, Secretary of State or Undersecretary of State of the Prime Minister's Office and various ministries. The team meets at least twice a year. Usually, the MFA publicly announces the meeting of the team and presents the overall topics of discussion. Nevertheless, the conclusions of the meetings are not publicly available.

The team is an active body. For the last two to three years, its role has been rising due to growing problems in cooperating with China, especially since Russia's invasion of Ukraine. The latter event in particular has led to an increased demand among state administration institutions for better coordination of Poland's policy towards China.

A coordination mechanism aims to improve the coherence Warsaw's approach to China

Challenges ahead

One of the most important challenges for Polish China policy is how to cooperate with Beijing in the face of growing China-Russia alignment. Russia's full-scale invasion of Ukraine has entirely changed the security landscape in Europe. China's support for Russia has seriously weakened Poland's perception of China. Although Poland maintains a political dialogue with China and does not officially criticize China for its cooperation with Russia, the growing distrust is noticeable.

During the third meeting of the Poland-China Intergovernmental Committee (10 June 2022) the Polish Minister of Foreign Affairs Zbigniew Rau presented Chinese Foreign Minister Wang Yi with Poland's position on Russia's aggression against Ukraine and that the war has changed the world's security in an unprecedented way. The minister appealed China to condemn in the strongest terms the Russian invasion of Ukraine³²⁰.

A very similar message was conveyed by President Duda in a telephone conversation with Xi Jinping (29 July 2022). The conversation referred largely to the consequences of Russia's aggression against Ukraine. The Polish president mentioned that the adverse impact of the war started by Russia might be felt by China too, in terms of the food crisis triggered by Russia³²¹.

Recently, during the visit to Poland of the Chinese special envoy for Eurasian Affairs, Li Hui, Polish deputy minister for foreign affairs Wojciech Gerwel said that Poland notes with concern Beijing's declarations concerning its persistent will to strengthen its bilateral relations with Russia, the aggressor state. He expressed the hope that China will condemn Russia's aggression, and exert pressure on Russia to return to compliance with the principles of international law. Poland support President Zelensky's peace plan as the basis for resolving the conflict³²².

A second challenge for Poland could be a smooth continuation of strengthening cooperation with Taiwan. Poland has been deepening ties with Taiwan for several years. However, this process has been unspectacular in the sense that Poland avoids megaphone diplomacy with regard to Taiwan. However, Taiwan's recently growing importance in the world and, at the same time, China's anger at Taipei's growing international standing may expose Poland's low-profile Taiwan-friendly approach to Beijing's coercion. As a result, Poland may find it difficult to maintain dynamic cooperation with Taiwan.

The third challenge for Poland's policy towards China is in the economic domain. The deepening distrust of China, including its economic troubles, puts a big question mark over the realization of Poland's economic cooperation goals, such as greater market access and expanding Polish exports to China.

Conclusions: China's stance on Russia casts a shadow on relations with Poland

Since the chapter on Poland-China relations in the first ETNC (2015) report on European countries' bilateral ties with China, a rather significant change in Poland's perception and approach towards Beijing has occurred. After a period of enthusiasm and hope for closer ties with the PRC, perceived as a political and economic opportunity, Poland's perception of China is gradually turning negative.

Poland's perception of China is gradually turning negative

There is a growing distrust of China, which is increasingly seen as a challenge and even a potential threat. For Poland, a decisive moment was China's decision to maintain its support for Russia since its invasion of Ukraine. China's pro-Russian stance casts a serious shadow on Poland-China relations. Without a significant change of China's position on Russia's aggression, the prospects of Poland-China relations are rather gloomy.

Spotlight on Taiwan

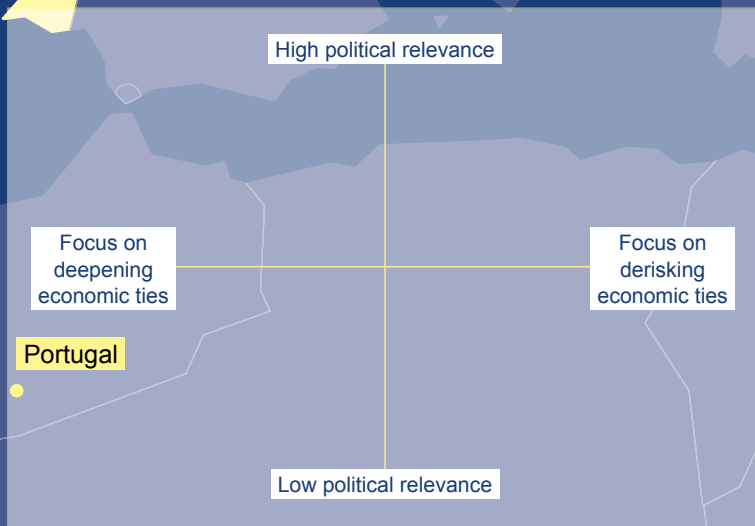
Poland has been strengthening ties with Taiwan for years, arguing that it has the right to do so, in line with its "One China Policy". In 2016, after almost 20 years of talks, Poland and Taiwan signed a double taxation avoidance agreement. In 2018, Poland changed the name of its office in Taiwan from Warsaw Trade Office to Polish Office in Taipei and opened an office of the Polish Investment and Trade Agency in Taipei.

In June 2019, Poland and Taiwan signed a bilateral agreement on legal cooperation in criminal matters, which then became law in early 2021. The agreement covers mutual legal assistance, extradition, transfer of convicted persons and exchange of information. This is the first such agreement that Taiwan has signed with a European country.

During the pandemic, Poland also assisted Taiwanese students to return home by co-organizing direct flights from Warsaw to Taipei via Polish airline LOT. In September 2021, Poland donated 400,000 doses of the AstraZeneca vaccine to Taiwan. In May 2022, Polish Deputy Minister of Economic Development and Technology Grzegorz Piechowiak visited Taiwan for a four-day visit. In September, the two sides signed an MoU on the establishment of a Taiwan-Poland working group to promote cooperation in semiconductors.

In December 2022, an eight-member delegation of Polish lawmakers arrived in Taiwan for a five-day visit to strengthen bilateral parliamentary exchanges.

Portugal



Portugal: A piecemeal, pragmatic, reactive but fruitful approach to China

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Portugal lacks a national China strategy. It also lacks the strategic thinking capacity that could underpin any China-directed “unofficial” strategy. Actually, this absence has been a constant since the establishment of diplomatic relations between the two countries, in 1979, perhaps with the exception of the long, but smooth, negotiation process that, in 1999, would culminate in Macau’s handover to China. Nevertheless, despite lacking strategic support, Portugal was able to develop close and stable relations with China, a state of affairs largely consensual and profusely diffused by public and private actors. In fact, there is plenty of evidence revealing that the piecemeal, pragmatic, and often reactive approach adopted by Portugal has proved successful in the last four decades.

The action: Portuguese policymakers see no use in developing a China strategy

The increased confrontational logic brought over by a changing international geopolitical environment, as expected, has disturbed the positive continuum marking the history of bilateral relations between Portugal and China. Although very far from any dramatic evolution, it would seem inevitable that Portugal’s commitment to the European Union and NATO will place its relationship with China under a certain degree of strain. This argument finds ground in two intertwined facets: official visits, on the one hand, and official discourse, on the other hand.

As has been argued elsewhere³²³ the rather enthusiastic and buzzing atmosphere (e.g., around the Belt and Road Initiative), after the early stages of the fight against the Covid-19 pandemic, was replaced by a primarily “silent mode” (e.g., although China was at the heart of the political debate in the EU, it was kept out of the strategic program of the Portuguese Presidency of the EU Council, in the first semester of 2021). Still, there is sound evidence showing that Portugal remains keen on maintaining close and friendly ties with China. This has become clear in recent public remarks by government officers, including Portuguese Prime Minister António Costa who, in the last ministerial meeting of the Forum Macau³²⁴ in April 2022 called for increased cooperation between China and Portugal and other Portuguese-speaking countries³²⁵. He also highlighted the role of the Forum in promoting the “friendship between China and Portugal”.

Portugal, on its own, strives to avoid any sort of confrontation with China. This stance is acknowledged by the Chinese authorities. The former head of Beijing diplomacy, Wang Yi, stated in September 2022 during a meeting with his Portuguese counterpart on the sidelines of the UN General Assembly: “The “China-Portugal relationship has stood the test of the international landscape changes and achieved sound development on the basis of mutual understanding and mutual trust” and “Portugal, as an important EU member, has been playing a positive and constructive role in China-EU exchanges”³²⁶. The Chinese ambassador to Lisbon, Zhao Bentang, corroborates, by categorizing the “friendly relations (...) and the pragmatic multidimensional cooperation between Portugal and China” as a “great example for China-Europe cooperation”³²⁷.

Nevertheless, in general terms, Portugal is aligned with the international, and China-specific, positioning of both the EU institutions and NATO. Still, Portuguese policy makers have

Portugal remains keen on maintaining close and friendly ties with China

expressed “conceptual” doubts related to the rationale behind China’s designation as a “systemic challenge” by NATO (quoting Gomes Cravinho, the Portuguese Minister for Foreign Affairs: “We don’t have a border with China, so it’s a completely different context”³²⁸). There are also signals of some resistance to measures that potentially could harm Portugal’s economic relations with China. For instance, when the screening mechanism for investments from non-EU countries was approved by the European Parliament in February 2019, António Costa, the Portuguese Prime-Minister, said: “It is one thing to use screening to protect strategic sectors, it is another to use it to open the door to protectionism”. He added, “Our experience with Chinese investment has been very positive”. The Chinese had shown “complete respect for our legal framework and the rules of the market”³²⁹.

Getting along well even with difficult partners is one of the main pillars of the philosophy that has guided Portuguese foreign policy since the 1974 revolution. Its guiding principles are anchored in the country’s imperial past. Portugal firmly adheres to multilateralism and an inherently “universalistic” stance in the world order³³⁰.

The prevalence of this frame of reference in the present was confirmed, early this year, by Gomes Cravinho: “Diplomacy cannot only serve to deepen relations with those with whom we have no difficulties in terms of values and interests. In a period of tectonic movements in international life, it matters above all that diplomacy is mobilized to detect and smooth out the deep cleavages that are characteristic of these times”³³¹.

Policymakers have expressed doubts about NATO’s designation of China as a systemic challenge

In Portugal, there are no China-related comprehensive strategies that could guide individual actors, neither in the public nor in the private realm. In certain specific sectors strategic concepts of dealing with China do exist within certain limits: For instance, the Golden Visa policy designed by the Ministry of Foreign Affairs in 2012 (and suspended in April 2023) has targeted Chinese citizens since its inception (although the policy was not only aimed at China).

Other examples are the alliances made by Altice, the largest telecommunications service provider in Portugal, with Huawei in the field of 5G technology development or the strategies built up by some Portuguese higher education institutions to attract Chinese students and foster research partnerships with Chinese universities.

The actors: Business and culture rather than politics

The overall expectations, judgements, activities and debate concerning Portugal-China relations are prevalently centered on the business and cultural facets rather than politics. An intricate mix of economic interests, historical narratives, and cultural connections put any potentially hindering differences on the back burner. This mix has shaped Portugal’s official positioning towards China for decades. There is a broad consensus in Portuguese society on keeping good relations with China, which, in the end, makes any lobbying and other attempts to influence political decisions quite redundant, at least at the macro level. The Portuguese business community, organized in a variety of associations (e.g., the Portugal-China Chamber of Commerce and Industry, the Portugal-China Young Entrepreneurs Association, or the Portugal-China Chamber of Commerce for SMEs) is quite active in promoting contacts with China. Meanwhile, the Greater Bay Area development project, in which Macao is meant to play a significant role, has raised heightened interest and led to the appearance of new actors in the field, such as, for instance, PORCHAM-Greater China. This business organization has recently established a partnership with China’s National

Development and Reform Commission to create the China-Portugal Center for Investment and Trade International Cooperation.

A significant number of cultural events, from the celebration of festive dates to art exhibitions, gastronomy festivals and language courses, set in motion by a variety of organizations (e.g., Confucius Institutes and other associations and foundations of the Chinese community), are generally deemed as having a positive effect in preserving a good image of China and its people. In this context, the Chinese community in Portugal, 26,000 people according to estimates, plays a very important role. Organizations like the League of the Chinese in Portugal entertain strong ties with a wide array of public and private actors. An additional note to highlight is the increasing number of Mandarin courses that are offered, also in the public education system. About 15 secondary schools, spread throughout the country, have included Chinese in their curricula, enrolling ca. 500 students.

Where does the political community stand? First of all, China is hardly ever a subject of debate. When looking at activities in the Portuguese Parliament, a first and striking finding is that there is no record of any China-specific debate. Only sporadically would issues like human rights, Taiwan, or the South China Sea policy make an appearance. Right-wing parties like *Iniciativa Liberal*, have put Hong Kong and Xinjiang on the agenda. The far-right “Chega” initiated a debate on the lack of an official government position on the Taiwan issue.

Expectations point to strengthening cooperation

Both parties debate these issues in a quite populist and shallow way. On the left side of the political spectrum, namely the Communist Party and the Bloco de Esquerda (Left Block), have occasionally drawn attention to US “imperialistic” slant and the expansion of NATO’s influence on the South China Sea. The government supporting party, the Socialist Party, usually keep silent on any controversial issues involving China. Altogether, parliamentary turbulences over China-related issues are short-lived and rapidly disappear from the political agenda. They have no impact on shaping Portugal’s official position towards China.

The future: Maintaining the “status quo” and further strengthening business and cooperation

Although politically aligned with the EU and NATO, Portugal does not wish to jeopardise the good and stable relations with China. In fact, the hope is to develop further linkages, namely in trade and investment. The Chinese counterparts, in turn, welcome the Portuguese ambition and have put forward possible cooperation areas. For instance, Zhao Bentang, China’s ambassador in Lisbon, has communicated Beijing’s interest in fostering research and economic ties in the realm of digital, health and green technologies³³². The Portuguese Minister of Economy, António Costa Silva, in a dinner celebrating the sixth anniversary of the Lisbon-based “New Silk Road Friends Association”, added the “blue economy” to the three sectors highlighted by the Chinese diplomat³³³. Moving forward, Portuguese policy makers can be expected to prioritize maintaining and further developing good (economic) relations with China.

A second, and related topic of foreseeable emphasis in the near future concerns the improvement of conditions to draw additional benefits from Macau’s geo-economic situation, namely in the context of the Greater Bay Area development plans. The expectations, namely after the end of China’s zero Covid policy, point to the strengthening of cooperation with Portugal and an increased use of Macau as a bridging platform.

Macao is expected to play a more prominent role in China-Portugal relations

Recent political declarations of top government officials, including Prime Minister António Costa, have confirmed this goal. In a speech at the Forum Macau, Costa stressed the wish for further cooperation between the Portuguese-speaking world and China and also emphasized the need for “better management of the [the EUR 1 billion Sino-Lusophone Development] fund”, making it “more consequential in its rules and ways of functioning”³³⁴.

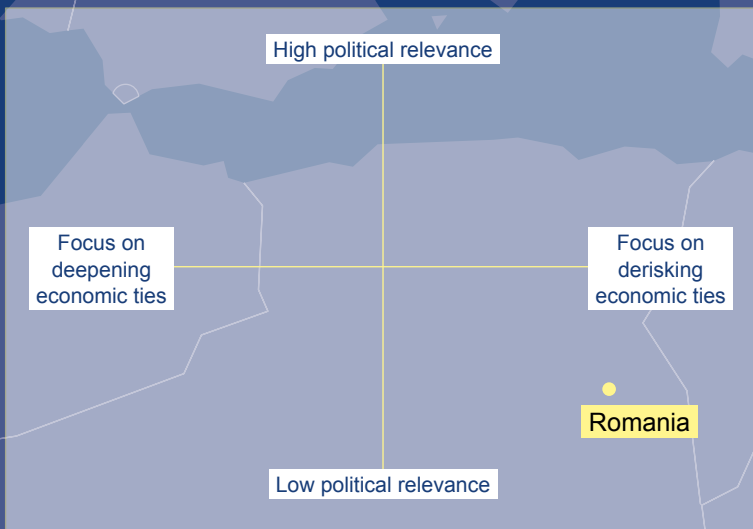
Macao, in fact, is expected to play a more prominent role in bringing Portugal closer to achieving its goal of participating in developments in the Greater Bay Area. The Portuguese consul in Guangdong, Ana Menezes Cordeiro, has recently confirmed interest in taking advantage of the “enormous potential” to reinforce investment and trade between South China and Portugal, accrued by the planned developments of the region. She said: “Beyond traditional products such as food and beverage, copper, ornamental stones, paper, automobile components and textiles, we are focused on the exchange in areas such as tourism, pharmaceuticals, components for AI and smart cities as well as E-commerce and logistics operation support, and new energy technologies”³³⁵.

Summing up, there are no signs that strategy-lacking Portugal, sticking to the piecemeal, opportunistic, and “universalistic” behavior that, in overall terms, has been yielding positive outcomes, will change this way of thinking and acting. Still, it seems obvious that this endeavor is not independent of the international alliances and memberships, which, assumedly, count with the Portuguese full commitment. Hence, the issue at stake is the extent to which Portugal will be able to keep on exercising its mastery to effectively manage the positioning towards China within a dissonant and conflictual relational context such as the one marking EU and NATO relations with China.

Spotlight on Taiwan

Hitherto, Taiwan is far from the political spotlight in Portugal. In fact, there is no serious debate about the Taiwanese issue. Portugal sticks firmly to the “One China policy”, as recurrently highlighted by the country’s government.

Romania



Romania: No official China strategy, but still a strategy

Andreea Brinza, Vice president,
Romanian Institute for the Study of the Asia-Pacific (RISAP)

Romania and the People's Republic of China have a long history that is paved with many ups and downs. If in the past Romania used to be among the PRC's closest friends, today, even without an official strategy on China, Romania is distancing itself more and more from Beijing. Actions taken by the Government of Romania indicate that, over the past four years, it does seem to have a non-official strategy regarding China – that of reassuring its main Western partners, the US and the EU, of its strategic position, while reducing perceived risks emanating from previously closer ties to China. Despite this aspect, Romania plays only a passive role in shaping the EU policy toward China.

The action

Romania and China used to stand together as communist allies during the Cold War. While both countries' interests diverged after the fall of communism in Romania in 1989, a sense of "old friendship" still remained, rekindling relations now and then. Nowadays though, the friendship between the two sides has clearly become a thing of the past. Today, Romania no longer perceives China as its "old friend," but more through the "rival" narrative – and has begun acting accordingly.

Officially, Romania has no strategy toward China, which is barely mentioned in strategic or political documents.³³⁶ Nonetheless, during the last few years, Romania's actions toward China indicate an unofficial strategy. The general philosophy of this strategy is to reduce perceived risks, vulnerabilities and dependencies regarding China, and to reassure Romania's main Western partners of Romania's firm position as their ally in the growing climate of tensions with China.

Romania no longer perceives China as its "old friend"

While Romania is not and did not use to be very dependent on China, either politically or economically, prioritizing its relations with the US and the EU was the guiding star for its relations with China. Maintaining a pro-Western outlook and strong relations with the US and the EU and its largest members has been a priority for the main political parties in post-communist Romania, as the US, through NATO, and the EU are its pillars of security and development.

During the period of Western engagement with China, Romania mainly focused on the Transatlantic region, yet it sometimes tried to strengthen relations with China, lured by trade and investment hopes. In the early 2010s, this was more pronounced during a period of an official and broad attempt to reach out economically to China, which nonetheless didn't produce any concrete results and soon stagnated. But after US-China relations deteriorated, later followed by EU-China relations, starting in 2019, Romania has begun adopting a different position toward China.

Thus, without an official strategy on China and without publicly criticizing the Chinese government, Romania built its unofficial strategy by banning "untrustworthy vendors" from its 5G network, canceling a Chinese state-owned company's involvement in the Cernavodă Nuclear Power Plant, restricting the access of Chinese companies from public tenders, creating a strict foreign investment screening mechanism and downgrading its participation to the then-16+1 summit in 2021.

In 2019, during a visit of the Romanian President Klaus Iohannis to Washington, Romania signed a memorandum of understanding with the US regarding the use of “trusted and reliable vendors”³³⁷ which must not be controlled by foreign governments, must have transparent ownership and which proved to have transparent and ethical corporate behavior.³³⁸ Without mentioning it, the targeted company was Huawei. Later on, the Romanian telecommunication agency, ANCOM, decided to postpone the 5G spectrum auction to give the parliament more time to transpose this MoU into law.³³⁹ In 2021, Romania finally passed the law that would ban Huawei from its 5G network.³⁴⁰

In 2020, a newly-elected right-wing government announced that it will cease negotiations, started in 2013, with the Chinese company CGN regarding its involvement in building two new reactors at the Cernavodă Nuclear Power Plant.³⁴¹ The official motive was the government’s opposition to providing state aid.³⁴² The cancelation of the Chinese investment in Cernavodă came one year after a previous left-wing government signed an MoU that allowed for the formation of a joint venture company between CGN and Nuclearelectrica, the company that operates the Cernavodă Nuclear Power Plant.³⁴³

Romania was the first country to sign a 5G MoU targeting Huawei

In 2021, Romania continued its undeclared China offensive by banning companies from non-EU countries that don’t have a public procurement agreement with Romania or the EU from taking part in public tenders.³⁴⁴ This time, a few high-level government officials were more vocal in making it clear that the measure targeted China,³⁴⁵ because its companies received subsidies – though only one Chinese company had previously won a marginally-notable infrastructure tender.

Also in 2021, during the then-“16+1” online summit, Romania downgraded its participation by only sending its economy minister, instead of the prime minister or president. The summit was notable for being the first one to be hosted by China’s President Xi Jinping, so Romania’s action was seen as a snub toward China.³⁴⁶

In 2022, Romania created a more comprehensive and strict screening mechanism for non-EU investments. According to the new screening mechanism, any company that wants to invest more than EUR 2 million in Romania must obtain approval from the Romanian authorities.³⁴⁷

Most recently, in 2022, a member of the Romanian Parliament from the National Liberal Party (PNL), the party that is leading the government together with the Social Democratic Party (PSD), proposed a bill to ban state funding for public universities that host Confucius Institutes in Romania.³⁴⁸ Because all the Confucius Institutes and Classrooms are hosted in Romania by public institutions, the bill would ultimately be an indirect ban on the Chinese institutes.

Passing through this timeline, there has been a clear shift in policy toward China starting in 2019, when Romania was the first country to sign a 5G MoU targeting Huawei, in direct contrast with the first half of the 2010s, when Romania engaged a lot with China and was among the first countries to host a 16+1 summit, back in 2013. It is also notable that the Romanian government has not publicly criticized China or some of its actions and policies, nor taken any clear stance on its human rights record. While none of the Romanian governments that implemented these measures over the past four years has adopted any official strategy toward China, the actions describe the contours of an unofficial strategy.

An important part of this unofficial strategy is following closely the recommendations of the European Union. For example, when Romania decided to ban companies from countries – like China – which have no public procurement agreements with Romania or the EU from participating in public tenders, the then-deputy prime minister asserted that the government consulted and received recommendations and support in implementing this measure from the EU.³⁴⁹ Also, in 2022, when Romania updated its screening mechanism for foreign investments, it based its law on the EU Regulation 2019/452.³⁵⁰

But, while Romania is following the EU recommendations regarding China, it plays only a passive role in shaping China policy in Brussels. As an example, Romania recently had the chance to be among the first EU countries to have a law which establishes a national registry of local cross-border agreements, mandating all local authorities to publish their agreements with foreign counterparts, including from China.³⁵¹ But a parliamentary commission voted against this bill.

Romania plays a passive role in shaping China policy in Brussels

When it comes to TikTok, the story is also edifying. Earlier this year, the Romanian Senate encouraged its senators to be more visible on the platform and even created a TikTok page for the Senate,³⁵² in a period when the US and the EU were pondering whether or not to ban TikTok from devices of those working in public institutions. Soon after the EU banned TikTok from employees' work phones, the Romanian Government declared that it will analyze whether to also implement this policy.³⁵³

The same passive atmosphere can be seen in Romanian government, or among the general public, where China is a marginal topic, as its most ardent security problems are related to Russia. The unofficial China strategy seems to have been adopted less with China in mind and more with the US and the EU in mind, generally following Western political and geopolitical trends toward China.

The actors

For many years, relations with China were shaped especially by the prime ministers in power or by the parties that led the government. In Romania, there are two important parties: the Social Democratic Party (PSD), which is a left-wing party and used to form most governments between 2012-2019, and the National Liberal Party (PNL) which is a right-wing party and has been in power, in various coalitions, since 2019. This dichotomy of left-right is important for relations with China because their approach toward China has been quite different.

While, after the fall of communism in Romania, China never again became a major topic, it gained more visibility during the tenure of two prime ministers: Adrian Năstase and Victor Ponta, both from PSD. During Victor Ponta's tenure (2012-2015), relations with China encountered their zenith – though without concrete economic results – and the government seemed to have a China strategy.

The prime minister's office used to circumvent the MFA, developing their own direct connections to Beijing,³⁵⁴ as Prime Minister Ponta had long-standing ties to China and was very keen to strengthen relations. But the "strategy on China" wasn't a very well-planned one and was mostly a result of the leader in power, in this case, Victor Ponta – as with Adrian Năstase before him. Before 2012, even right-wing governments used to have and pursue closer ties with China, though never to the same level of these two prime minister-ships, when China was explicitly articulated as a priority.

Today, the right-wing parties have become more vocal against China, with some politicians who even joined the Inter-Parliamentary Alliance on China (IPAC) and engage in criticizing the Chinese government's human rights record, its actions abroad or its activities in Romania – subjects that had typically been rarely discussed in Romania before.

But while a few MPs have become more critical toward China and its government, the Chamber of Commerce continues to pursue closer relations with China, while some of the relatively few Chinese companies present in Romania have engaged in lobbying activities when their businesses have been at risk. Nonetheless, because Romania's economic ties to China, especially exports and investments, are very weak, except for Chinese companies present in Romania, there is no clear economic constituency that pressures or lobbies the government regarding its China policies.

The capacity

Romania not only lacks political interest regarding China, but, unfortunately, also expertise. The Asia-Pacific Division of the Ministry of Foreign Affairs lacks enough experts on China, as does the Romanian Embassy in Beijing, whose personnel has decreased in size over the past few years. Without a clear strategy to create or bring more expertise on China into the state apparatus, Romania risks leaving its strategy on China to simply mimic the trends in the EU or the US or be influenced by politicians that hold a more polarized view for or against China.

A lack of government expertise on China stems from a general lack of expertise on China in Romania when it comes to political, geopolitical, security or economic issues. Despite a decades-long tradition of Mandarin language training in Romania³⁵⁵, the fact that Romanian academia lacks any course on politics, international relations or economics regarding China may be a key underlying reason for the dearth of China expertise in Romania today.

In the past, when political relations with China were very close, during the PSD governments, Romania had an inter-ministerial committee regarding China.³⁵⁶ It was created in 2013 to follow-up and better implement the numerous MoUs for investments worth almost USD 10 billion that Romania and China signed on the occasion of that year's Bucharest 16+1 summit.

In 2018, during a different PSD government led by Prime Minister Viorica Dăncilă, it was rebranded as a committee that focused on economic projects between China and Romania – though many of the 2013 projects had already been abandoned by then. The committee was supposed to meet quarterly,³⁵⁷ but after PNL came to power in 2019, no deputy prime minister was named to head this committee, which faded into irrelevance.

At present there are no such committees, either to improve relations or counter China and its influence in Romania, leaving Bucharest without a formal coordinating structure on China. All the actions regarding China that have been undertaken in the past four years have been decided individually, not based on an official or public strategy toward China, nor through any formal inter-ministerial bodies. They have been decided top-down, without any public debates, wide consultations or involvement of other bureaucratic levels or non-core structures.

As an example of the lack of coordination, a local city hall near Bucharest in 2016 signed an agreement with the Chinese city of Nantong for police cooperation, with Nantong later

Romania risks leaving its China strategy to mimic trends in the EU or US

presenting Dobroești as the host town for an overseas service center.³⁵⁸ When this recently became public, the Romanian government declared it had no knowledge of such an agreement or such a service center.³⁵⁹

The future

Romania-China relations seem to tilt toward greater detachment

For Romania-China relations, the future is unclear, even though the trajectory of relations seems to tilt toward an approach that would lead to even greater detachment from China. Soon, Romania will probably have to think and decide its position regarding continued participation in the “14+1” mechanism between China and 14 countries from Central and Eastern Europe, or whether to downgrade its participation.

Romania will also have to decide if it will ban Confucius Institutes, as the recently proposed bill envisions. The ruling coalition has a supermajority in parliament and most MPs vote according to political leadership decisions, so whether this bill will be approved, rejected or simply languish in parliament will be decided by the government coalition.

Regarding the “14+1” membership, for the moment, according to some sources, Romania does not plan on leaving the mechanism, but it may continue to downgrade its participation in the summits to play only a marginal role in the mechanism. For example, since 2016, Romania has hosted the 16+1 Energy and Dialogue Center.³⁶⁰ But, apart from a ministerial conference and energy fair in 2017,³⁶¹ Romania has not hosted or organized any important events related to this center.

Thus, Romania’s position in the now-14+1 mechanism is rather shaky and a wave of withdrawals, like those of the Czech Republic or Poland, or EU or US recommendations could lead to Romania deciding to leave the mechanism in the future.

But any actions on these subjects will largely be taken in the absence of any official strategy or coherent and well-thought mechanism of adopting decisions regarding China. The lack of China expertise in government combined with a general lack of interest regarding China both in government and among the public mean that China will remain a marginal topic and Romania will mostly be a follower rather than a trendsetter in European China policy for the years to come.

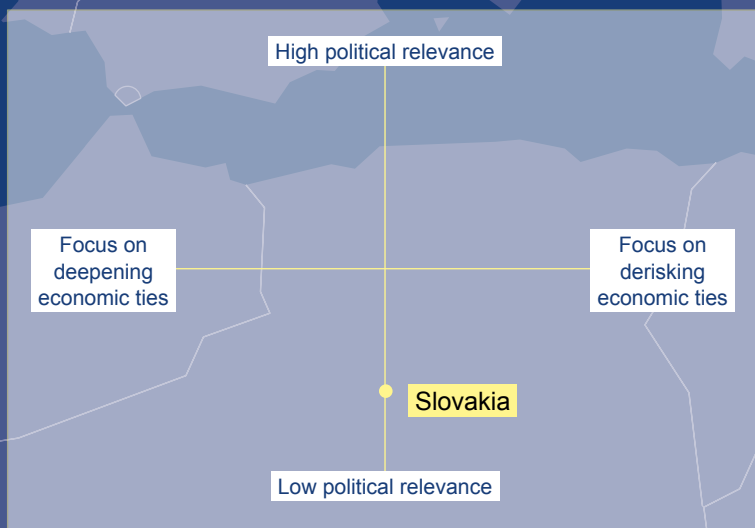
Spotlight on Taiwan

Romania-Taiwan relations are still a taboo subject. Not only does Romania lack ties to Taiwan and follow the “One China Policy”, but it refuses to approach the subject of Taiwan at the institutional level. Thus, Romania-Taiwan relations are very poorly developed, with no political ties, very few Taiwanese investments, only an NGO that operates as Taiwan’s economic branch in Romania, and very few social links.³⁶²

If a parliamentary delegation decides to undertake an unofficial trip to Taiwan, then the government may have to engage the topic of Romania-Taiwan relations. In 2013, when Romania had close relations to China, such an unofficial trip to Taiwan of four MPs sparked a scandal and intense government and media criticism.³⁶³

While the political mood has changed, the government has until now carefully and completely avoided the subject of Taiwan. A recent March 2023 visit by a Romanian MP, as part of a European delegation that visited Taiwan, did not change this nor generate any public discussions.

Slovakia



Slovakia: A China policy with little capacities and no strategy

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Richard Turcsanyi, Program Director, Central European Institute of Asian Studies,
Adam Kalivoda, Project Coordinator, Central European Institute of Asian Studies

Slovakia's approach towards China is ad hoc and dependent on the individual parties' – and often politicians' – views and agency. It is characterized by a mixture of perceived economic opportunities and (geo)political concerns. Relations with China have tended to attract low attention from successive Slovak governments. China is not a major investor in the country, although recently Volvo, a subsidiary of Chinese automaker Zhejiang Geely, announced a large investment which changed the picture substantially. China is also one of the major trading partners of Slovakia. Slovakia's relations with China have been relatively stable, although there have been differences depending on the ideology of the government in power. Since 2020, the center-right pro-Western governments have become more wary of security issues and more pronounced on China's human rights situation.

Slovak approach towards China

Relations with China have often been overlooked by successive Slovak governments as a relatively low priority issue. Thus, Slovakia has most often conducted a low-profile approach towards China, with some notable exceptions (e.g., in relation to Taiwan, the Dalai Lama, or human rights).

Conduct of foreign policy towards China has depended on the ideology of the Slovak government in power. Populist governments led by social-democratic SMER-SD (2006-2010 and 2012-2020) were more interested in deepening economic ties with China, but they never committed much effort and resources to this. Direct engagements via the China-CEE platform and symbolic gestures such as signing the Memorandum of Understanding on the Belt and Road Initiative (in 2015) did not bring any noticeable benefits regarding new Chinese investments or Slovak exports to China.

Slovakia has most often conducted a low-profile approach towards China

Although China has been a major trading partner of Slovakia, this is chiefly due to China's exports to Slovakia, which have steadily grown, making it the 3rd largest source of imports to Slovakia in 2022, amounting to USD 8.66 billion.³⁶⁴ Slovakia's exports to China remained more or less stagnant over the previous decade, with China being the 10th largest market for exports from Slovakia, with a value of around USD 2.75 billion – and have remained massively dominated by the automotive sector (i.e., by the foreign-owned corporations), which accounts for a third of these exports.³⁶⁵

Since 2020, the center-right, pro-Western governments of Igor Matovič and Eduard Heger have become more wary of security issues posed by China and more pronounced on China's human rights situation. Shortly after the elections, a large group of government MPs signed a declaration condemning Beijing's attempt to unilaterally impose security legislation on Hong Kong, as well as called for the release of the Panchen Lama. Furthermore, in the 2021 Security Strategy passed by the government, China is noted to be the EU's "systemic rival" and to have a "different conception of human rights and freedoms," influencing Bratislava's approach to relations with Beijing on bilateral and multilateral levels.³⁶⁶

At the same time, the government has remained open to Chinese investments. In fact, Slovakia has received by far its largest Chinese investment deal ever when Volvo, a subsidiary

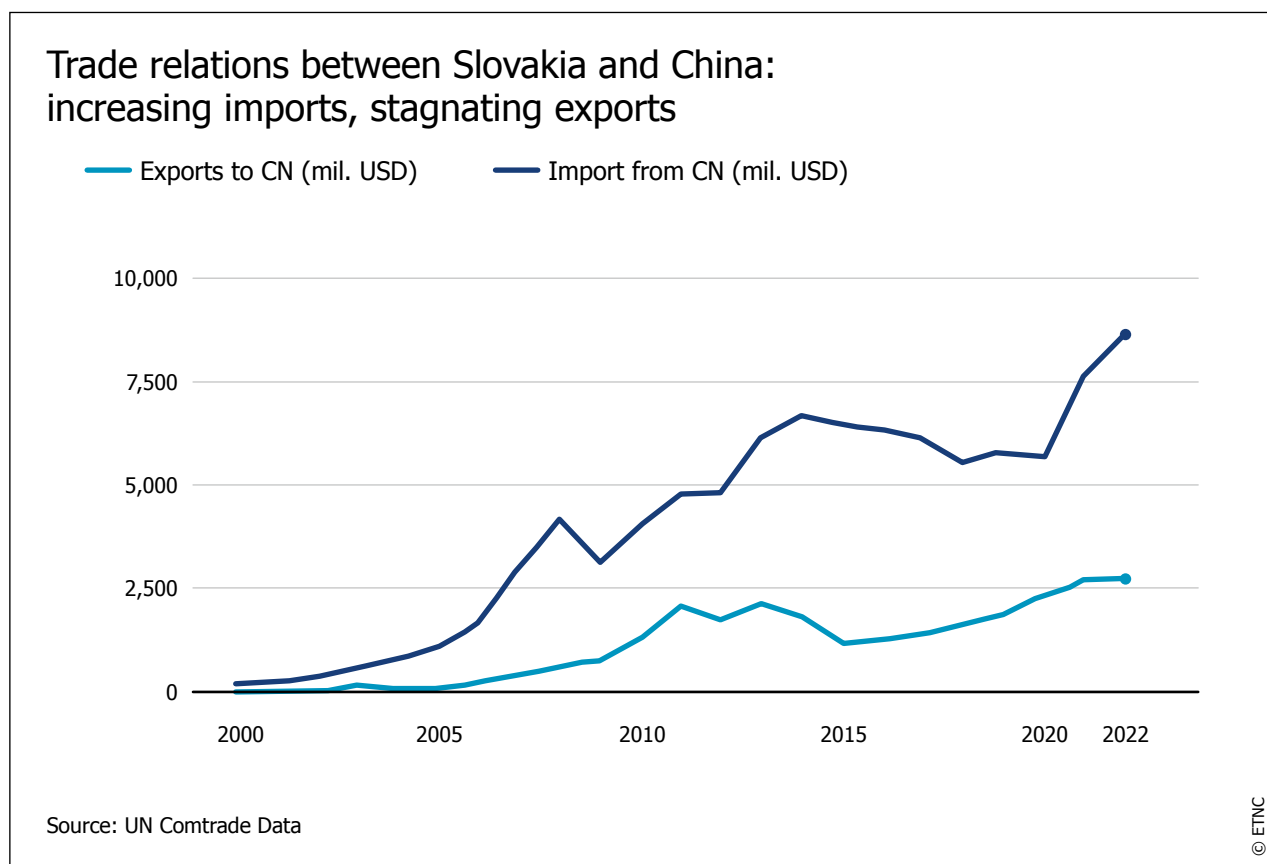


Exhibit 9

of Zhejiang Geely, decided to open a EUR 1.2 billion plant near Košice³⁶⁷ (in reality, however, the link to China was rarely acknowledged during public discussions of the investment).

The upcoming parliamentary elections in autumn 2023 may again bring changes to Slovakia's general approach towards China, especially if SMER-SD and HLAS-SD come to power, which is a possibility based on current polling.³⁶⁸

Slovak presidents have been relatively visible in relations with China, although they do not have executive power in the Slovak parliamentary political system. Previous President Andrej Kiska (2014-2019) met the Dalai Lama in 2016 (outside of his official residence), which led to Chinese official protests and threats of retaliations, which in retrospect were found to not be credible based on available data and information. Domestically, the government of Robert Fico (including the PM himself) also criticized the president for allegedly damaging ties to China.³⁶⁹

Current President Zuzana Čaputová (in office since 2019) raised issues of human rights when meeting Chinese Minister of Foreign Affairs Wang Yi in 2019. Although there were no official Chinese responses, the government-affiliated politicians (such as Andrej Danko, speaker of the parliament and chairman of the Slovak National Party, then a junior coalition partner) again criticized the president for undermining economic diplomacy efforts of the government to promote Slovak exports.

Driving forces of Slovak China-policies

Overall, Slovakia's approach towards China is ad hoc and dependent on the individual parties' – and often politicians' – views and agency. As a result, it is difficult to identify any central driving forces.

Historically, it has been primarily the PM who has taken the initiative to shape the approach towards China. Since 2012, this has been mainly due to his annual summits with the Chinese leaders as part of the China-CEE platform (which has been discontinued in recent years).

There have been some differences between various governmental agencies. On the one hand, the Ministry of Foreign Affairs and the Ministry of Defense have tended to be more cautious when dealing with China, taking into account security risks and political problems.

On the other hand, the economy-focused ministries (such as Ministry of Finance, Ministry of Economics, and Ministry of Transport) have tended to be more open to developing relations with China with a singular-focus on achieving “pragmatic” goals and overlooking potential problems.

This division was visible in 2017 when the Slovak government adopted the “Strategy for the Development of Economic Relations with China 2017-2020,” a document jointly prepared by the Ministries of Economy and Ministry of Transport. Subsequently, however, the Ministry of Foreign Affairs stood up and prevented a follow up Action Plan to be adopted.³⁷⁰ As a result, the Strategy was never actually implemented.

Friendship groups have played some role in shaping the approach towards China

Besides, friendship groups have played some role in shaping the approach towards China (and Taiwan). The Friendship group with PRC in the Slovak parliament currently consists of 22 MPs.³⁷¹ Although the group's activities remain limited, it did organize a visit to China in 2019, and its members participated in the official visit to China by the speaker of the parliament, Boris Kollár (chairman of a junior populist coalition party SME-RODINA), in April 2023. Some friendship group members have been quite outspoken in presenting China-supportive positions, and act as proxies for spreading Chinese propaganda in Slovakia.³⁷²

An unofficial friendship group of Taiwan also exists in the Slovak parliament. The group has been active in promoting engagement with Taiwan. In June 2022, a subgroup of its members, including the Deputy Speaker of Parliament, visited Taiwan. The visit, which included meeting with President Tsai Ing-wen, was intended to promote parliamentary interactions and city-to-city exchanges on top of economic, trade and technological cooperation. Members of the friendship group have also been active domestically, sponsoring parliamentary resolutions in support of Taiwan's international engagement, e. g. at the WHO, ICAO and other UN agencies.³⁷³

No major business players have been pushing for tighter and more comprehensive relations with China, nor were any actors seeking to sever ties for commercial reasons. Nevertheless, specific companies have had considerable interest in pursuing their commercial activities in China or with Chinese partners. The most notable case, as well as the best example of Chinese corrosive capital in Slovakia, was a 2015 investment by CEFC into the Czecho-Slovak financial conglomerate J&T Finance. After CEFC's bankruptcy in 2018, its stake in the company was taken over by the Chinese state-owned CITIC Group.³⁷⁴

There are some minor instances of attempts to develop relations with China at the subnational level, where certain Slovak businesses already operating in China mediated deepening of paradiplomatic relations. Altogether, Slovak municipalities and self-governing regions maintain 16 paradiplomatic ties with Chinese counterparts.³⁷⁵ However, such efforts have minimal influence on national-level relations.

Capacity of dealing with China

Slovakia currently does not have the capacities on a level necessary for a coherent approach toward China. There are some steps under way in this regard, but it is questionable how significant their impact will be.

Slovakia currently does not have its own up-to-date China strategy, nor a coherent Indo-Pacific strategy. However, Slovakia's interests are still largely embedded in the EU-level approach, and more recently also NATO-level approach, which can help cushion the most problematic aspects of interactions with China. In 2021, the Ministry of Foreign Affairs has announced the preparation of an Asia-Pacific Strategy,³⁷⁶ which has yet to be finalized.

China has started recently appearing in the annual reports of the Slovak Intelligence Agency, showcasing that there is a certain degree of activity by Chinese operatives in Slovakia (or perhaps that Slovak intelligence is willing to call it out more explicitly nowadays than was previously the case).³⁷⁷

In recognition of these developments, the 2021 Security Strategy acknowledged China as a partner, competitor, and systemic rival, in line with EU policy.³⁷⁸ This was followed up by the adoption of the Action Plan for Coordinated Response to Hybrid Threats 2022-2024 in March 2022.³⁷⁹

The Action Plan was approved shortly after Russia invaded Ukraine. While the primary impetus for the plan was addressing Russian subversive activities, it also tackled hybrid threats posed by China. This includes plans for implementing a risk assessment mechanism for universities' international collaborations, improving their financial transparency, as well as adopting a comprehensive investment screening mechanism. The investment screening law was already adopted at the end of 2022 and came to effect in March 2023.³⁸⁰

Future outlook

Looking to the future, Slovakia should start moving toward having a strategy toward China. Perhaps the most suitable model would be to embed it in a broader Indo-Pacific strategy. Afterwards, a discussion can start whether a separate China-strategy document would be needed, and what form it should have.

Such a strategy should lead to an increase of Slovak activity also within the EU bodies when it comes to forging an approach towards China. Slovakia should know what its priorities and interests are and how to push for them within the EU, especially when current or planned steps of the EU would not be in line with Slovak preferences. The same goes for maintaining policy-focused dialogue with key partners at the EU member state level, especially Germany which is a major source of Slovakia's indirect economic exposure to China.³⁸¹

China has started appearing in annual reports of the Slovak Intelligence Agency

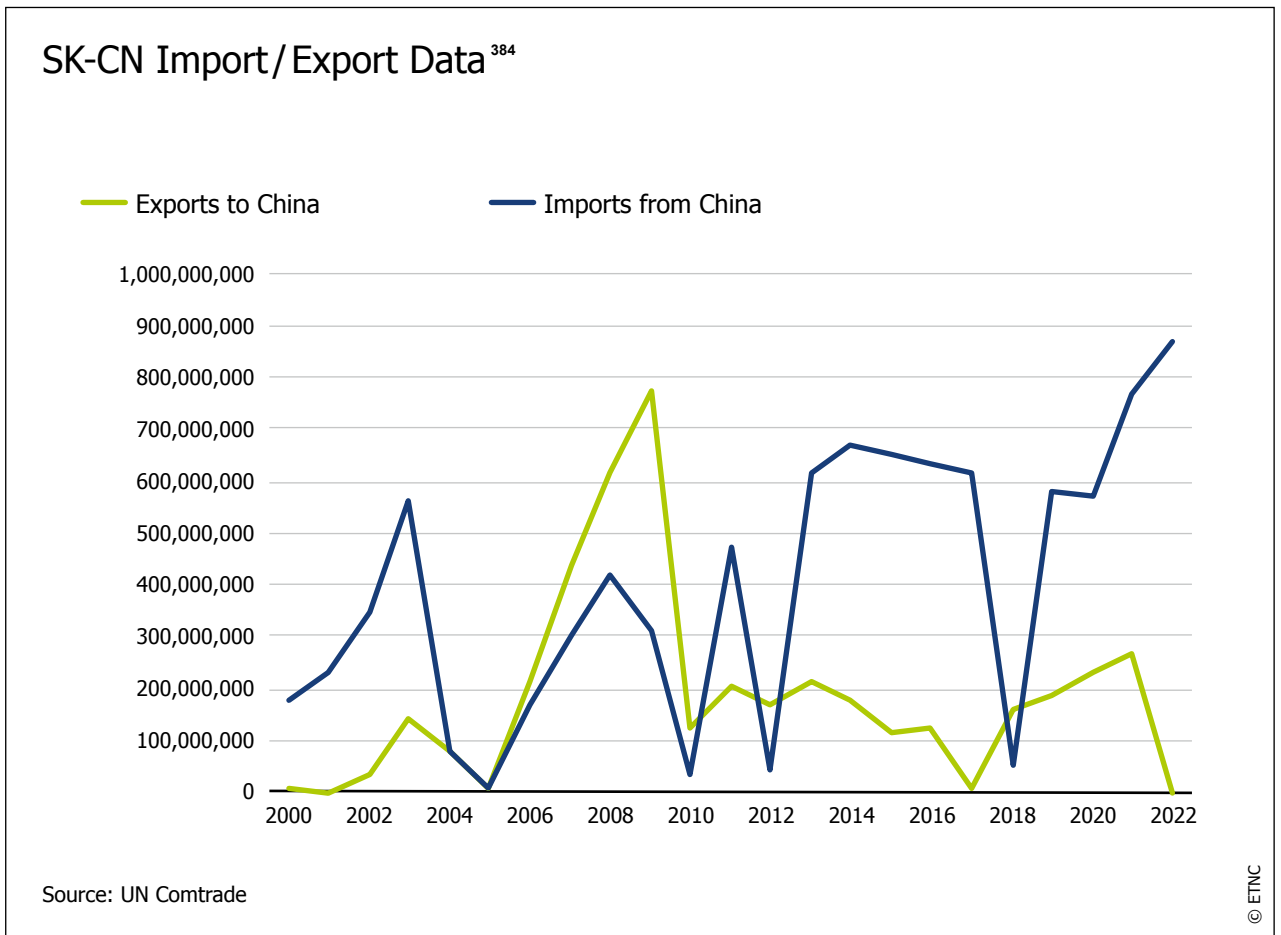


Exhibit 10

Slovakia also should decide how to deal with the remnants of the China-CEE platform. Although currently no high-profile events (such as summits of premiers) are planned, it is likely that China will attempt to revitalize the platform at various levels. Slovakia should clarify its position – i.e., whether it would leave, ignore events silently, or participate. The same logic applies to clarifying Slovakia’s position on the Belt and Road Initiative, for instance, when the next summit in Beijing would be organized.

Spotlight on Taiwan

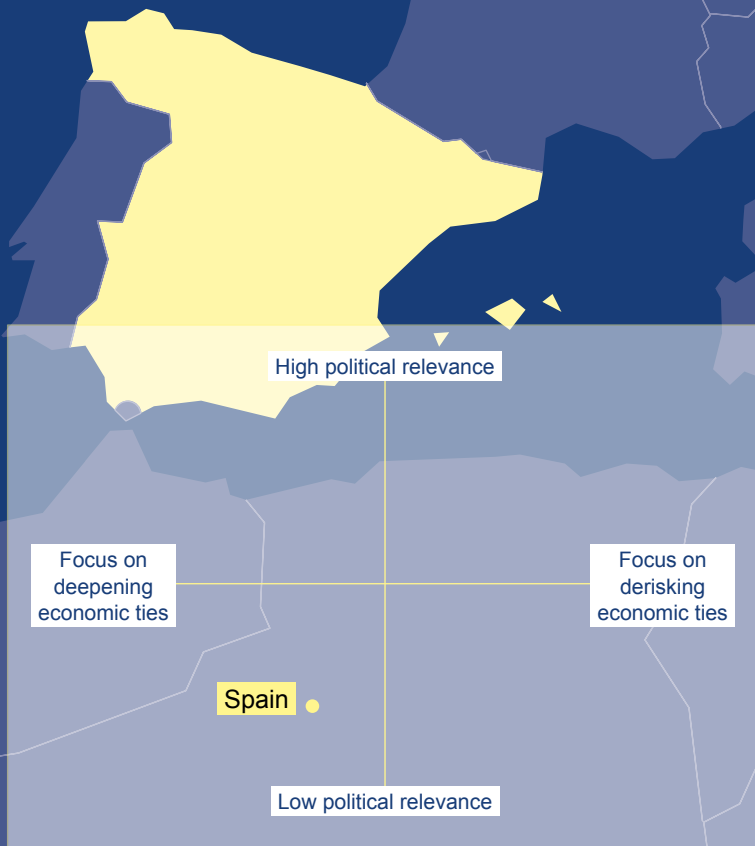
Slovakia is currently among the most active of EU member states in pursuing relations with Taiwan.³⁸² This pursuit can be characterized as pragmatic in both political and economic domains. Consequently, Slovakia has attracted very little ire from Beijing.

In 2003, Slovakia and China signed a Joint Communiqué which explicitly references Beijing's One-China principle, claiming Taiwan to be an "inalienable part of China." The document also claims that "Slovakia will only enter into private sector led trade and economic relations with Taiwan."³⁸³ This approach is currently not observed in practice, as evidenced by recent interactions of high-ranking officials, such as a December 2021 Slovak delegation to Taiwan, led by Deputy Minister of Economy Karol Galek. Outside of the executive branch, the unofficial friendship group of Taiwan in the Slovak parliament is the most vocal proponent of more active engagement with Taiwan, and regularly voices support for Taiwan's international engagement in various domestic and international fora.

There is an element of balancing present in Slovakia's approach to China and Taiwan, which has taken three main forms:

- limiting governmental action to pursuing a "positive" agenda with Taiwan without framing the activity in relation to China,
- transferring Taiwan-related criticisms of China to the parliamentary level (thereby maintaining a level of deniability and shielding the executive from pressure by China),
- engaging in some symbolic actions vis-à-vis China to mollify potential criticism.

Spain



Spain: An informal, coherent and Europeanist approach

Mario Esteban, Miguel Otero-Iglesias, Senior Analysts, Elcano Royal Institute

Spain's China policy is similar to that of the EU due to the evolution of the bilateral economic relations and from Chinese endogenous changes. It is also influenced by Spain's EU and NATO membership, leading to the securitization of China's engagement in strategic sectors. Although Spanish authorities have not issued an official China strategy, they fully endorse the recent EU one, and there seem to be no significant inconsistencies on how different relevant Spanish stakeholders deal with China. Spain's China policy benefits from a large consensus among the main national political parties. It extends to the business sector which also has a significant influence on Spain's China policy. Smaller political parties show divergences, like some civil society groups that are more critical of China's regime but whose role remains marginal. In 2023, the 50th anniversary of bilateral relations and Spain's Presidency of the EU offer opportunities to push forward some issues on the bilateral agenda, tackling norms and global security.

The action: Spain's sophisticated Europeanist approach

Similar to the EU and its main EU partners, Spain's China policy has evolved during recent years, owing to China's development and increasing global footprint, and has converged with that of the EU. This chapter offers an overview of Spain's approach, its link with the European one, and its institutional and organizational basis. It concludes presenting some of the issues likely to be pushed forward in the bilateral agenda in 2023.

Spain shares the threefold EU vision of China as partner, competitor and rival, and advocates for a greater role of EU's institutions and coordination and collective action among member states to achieve more balanced relations and overcome a clear bilateral asymmetry in favour of China. From a Spanish perspective, China is an attractive and key economic partner plus a necessary stakeholder to cope with crucial issues on the global agenda like climate change and security.³⁸⁵

At the same time a blatant normative and geostrategic divide interferes in the bilateral relationship and generates competition in several fields as well as a rivalry on global standards, values and institutions. For Spain, these divergences make it relevant to decrease Spanish and European dependence on China in strategic sectors.³⁸⁶ In a strict sense, China poses no direct military threat for Spain. Existing concerns focus on hybrid- and cyber-threats originating from within China's borders, although the risks for Asian and global maritime security linked to the South China Sea and Taiwan Strait are not overlooked.³⁸⁷

Spain's China policy reflects these complexities and is based on a nuanced understanding of China, which allows it to cooperate, compete and confront China depending on the situation. This pragmatic approach, which avoids systematically jeopardizing the bilateral relationship on ideological grounds, neither eludes normative divergences, nor prevents Spain from defending its normative preferences. Spanish authorities are not naïve: they are not blind to China's revisionist behaviour or its willingness to reshape the international order.

Coincidentally, they are becoming cautious in general not to engage with China in ways that may foster its capacities to achieve these goals, which run contrary to Spanish values and interests. Several factors have contributed to such approach. First and foremost, the evolution of bilateral trade, making China Spain's third extra-European export market and

For Spain,
China is an
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key economic
partner

first imports supplier, and the simultaneous increasing role of economic diplomacy within Spain's external policy.³⁸⁸ Then, China's internal changes, namely its socioeconomic development, systemic violations of human rights and shift from a low profile to an assertive foreign policy. These dynamics have progressively raised strategic concerns of overdependence on China among Spanish stakeholders which are also framed by its EU and NATO membership and the influence of its partners within these organizations.

Although the EU level is an overriding factor, US influence is also instrumental, as a crucial partner and component of Spain's defence policy, and through the deteriorating US-China strategic rivalry. These different elements have contributed to the progressive securitization of Spain's relationship with China, exemplified by Spain's stark change of perception and posture towards China's inward investments, from a proactive policy aimed at attracting a maximum volume of Chinese investments to the establishment of ex ante investment screening mechanisms. This hardening of position is linked with concerns related to China's dominant position and unfair competition in strategic sectors, like solar energy, or its entry in key sectors like energy or transportation, with the noticeable example of COSCO's acquisition of NOATUM port assets in 2017.³⁸⁹

As a result, China's investment objectives have been curbed, and Spain has moderated its attractiveness policy. This has impacted China's role as provider of high technology, as exemplified by the debate on China's involvement in Spain's 5G networks and the enacted or planned exclusion of Huawei's 5G equipment from parts of Spanish telcos networks, because of perceived strategic risks, even though this leads to lesser competitiveness for many Spanish firms. As detailed in the Spanish 5G Cybersecurity Law, those risks revolve around potential foreign interference and supply chain vulnerabilities.³⁹⁰ Under this legislation, Chinese firms may be labelled as 'high risk providers', which would exclude them from critical parts of the networks or those linked with national security or strategic sectors, although its implementation is being delayed at the governmental level.³⁹¹

Historically, apart from a sectoral plan issued by Secretary of State for Trade in 2018, Spanish authorities have never issued a specific China strategy, but it has become a key focus of successive Asia and external action strategies.³⁹² Spain's current approach is no different. No specific strategy has been issued but China is a key element in the Asia-Pacific outlook of the 2021 External Action Strategy.³⁹³

In any case, Spanish officials openly endorse the EU's China Strategy as the guideline for Spain and the internal debate revolves around how to implement it at the national level, and how Spain can contribute to its development at the European one. This ambition is substantiated by Spain's active role in the EU's policy towards China. Spain is less directly dependent on China than other member states, which facilitates its well-perceived balanced posture inside the EU. At the European level, Spain focuses on issues linked with China's attack on the international rules-based order and lack of economic reciprocity, level playing field and mutual market access. Spanish actors note that China remains a very closed market through tariff and non-tariff barriers which lowers export opportunities. They also perceive the gap between China's signals of openness and practical business opportunities, as exemplified by China's services market, of great interest for Spanish economic actors, which remains closed in practice despite China's official narratives.

Different elements have contributed to the securitization of Spain's relationship with China

The actors: A consensual policy

Spain's China policy is mainly developed by the Ministry of Foreign Affairs, in charge of its coherence both in Spain's foreign policy and the external action of the government, and by the Presidency of the government, which plays a leading role in external policy.

At the national level, Spain's policy towards China benefits from solid consensus between political parties with the capacity to lead a government, namely the Spanish Socialist Workers' Party (PSOE) and Popular Party (PP). This has prevented shifts under different political leadership and, at least for now, Spain's China policy remains outside of the partisan debate. Nevertheless, three divergent political postures are found among other parties. Leftist ones appear more reluctant to coordinate with the US on China policy, due to lack of trust towards the former.

The far right party Vox is openly hostile towards the CCP regime, at times reproducing US alt-right arguments, and holding accusative postures on the outbreak of Covid-19 in China or the country's violations of human rights.³⁹⁴ Finally, regionalist parties show political proximity to democratic and autonomic movements from Hong Kong and Taiwan exemplified by the non-legislative motion on the Taiwan Strait introduced by the Basque Nationalist Party (PNV).³⁹⁵ This panorama is reflected to varying extents in the parliamentary debate, from the issue of Taiwan, to China's involvement in 5G networks and management of the pandemic.³⁹⁶

Spain's relationship with China remains mainly centred on the economy

At the national and regional level, business actors and associations play a significant role because the bilateral relationship remains mainly centred on the economy and they are key players to reach the Chinese market and deliver economic cooperation opportunities. This is also evidenced by the nomination of diplomats with close links to the business sector as ambassadors to China, especially under governments of the PP. The business sector's focus on economic opportunities does not impede concerns of overdependence and a willingness to reduce exposure to risks related to China.³⁹⁷ In contrast, civil society's level of mobilization on China remains low and of little political influence, with few examples like the support for democracy and autonomy movements in Hong Kong from supporters of regional nationalism.³⁹⁸

The capacity: A coordinated approach

The lack of official strategy and limited personnel with specific knowledge on China – which is progressively reverted – has not prevented Spain's China policy to be quite coherent. At the governmental level, coherence is achieved through inter-ministerial coordination mechanisms including an inter-ministerial committee that may cover China related issues and manage different sensitivities towards this country within the State administration.

Roughly, the ministries of Foreign Affairs and Defence are more concerned by the strategic and geopolitical implications of China's rise, while the Ministry of Economy and the Ministry of Industry, Trade and Tourism have a more business-oriented vision, and usually a greater influence within the government. Overall coherence is also facilitated by the existing consensus between the two main Spanish political forces.

The involvement of actors from other administrative levels, or key non-political actors, such as industry associations, is uncommon, except in the event of serious risks for national security, which prompts monitoring by intelligence services. In any case, Spanish firms

conduct their activities in a legal framework and there are mechanisms in place to ensure they are not directed against national security.

Still, the lack of official strategy results in lost opportunities, as it lowers the overall capacity to exploit synergies between different sectors of the administration. For the moment, each of them has a sectoral approach to China and tries to implement it without entering into conflict with other institutions, preserving national interests and following the general guidelines of the Spanish Foreign policy.

The lack of official strategy results in lost opportunities

The future: Dealing with international stability and normative challenges

In 2023, two diplomatic highlights – the 50th anniversary of bilateral relations and the Spanish presidency of the Council of the European Union – can foster high-level exchanges between Spanish and Chinese stakeholders, spotlight China in the public opinion and allow Spanish authorities to advance a couple of relevant issues for Spain as exemplified by Spanish Prime Minister Pedro Sanchez’s official visit to China, at end of March 2023.

Spanish diplomacy expects China to play an active role to facilitate a peace agreement between Russia and Ukraine as already emphasized during the meeting between Pedro Sanchez and Xi Jinping on the margins of the Bali G20 Summit in November 2022.³⁹⁹ These expectations were dampened following the proclamation of the Chinese “peace plan”, which was coldly received by Spanish officials, but high level bilateral exchanges on the topic were reiterated during the latest G20 Foreign Ministers’ Meeting in India, in March 2023.⁴⁰⁰

Later that same month, Pedro Sanchez subsequently visited China and asked President Xi to call President Zelensky, which Xi eventually did on April 26. Sanchez also emphasized the points of consensus of the Chinese plan, evidencing his perception of China as an important actor with diplomatic weight to favour a conflict resolution process and the significance the Ukrainian factor has assumed in Spain’s Europeanist approach towards China.⁴⁰¹

In addition, the promotion of bilateral and EU-China relations during this visit translates a posture fundamentally compatible with that of the EU institutions, opposing decoupling and preserving a space for positive cooperation on key global issues but calling for balanced trade relations, with a level-playing field, transparency and reciprocal market access, to guarantee open strategic autonomy from the EU.⁴⁰²

Finally, the Taiwanese presidential elections and foreseeable pressure from Chinese authorities might also gather national attention. Traditionally, China resorts to a show of force in an attempt to influence Taiwanese voters, although this has proven counterproductive. In Spain, this pattern may find a particular resonance following the approval of the non-legislative motion on the Taiwan Strait by the Committee of Foreign Affairs of the Congress of Deputies on October 6, 2022, which has generated opposing reactions from Taiwanese and Chinese diplomacy (see Fact box).

China’s Embassy in Madrid has shown strong opposition and discontent and played down the political weight of the initiative while Taiwanese diplomats praised the “explicit support” and have taken the opportunity to reaffirm Taiwan’s sovereignty, independence and democratic nature, and to finger-point at China’s military activities, drawing parallels with the war in Ukraine.⁴⁰³

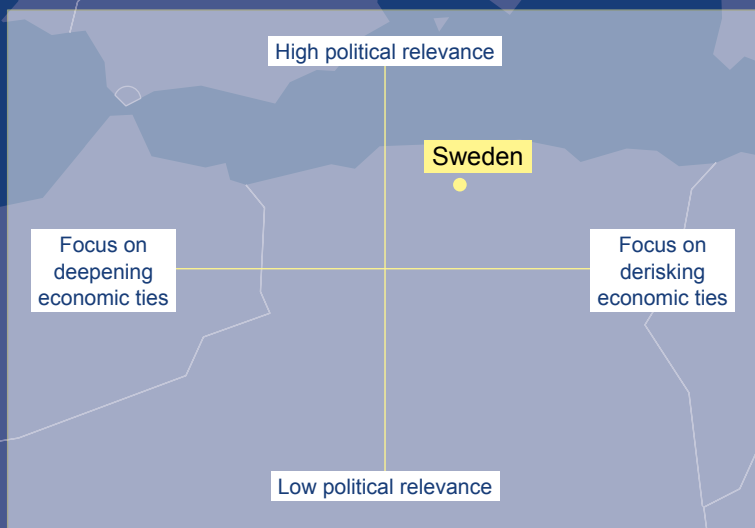
Spotlight on Taiwan

Spain's posture regarding Taiwan is similar to that of its European partners and the EU. It endorses a One China policy and aims to preserve regional stability. As formulated in the non-legislative motion on the Taiwan Strait adopted in 2022, it opposes any revisionist unilateral and coercive action that may affect the current status quo. It also considers that such change should only be achieved through dialogue and consensus among the parties and based on the will of citizens.

At the same time, increased concerns from both the government and legislature on the threat of China's coercion to East Asia's regional stability are fostering the support for greater cooperation between the EU and Taiwan on normative issues, like the promotion of democracy, human rights and the rule of law in the Indo-Pacific.

The visit of Spanish parliamentary delegations to Taiwan from the PP – whose last visit took place in 2019 – and Vox in January 2023, reflects closer affinity from right-wing parties, but the One China Policy and the commitment to a coherent Europeanist approach remain shared principles.⁴⁰⁴

Sweden



Sweden: From optimistic opportunities to growing challenges

Frida Lindberg, Analyst, Swedish National China Centre

Sweden's approach to China has undergone a significant shift in the past five years. From being viewed as mostly providing opportunities, China is now seen as posing increasing challenges for Sweden. This more negative view of China is also reflected in perceptions among Swedes, who hold the second most negative view of China in the world. This chapter explains the reasons for these developments, describes how Sweden deals with China-related issues and identifies the next three big China-related challenges facing Sweden.

Sweden's China policy: gradually getting tougher?

After the end of the Cold War, a widespread perception prevailed in many Western countries, including in Sweden, that liberal democracy had defeated communism. Increased economic integration and international cooperation were believed capable of generating development of democracy in China. China was also seen as attractive for investments, exports and imports.

China is no longer viewed as mostly presenting opportunities

Thus, throughout the 1990s and 2000s, engagement with China was in Sweden generally viewed as an opportunity that one could not afford to miss. In recent years, however, this positive attitude has changed. Dealing with China is no longer viewed as mostly presenting opportunities; it is also seen as involving growing challenges that are becoming more difficult to deal with.⁴⁰⁵

Sweden's former, social democratic-led, government's white paper on China, which is sometimes described as Sweden's China strategy, was published in 2019 in the light of "China's growing influence in the world and the new implications, opportunities and challenges this brings".⁴⁰⁶ It describes Sweden's relations with China, and sets out the former government's views on and approach to matters relating to the country. The white paper, which is based in part on the European Union's 2016 Strategy on China,⁴⁰⁷ also describes the EU as Sweden's "most important foreign policy arena",⁴⁰⁸ and emphasizes that the pursuit of a common EU policy on China is important for Sweden.⁴⁰⁹ Although this document was unanimously approved by the Riksdag (the Swedish parliament), the former opposition parties criticized it for not containing enough concrete measures.⁴¹⁰

A centre-right government was formed following the September 2022 general election, made up of the Moderate Party (M), the Liberal Party (L) and the Christian Democrats (KD). In the Riksdag, the new government cooperates with the Sweden Democrats (SD), a nationalist and right wing populist party. Although the new government, led by Prime Minister Ulf Kristersson (M), has not yet presented its own China policy, Sweden's policy on China is likely to change due to the change of government.⁴¹¹

The current governing parties and the Sweden Democrats actively raised issues relating to China while in opposition, but this tougher stance has so far not translated into concrete policy measures.⁴¹² In line with the former government, however, the new government has emphasized the importance of the EU's role in Sweden's approach to China. For instance, in November 2022 Prime Minister Kristersson stated that:

A single European voice is needed in relations with China. Each individual country's voice is weak, but China listens when the EU speaks as one. This is why the EU-China strategy,

tools to limit China's influence on sensitive technology and joint action when China violates human rights are necessary.⁴¹³

A deteriorated image of China in Sweden

Some of the current drivers shaping Sweden's relationship with China are closely related to Sweden's identity and values, such as its views on human rights, which have contributed to a more negative view of China. Sweden's traditional free trade-friendly policy is also deeply rooted in both the business world and the government sector. Generally, business actors in Sweden participate only to a limited extent in the debate on China-related issues. One reason for this is probably that Swedish companies do not think that they have much to gain from speaking out publicly or arguing, for instance, for openness or engagement with China.

The most obvious exception is probably the debate following Ericsson CEO Börje Ekholm's unsuccessful intervention in 2020 to put pressure on Sweden's former trade minister, Anna Hallberg, to intervene in the run-up to the decision on blocking Huawei from the 5G rollout, in order to prevent Huawei from being excluded. According to Ekholm, Huawei's exclusion could have resulted in China taking measures to target the interests of Swedish industry in China, including those of Ericsson.⁴¹⁴

Regarding Huawei, Jacob Wallenberg, chair of the board of one of Sweden's major investment and holding companies, also expressed dissatisfaction regarding the idea of blocking the Chinese company from Sweden's 5G rollout, stating that "it is important that Huawei is given the opportunity to operate in Sweden as well".⁴¹⁵

Swedish media play a significant role in shaping the debate on China. China's image in the Swedish media has deteriorated in recent years. Between 2017 and 2019, the number of editorials with a negative view of China increased significantly in four leading daily Swedish newspapers, reaching the highest level since 2008 when the summer Olympic Games were being held in Beijing.⁴¹⁶

Along similar lines, Swedish public opinion on China has become much more negative in recent years. Previous research has shown that the proportion of Swedes with a negative image of China increased from 52 percent to 85 percent between 2018 and 2020. Of the 14 rich industrialized countries included in the survey, Swedish people held the second most negative view of China, behind only the Japanese people.⁴¹⁷ Swedish people are most critical of China's disregard for democratic rights and its international behaviour.⁴¹⁸

Swedish public opinion on China has become much more negative

One possible explanation for this negative view of China is the campaign of public criticism conducted by the Chinese embassy in Stockholm and the former Chinese ambassador to Sweden, Gui Congyou, which included intense criticism of Swedish media, researchers, journalists and political parties, among others.⁴¹⁹ This campaign led to negative reactions, not least from Swedish media outlets, which repeatedly criticized this behaviour.⁴²⁰

Formal and informal policy coordination mechanisms enable knowledge-building on China

As China's relevance in the world has increased, the Swedish government's interest in China-related issues has also grown. The 2019 white paper on China raises the need to strengthen communication and collaboration between different actors in Sweden on issues

related to China.⁴²¹ In Sweden, all government decisions, including foreign policy decisions, such as positions on China-related issues, require an inter-ministerial consultation process.⁴²²

China policy coordination mechanisms are mainly informal

In addition, there are informal discussions on China-related issues at the governmental level. China policy coordination mechanisms are mainly informal. For example, “Team Sweden China”, a government-initiated network,⁴²³ promotes Sweden and Swedish interests in China, and supports Swedish companies in China, among other things.⁴²⁴

In addition to its activities in China, Team Sweden also coordinates relevant organizations in Stockholm.⁴²⁵ Coordination involving exchanges with actors at different administrative levels or with critical non-political actors appears to entail mainly informal, ad hoc mechanisms. These coordination mechanisms mostly involve conversations with, for instance, the business sector, while the regional and municipal levels are not as involved. These subnational levels would, however, be likely to benefit from being engaged to a greater extent in these kinds of contexts.

Nonetheless, the autonomy of Swedish local authorities in the municipalities and regions leaves plenty of space for these administrative levels to handle and decide on local and regional issues.⁴²⁶ For instance, with regard to subnational relations, municipalities and regions in Sweden can independently decide to leave or sign new agreements with counterparts in, for instance, China. In recent years, many municipalities and regions in Sweden have decided to end their cooperation agreements with China, due to the negative developments concerning democracy and human rights in China, the Chinese state’s behaviour towards Sweden and Swedish nationals, and the lack of activity in these subnational cooperations. Some agreements, however, are still active.⁴²⁷

The 2019 government white paper also underlines the importance of understanding China better. It proposed the establishment of a Swedish National China Center, which was established in 2021 and aims to improve understanding of China in Sweden by carrying out research-based, policy-relevant analysis and providing guidance on issues concerning China. The main target groups for the Centre are Sweden’s Government Offices and government agencies.

Other target groups include the Riksdag, municipalities and regions, academia and industry in Sweden, among others. Government funding finances most of the Centre’s activities.⁴²⁸ The Centre aims to bring various Swedish actors together to discuss China-related issues, and thus contribute to informal policy coordination.

The next three major China-related challenges facing Sweden

Several key China-related controversies have already shaped and are likely to continue to shape national and public debate in Sweden in the coming year:

1. The case of Gui Minhai: In October 2015, Gui Minhai, a Swedish citizen and book publisher, was kidnapped from his holiday home in Thailand and imprisoned in China. In February 2020, Gui was sentenced to ten years in prison, according to the verdict which has not been made available, for providing intelligence overseas.⁴²⁹ Since the imprisonment of Gui, Sweden and China’s bilateral relations have deteriorated markedly.⁴³⁰ In his statement of government policy in October 2022, Prime Minister Kristersson stated that the new government would “continue the efforts to secure the release” of Gui.⁴³¹ In October 2022, in line with a deci-

sion made by the former government, a Swedish monitoring commission published a review of the efforts made by the government, the Ministry for Foreign Affairs and Sweden's diplomatic missions to achieve the release of Gui Minhai, identifying a number of deficiencies.⁴³²

2. Emerging security concerns: In recent years, several isolated examples of Chinese security threats have emerged, which together have sparked a debate on security risks. For instance, as the inclusion of Huawei and ZTE in the development of Sweden's 5G network was viewed as a security risk for Sweden, the Swedish Post and Telecommunications Board (PTS) decided in October 2020 to ban Huawei and ZTE from participating.⁴³³ This decision sparked strong reaction from the Chinese government, which announced that the decision would negatively affect Swedish companies operating in China and cooperation between Sweden and China more generally.⁴³⁴

Chinese investments in Sweden have also received a lot of attention. Some of these have been made in critical infrastructure such as wind power, which has generated discussion on the potential risks and consequences of Chinese ownership of Swedish infrastructure and companies.⁴³⁵

3. Dependence on China: Sweden's strategic dependence in relation to China and how to reduce it has become a more frequent topic for discussion and is likely to continue to be debated. There are few signals that Sweden will change its opposition to protectionism or its pro-free trade positions.⁴³⁶ Nonetheless, reducing unilateral dependence seems to be a key concern for the new government. In November 2022, Prime Minister Kristersson stated the following in the Statement of Government EU Policy:

It is worrying that the EU is falling behind Asia and the United States in key economic areas. The global tech industry is currently being advanced on the west coast of the US and on the east coast of China. For this reason, the single market must be deepened, the digital single market realised and new free trade agreements concluded. Openness is the basis of growth policy. But the EU's capacity must simultaneously increase in strategic areas where there are obvious vulnerabilities in the supply chain.... Openness must not mean unilateral dependence, much less naivety.⁴³⁷

Reducing unilateral dependence seems to be a key concern for the new government

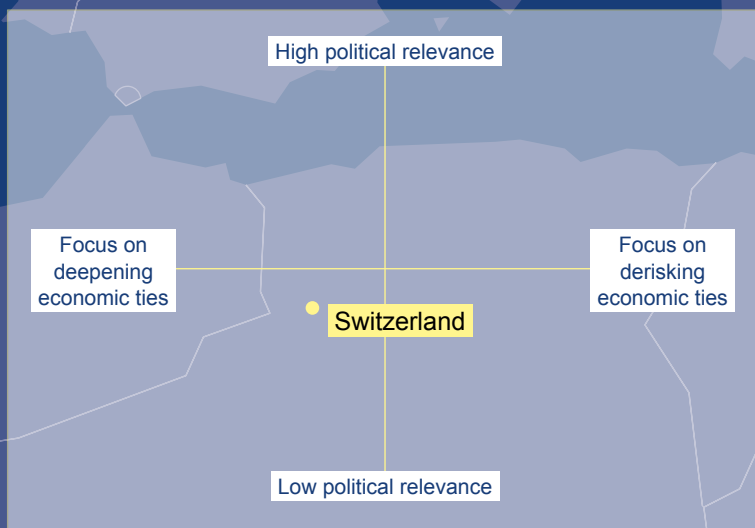
Spotlight on Taiwan

Sweden's position towards Taiwan has been largely consistent for the past few decades, regardless of the political leaning of the government. Sweden adheres to a One China policy, which means that Sweden does not recognize Taiwan as a state and does thereby not have any diplomatic relations with Taiwan, while still welcoming exchange with Taiwan.⁴³⁸ In August 2022, the then foreign minister, Ann Linde, stated that contradictions between China and Taiwan must "be resolved peacefully and in a way consistent with the will of the people of Taiwan".⁴³⁹

Before Sweden's general election in 2022, all parliamentary parties apart from the Social Democrats (S) supported a proclamation urging the government to open a so-called House of Sweden in Taipei to show support for democracy in Taiwan.⁴⁴⁰ According to the Center Party (C), which initiated the proclamation, a House of Sweden in Taipei would expand bilateral cooperation between Sweden and Taiwan to new fields, such as the advancement of democracy, culture, science, cybersecurity, gender equality and sustainable climate solutions.⁴⁴¹ Members of the Riksdag and the European Parliament (from C, M, KD, and SD), travelled to Taiwan in April 2022.⁴⁴²

In October 2022, Prime Minister Kristersson stated in the Statement of Government Policy that "China's latest rhetoric towards Taiwan is worrying. Threats of military force are unacceptable".⁴⁴³ Along similar lines, in December 2022, Foreign Minister Tobias Billström stated in a speech on Sweden's foreign policy that China's tougher tone towards Taiwan "gives cause for concern", and that a stronger transatlantic dimension of the EU's China policy was needed to cope with this.⁴⁴⁴

Switzerland



Switzerland: A “special” relationship conditioned to turn more realist

**Markus Herrmann,
Michael Settelen,
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Swiss Forum on Foreign Policy (Foraus)

As elsewhere, political and societal sentiment on China has turned more skeptical in Switzerland in recent years, calling the “special” relationship into question. The business community still acts as a balancing factor, largely advocating for continued pragmatic engagement. In response to an intensifying political debate, however, the first-ever China Strategy (2021) acknowledges the new geopolitical realities, calls out the challenges more explicitly than before, and attempts to provide more policy coherence and clarify basic positions, conditioned as a country relying on access to international markets, a rules-based international order and its “bloc-free” stance. Going forward, continued debates around new economic policy and value-based foreign policy instruments in response mostly to China as well as external pressure from the US and the EU make a full return to Switzerland’s previous engagement posture more difficult and thus less likely.

Action and capacity

Switzerland issued its first-ever China strategy in 2021

Since China initiated its opening-up and reform policy in the late 1970s, Switzerland has focused on nurturing a “special” bilateral relationship focusing on economic interests. China has long been a marginal political topic in Switzerland, with discussions mostly around issues like Tibet, the Three-Gorges Dam or the Sino-Swiss Free Trade Agreement (FTA).

Switzerland has been an early mover in engaging with China. This has paid off economically, with China becoming the third-largest trading partner and Switzerland being among the few countries globally with a trade surplus. Key early mover events are the diplomatic recognition of the PRC in January 1950 shortly after its founding; the first Sino-foreign joint venture in 1980 with Schindler; China’s first continental European FTA in 2013; being a founding member of the Beijing-based Asian Infrastructure Investment Bank (AIIB) in 2016; and finally, concluding a third-market cooperation memorandum of understanding (MoU) for China’s Belt and Road Initiative (BRI) in 2019.

Switzerland’s engagement with China gained more attention after ChemChina’s acquisition of Swiss agrochemical giant Syngenta in 2017 that stoked the debate about strategically driven and often state-funded technology acquisitions in Europe. The deal remains the largest-ever overseas acquisition executed by a Chinese firm. The mood shifted further when NGOs and scholars introduced their first evidence into the public debate on systematic human rights violations against the Uyghur minority in the Xinjiang region and the signing of the BRI MoU in 2019. Discussions on a state-led economy and an autocratic political system moved into the spotlight of Swiss politics.

Switzerland’s approach to China and the lack of a clear “China policy” were raised across the political spectrum. Just nurturing a “special” bilateral relationship was no longer an option going forward.

In response to the changing domestic and external political context, the Federal Council, the Swiss government’s highest executive branch, issued its first-ever China Strategy in

March 2021. The document is publicly available and aims to increase policy coherence and clarify basic positions to domestic and international audiences. It is part of a broader foreign policy strategy exercise devising both geographic (e.g., Southeast Asia) and functional strategies (e.g., digital foreign policy).

The China Strategy is unique in that it is the only country-specific Swiss foreign policy strategy. It is a 40-page document with the chapters “geopolitical overview,” “Switzerland and China,” “thematic focus areas” and “implementation and resources.” The section “thematic focus areas” is structured into “peace and security,” “prosperity,” “sustainability” and “digitalization,” the four standard lenses of these new foreign policy strategy papers. The strategy’s timeframe 2021-2024 suggests regular updates.

It recognizes China as a new global power with geopolitical heft and ambitions, points out differences in values and unfulfilled hopes of China’s political system converging with liberal democracies, and more explicitly than before, addresses a series of domestic issues in China.

The most important chapter to understand Switzerland’s China strategy is chapter 3.2, which reiterates Switzerland’s neutrality, notes that Switzerland will “remain both independent and universal in outlook,” and adds that “geopolitical polarization is not in Switzerland’s interests, neither is bloc-building around China and the US.” With regards to the EU and European states, it highlights the importance of structured relations with the EU, points to shared values and says these partners “often represent positions similar to those of Switzerland....”

Switzerland’s China Strategy is a product of a country relying on access to international markets, a rules-based international order and its “bloc-free” stance. The strategy defines key cooperation priorities in each thematic focus area, building on continuity while acknowledging new realities. It also recognizes gaps in its “China knowledge base” and introduces a new dedicated inter-ministerial coordination mechanism within the Swiss government to increase policy coherence. The novel concept of a “Whole-of-Switzerland” approach wants that the Strategy relies on continued information exchange, consultation and coordination efforts across all stakeholders, vertically within government, and especially with academia, the private sector and civil society.

The evaluation of the implementation of Switzerland’s China strategy against the self-defined objectives and priorities after two years of being in place is complicated by the Covid pandemic, which has impeded relevant cooperation and dialogue activities.

Both the inter-ministerial coordination mechanisms and the “Whole-of-Switzerland” approach have arguably not produced significant outcomes to date, though especially information flow and exchanges between governmental and non-governmental actors have likely increased. Switzerland’s intelligence service shifted more attention to China, ramping up briefings for concerned actors on matters deemed sensitive. However, the Strategy’s call to strengthen Switzerland’s China knowledge base has so far not been met with relevant public investment or visible academic initiatives.

A difficult matter for the Federal Council was whether to adopt EU sanctions against China on grounds of human rights violations in Xinjiang, which has not yet resulted in a formal decision. Non-governmental actors have recalibrated their cooperation with Chinese partners, most prominently in the science and technology field, among others with new guide-

The China strategy is the only country-specific Swiss foreign policy strategy

lines for Swiss higher education institutions for “responsible international collaborations” issued by swissuniversities, their umbrella organization.

However, Sino-Swiss relations are currently seen as intact by the Chinese side, despite the human rights dialogue and FTA update talks being halted by China. In January 2023, Liu He, China’s just-retired Vice-Premier, framed China’s approach to Switzerland as a “Switzerland first” policy (瑞士优先) during a meeting held at the sidelines of the World Economic Forum (WEF) in Davos with Swiss Federal Councilor for Financial Affairs, Karin Keller-Sutter.

The actors

The parliament remains active on China

There is a multitude of political actors involved in shaping the Swiss government’s China Strategy or the public discourse. In the federal parliament, most political parties have turned skeptical on China, with the clearest exception being the right-wing party Schweizerische Volkspartei (SVP) and some parts of the liberal-economic party Freisinnig-Demokratische Partei (FDP). Parties such as the left-wing Sozialdemokratische Partei (SP) and the FDP have published their own China strategies.

The parliament remains active on China. At least 35 China-related parliamentary initiatives have been launched since 2021, focusing on the four main issues of human rights, Chinese influence in Switzerland, China’s coercive foreign policy and Switzerland’s strategic positioning towards China.

Among private sector actors, Swiss industry associations such as Swissmem, the leading national association for Switzerland’s machinery sector, have been most vocal about the need for continued engagement while balancing such business activities with higher awareness of risks and challenges. Switzerland’s national business federation, Economiesuisse, seems to put its focus on behind-the-scenes work, specifically supporting the State Secretariat for Economic Affairs (SECO) in supervising the implementation of the Sino-Swiss FTA via a joint economic commission with China’s MOFCOM.

Economiesuisse also lobbied against the introduction of an FDI screening mechanism or any other form of industrial policy for Switzerland. Other industry associations in the pharma or financial services sector have stayed largely silent in public on China-specific topics.

In terms of other actors, the Bern-based NGO “Gesellschaft für bedrohte Völker” has likely been most effective in influencing parliamentary debate and action relating to human rights issues in Xinjiang. Academia has been focusing on the “Taiwan issue” (University of Zurich) on the one hand, and China’s influence in Switzerland (University of Basel) on the other hand. A larger debate around the latter topic erupted following the study of Prof. Ralph Weber “Unified message, rhizomatic delivery” that set out to map links between personnel and positions of the United Front of the Chinese Communist Party and Switzerland based Chinese actors.

Future

The three main China-related challenges or decisions Switzerland is facing in the coming 12 months are the design and implementation of an FDI screening mechanism, the question of whether Switzerland’s new responsible business framework will be expanded to include forced labor into the scope of extraterritorially effective duties for Swiss companies

when doing business in third countries, including in China, and the question whether the Federal Council will adopt the EU’s sanctions against Xinjiang politicians.

First, the Swiss parliament has mandated the Federal Council to define an FDI screening to avert risks posed to critical infrastructure and public order. The Chinese economy and its state-guided firms were the main examples cited during this debate. Switzerland has traditionally been an advocate for liberal framework conditions and placing economic openness over potential national security concerns. It came as a surprise that the FDI screening amassed sufficient political backing, obliging government to work out a draft.

This draft is available now and was in public consultation with key stakeholders between May and September 2022. Once finalized, the instrument will be subject to an optional popular referendum and then the Federal Council decides the date of entry into force.

Second, Switzerland was early – in international comparison – to enact a responsible business framework, imposing a number of due diligence requirements for companies with more than CHF 40 million in revenues per year. Beyond this first step, the Federal Council already announced to review the EU’s own “corporate sustainability due diligence directive,” which will be applicable for large companies to identify possible gaps, and it is thus possible that the Federal Council will proactively introduce an even more comprehensive instrument.

Full return to Switzerland’s previous engagement posture is difficult

Third, Switzerland has adopted the EU sanctions against Russia on grounds of the latter’s blatant violation of international law and the UN charter in Ukraine. Switzerland lacks its own sanction instruments, but conditions in the “embargo law” stipulate when the government is obliged to adopt sanctions, namely if the UN Security Council as well as the OSCE enact them, and in other cases entitles it to optionally adopt sanctions from “key trading partners,” which in practice is only the EU. All such sanctions, however, are – in Switzerland’s domestic discourse – always weighed against its interest to stay neutral, rendering political decisions more complex.

Switzerland has previously joined calls led by Western countries for more scrutiny into the Xinjiang issue at the OHCHR. However, adopting EU sanctions presents a much more difficult decision. The prospect of Switzerland facing economic retaliation alone and the possibility of resorting to more proportionate means such as a revamped responsible business tool to rule out the complicity of Swiss firms in forced labor are likely key factors weighed in a cost-benefit calculus.

It is difficult to make a forecast for the next 12 months and beyond as the political appetite in government and parliament has evolved due to the pandemic and other international as well as national economic factors. The positions of newly elected Federal Councilors and upcoming official visits to China could be telling, but China’s pro-Russian neutrality on Ukraine, the sudden dismantling of the Covid policy, and external pressure from the US and the EU make a full return to Switzerland’s previous engagement posture more difficult and thus less likely.

Spotlight on Taiwan

In conjunction with similar discussions in recent years elsewhere in Europe, Swiss parliamentarians across the political spectrum have intensified calls for closer engagement of Switzerland with Taiwan. The Federal Council, however, in all three most recent instances remained firm in its stance laid out also in the China Strategy from March 2021 that “in the sense of a One-China policy, Switzerland does not maintain separate diplomatic relations with the authorities of Taiwan,” and instead pursues a “pragmatic approach to cooperation with Taiwan” at the technical, economic and cultural levels.

So, despite the fact that Taiwan is Switzerland’s 6th largest export market in Asia and that Swiss export industries – predominantly in pharmaceuticals, precision tools and watches – may be able to save up to USD 42 billion in tariffs with a Free Trade Agreement with Taipei, the Federal Council responded in late 2020 that while not in principle against it, “in light of the common framework conditions and the global political constellation,” it views a deeper consideration of this question as “not opportune.”

A similar response was given in June last year to an inquiry to deepen the collaboration on culture, education, research and innovation with a new agreement between the two private organizations that coordinate bilateral exchange in absence of official representations – the Trade Office of Swiss Industries in Taipei and the Taipei Cultural and Economic Delegation in Switzerland. From the official side, therefore, a substantial change in policy or approach towards Taiwan seems unlikely.

With regards to parliamentary politics, five Members of Parliament of the Swiss National Council paid Taiwan a five-day visit in February 2023. This was “a sign of support for Taiwan” in the words of one MP from the left-wing SP, also the co-president of the Switzerland-Taiwan parliamentary friendship group. He was joined by four colleagues from the Green party, the right-wing SVP and the SP.

Aside from meetings with Taiwanese parliamentarians and ministers, the MPs also met with President Tsai. The Chinese embassy in Bern issued a measured statement, raising their “deep concern” about the visit and accusing the parliamentarians of trying to draw political capital out of the visit.

On February 27, the FDP published the first dedicated Taiwan position paper among Swiss national-level political parties advocating for a measured policy. It ascribes Taiwan “high importance in the competition between democracies and autocracies” and calls on the Swiss government to more actively use the margin of maneuver of its One-China policy to improve relations with Taiwan.

United Kingdom



High political relevance

United Kingdom ●

Focus on deepening economic ties

Focus on derisking economic ties

Low political relevance

United Kingdom: Shifting towards a critical stance towards China

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The UK's approach to China has shifted away from engagement towards a critical stance. As interest in China policy has grown, the political mood is pushing the government to veer more sharply against China. In terms of capacity, the UK is not particularly well placed to understand or work out how to deal with China or pursue an independent coherent approach. While there is moderate hedging in some particular areas, a more "hawkish" British approach to China looks set to continue. Politics and security are in command.

The action

The UK's approach to China has undergone dramatic swings over the last two decades. Following the handover of Hong Kong in 1997, bilateral relations improved during the Labour government (1997–2010) and the emphasis on commercial diplomacy at the beginning of the coalition government (2010–2015). A "freeze" in high-level official contacts following then Prime Minister Cameron's meeting with the Dalai Lama in 2012 gave way to intensified engagement and a "comprehensive global strategic partnership for the 21st century," marked by Chinese president Xi Jinping's October 2015 state visit to the UK and support for better economic relations with China, led by the finance ministry.

However, since the 2016 Brexit referendum and changes in prime minister, the UK's approach to China has shifted from engagement towards a more critical stance, while "the Conservative Right influenced strongly from the United States began to mount a sustained attempt to change the overall narrative on China."⁴⁴⁵

The broader context is an uncertain British approach to international affairs, amid domestic challenges.⁴⁴⁶ An official "Integrated Review" of international policy in March 2021 suggested among other things that the US would remain the most important partner for the UK, and implied an effort to balance different interests in China policy.⁴⁴⁷ After changing prime ministers twice in 2022, the Conservative government under Rishi Sunak pulled back from formally designating China a "threat" as his short-lived predecessor, Liz Truss, indicated she might.⁴⁴⁸ Sunak, however, identified China as a "systemic challenge" to the UK and its "values and interests," and said that his government would stick close to Washington on China policy.⁴⁴⁹ At the same time, Sunak has hedged, referring in a major foreign policy speech to the need to avoid "rely[ing] on simplistic Cold War rhetoric" and touted "robust pragmatism" in dealing with the UK's "competitors."⁴⁵⁰

This hedging reflects the diversity of British interests across government, business and society. Economically, the UK has benefited from engagement with China, which is a significant trading partner and an important market for globally-focused British businesses.⁴⁵¹ However, economic relations have increasingly become securitized,⁴⁵² for example through the idea that the UK is unhealthily economically "dependent" on China.⁴⁵³ Sectors such as universities are feeling more vulnerable even though they have so far benefited substantially from China in terms of student numbers and fees and access to China's growing research and innovative capabilities.

Several issues have dominated the turn to a more critical narrative, amid a widespread sense in the West that China has taken a more authoritarian turn. The vast majority of

The UK's approach to China has shifted towards a more critical stance

British political and media opinion has reacted strongly to the Chinese government's responses to the prolonged unrest in Hong Kong of 2019, placing London and Beijing in stark opposition to each other when it comes to Hong Kong for the first time since the 1990s.⁴⁵⁴ Reports about Xinjiang have added to the critical sentiment and featured prominently in parliament. Many politicians view China as supporting Russia's war in Ukraine.

These tensions are on display in the “refreshed” Integrated Review, published in March 2023.⁴⁵⁵ This version includes a two-page overview of the UK's planned approach to China, short of the full “strategy” that some politicians had called for, but bringing together the approach to China in more detail than the 2021 Integrated Review.

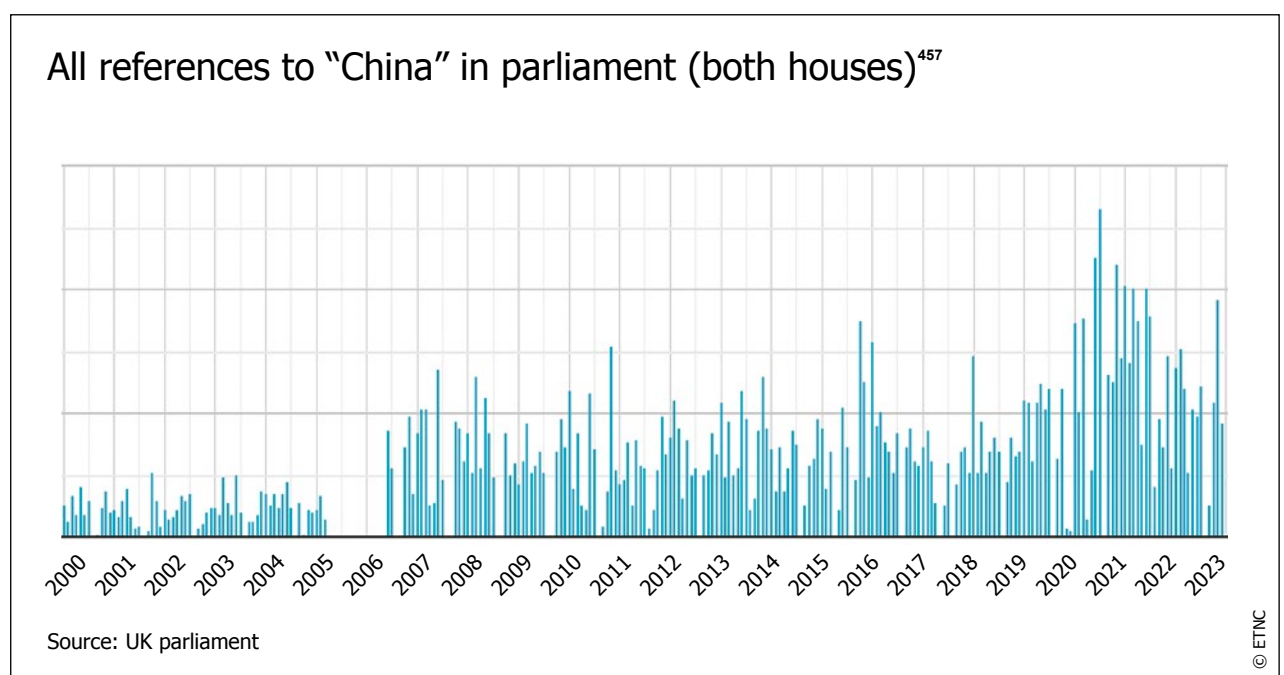
Like the overall “refreshed” strategy document, this material on China is heavily tilted towards security concerns. It hyperbolically frames China as “an epoch-defining and systemic challenge with implications for almost every area of government policy and the everyday lives of British people,” before outlining measures to “protect” the UK and emphasizing “alignment with our core allies and a broader group of partners.” The section concludes with the intent to “engage directly with China” where possible, but the overall weight of the policy set out is a defensive response to perceived threats from China.

In a high-profile speech in late April 2023, the foreign minister, James Cleverly, elaborated on the three-point framework of the refreshed Integrated Review;⁴⁵⁶ it offered more nuance than hoped for by those seeking an unambiguous critical stance, but still showed the extent to which British policy has shifted over the years, with prominent criticisms of China's approach to Xinjiang and Taiwan in particular.

The actors

China's prominence on the political agenda has attracted a growing number of actors. For many years, parliamentary interest did not reflect the importance of China across government, but this has changed, with references to China in parliament growing substantially (1,593 references in 2021, Exhibit 11).

Exhibit 11



This parliamentary focus on China has been driven by new lobby groups, including the Conservative Party's China Research Group of MPs (CRG), the London-based Inter-Parliamentary Alliance on China (IPAC), Hong Kong Watch (HKW), and the neoconservative Henry Jackson Society. All have adopted "hawkish" stances on China and pushed for reduced engagement, from Huawei's involvement in the UK's telecoms infrastructure to Xinjiang and Hong Kong. A high profile on China issues has given a number of MPs useful media exposure. Media coverage of China has been similar in tone to parliamentary debates, predominantly negative in reporting developments in China and their implications for the UK.⁴⁵⁸

Other groups, such as the UK National Committee on China – which aims to "strengthen decision making on China through education and dialogue"⁴⁵⁹ – have been less influential. The traditional international affairs think tanks – Chatham House, IISS, RUSI – have delivered commentary and some research on China, though less than might be expected given the rising significance of China to the UK.⁴⁶⁰ Businesses have kept a relatively low profile in the public arena, though the China Britain Business Council has published research on the benefits of bilateral economic ties.⁴⁶¹

Growth in interest in China has not been matched by an increase in knowledge

In 2022, the heads of the UK's three intelligence agencies entered the China policy space with high-profile speeches, one jointly with an American counterpart.⁴⁶² The uncritical echoing of their messages in the media and parliament have contributed to the broader securitization of ties with China, from society and culture to the economy, as well as more traditional "security" fields of defense and foreign policy. These voices are not unrelated to the influence of the US government and US policy elites on the UK's China policy. In contrast, the approach to China from the UK's European neighbors does not feature prominently, as post-Brexit relations remain awkward.⁴⁶³

In sum, the political mood of a growing number of actors has been pushing the UK government to veer more sharply against China, as seen in the discussions around the "refreshed" Integrated Review.

The capacity

However, growth in interest in China has not been matched by an increase in knowledge or independent research. As the authors of recent Chatham House parliamentary evidence stated, "Expertise in China is already very limited in the UK."⁴⁶⁴ This includes within the government, and much has been made by those who follow China policy of the relatively limited number of officials who speak Chinese.⁴⁶⁵ There are very few parliamentarians with experience of China, including those who are active in the lobby groups mentioned above, though according to influential commentator on UK-China relations, Sam Hogg, "There is now a group of talented [parliamentary] staffers that speak Mandarin and float between [parliamentary] committees, helping them form their reports."⁴⁶⁶

Neither are there many UK-based commentators with China knowledge outside government and parliament, meaning a small group of voices dominates the airwaves on China issues. This includes in relation to Hong Kong, which attracts plenty of political discussion but very limited in-depth research or careful consideration of policy options and the range of British interests (somewhat surprisingly, given Hong Kong's history as a British colony). The academic community working on China is relatively compact, and has not grown much over the last couple of decades, in spite of the growth in China's global influence.

The space in public debate is instead filled by lobby groups and analysis from elsewhere, particularly the United States.

The government has begun to respond to this, with a commitment in the “refreshed” Integrated Review to “doubling funding to develop China capabilities across government” (though it is not clear whether this will mainly be in the security parts of government). Nonetheless, in the short term at least, the UK does not have strong capacities in place to understand or work out how to deal with China, or pursue a coherent approach. Politics, not analysis, is therefore in the driving seat in shaping the UK’s approach.

The future

The trends discussed above point to a growing range of China-related issues featuring in the UK’s forthcoming policy debates, and part of the lobbying toolkit is gradually to expand the agenda from issue to issue, once government concessions or policy changes have been achieved.⁴⁶⁷ Amid all of this, three broad issues may be particularly pertinent.

First, the question of Chinese presence in the UK. This is increasingly seen through political and security lenses and has resulted in the removal of Chinese companies from key sectors such as 5G, nuclear energy projects,⁴⁶⁸ and investment in technology.⁴⁶⁹ The UK government is unlikely to depart too far from Washington on these issues, though there is little debate about the state of the US or whether the UK’s interests are aligned with Washington’s.

In spite of the political prominence given to the question of Chinese presence and “influence” in the UK, Chinese stocks of investment are still very limited. Further, there is an absence of successful Chinese “influence” on the UK’s politics and policy, which – as outlined above – have actually been moving away from engagement with China not towards it.⁴⁷⁰ Nonetheless, the idea that China has malevolent intentions has become mainstream, and the securitization of ties with China is likely to continue.

Second, global issues such as climate change, development and economic growth are less prominent in the current discussions about China (and marginalized in the Integrated Review) but should play a greater role in thinking about how the UK achieves its wider international objectives. At the moment, the political mood mitigates against serious discussion about how to work with China in these areas, though this is on working-level agendas across relevant government departments.

A third issue which will remain prominent is Hong Kong. For historical reasons, this has always been much higher on the UK’s China agenda than for other Western governments, and there are still influential political figures with strong personal interest in Hong Kong. The scheme announced in July 2020 to allow Hong Kong British National (Overseas) passport holders to move to the UK is creating a growing Hong Kong diaspora in Britain, often with strong political views about developments in Hong Kong. Meanwhile, Hong Kong has long been a major partner for British businesses in Asia, and its status as a global financial center creates opportunities for engagement from the City of London and British business. But boosted by political lobbying, the UK’s approach to Hong Kong politics is likely to remain highly critical, as exemplified by the negative framing in the latest FCDO report on Hong Kong.⁴⁷¹

The securitization of ties with China is likely to continue

In conclusion, a more critical British approach to China looks set to continue, with moderate hedging in some areas reflecting interests across government and other sectors. But overall, politics and security are in command.

Spotlight on Taiwan

On March 13, 1972, when the UK and the PRC agreed to upgrade their bilateral relationship to full ambassadorial ties, London “acknowledged the position of the Chinese government that Taiwan is a province of the PRC,” agreed to “remove their official representation in Taiwan,” and “recognise[d] the Government of the PRC as the sole legal Government of China.”⁴⁷² In parliament, the then Foreign Secretary said that “We held the view both at Cairo [1943] and at Potsdam [1945] that Taiwan should be restored to China. That view has not changed. We think that the Taiwan question is China’s internal affair to be settled by the Chinese people themselves,”⁴⁷³ and the UK made a private written assurance to Beijing not to promote the position that Taiwan’s status was “undetermined.”⁴⁷⁴

The historical detail of the UK’s position is often ignored.⁴⁷⁵ Over the years, the UK’s approach to Taiwan has evolved and Government ministers now often limit themselves to noting a “long-standing position that the Taiwan issue should be settled peacefully by people on both sides of the Taiwan strait,” sometimes adding that the UK “has no plans to recognise Taiwan as a state.” Meanwhile, there is some political pressure for closer relations – even “official” ones – with Taiwan.⁴⁷⁶ In late 2022, the Trade Minister and Foreign Affairs Committee both visited Taiwan.⁴⁷⁷ The growth in these ‘quasi-official’ ties aligns the UK more closely with Washington and those in Europe who have called for a more active approach to relations with Taiwan. Given the politics of China in the UK, that trend is likely to continue.

Annex: Results of a survey among the authors of this study

Preliminary remark: The authors of this study completed a survey on the following questions. Some were non-exclusive with multiple responses possible. For example, a country could have both an official, as well as a sectoral China strategy. Furthermore, respondents could choose to skip any question. As a result of this methodological approach, the number of responses may not match the total number of participants for each section of the survey. Some of the questions were open-ended with some room for interpretation, such as what counts as an “unofficial” China strategy. Respondents could also indicate if they did not have enough knowledge or information to answer a specific question.

Has your country’s government formulated an official national China Strategy?

Yes:

- Finland: Governmental Action Plan on China, 2021
- Germany: “Strategy on China”, 2023
- Netherlands: Policy paper “The Netherlands and China: a new balance”, 2019
- Norway: “The Government’s China Strategy”, 2007
- Sweden: Government Communication. Approach on matters relating to China, 2019
- Switzerland: China Strategy, 2021 – 2024

Does your country have an unofficial (internal) China strategy?

- Austria: Government is in the process of formulating a China strategy. An unpublished internal input paper serves as an initial reference point for the strategy elaboration.
- Belgium: Strategy of MOFA was validated in the first half of 2023, but not yet communicated
- Ireland: Speech by Minister for Foreign Affairs, May 2023
- UK: Speech by Minister for Foreign Affairs, spring 2023. Internal strategy has been referred to publicly

Has your country’s government formulated a national China Strategy as part of other government strategies?

- Czech Republic: Export Strategy for 2012 – 2020
- Denmark: China section in Foreign Policy Strategy
- France: Indo-Pacific Strategy
- Greece: Greece-China Tourism Action Plan for 2022–2024
- Latvia: Yearly report of Minister of Foreign Affairs to Parliament
- Lithuania: China referenced in National Security Strategy, 2021, and Indo-Pacific Strategy, July 2023
- Norway: Various strategies for different policy fields
- Spain: Foreign Action Strategy for 2021 – 2024, National Security Strategy, 2021
- Switzerland: Foreign Policy Strategy 2020 – 2023

Does your country have a China strategy formulated by political parties?

- Lithuania: Homeland Union-Lithuanian Christian Democrats and Freedom Party (China briefly referenced in their respective 2020 electoral manifestoes)
- Switzerland: SP (social democrats), FDP (liberals)
- Czech Republic: Pirate Party unofficially decides to leave the 16+1 platform

- Germany: CDU, SPD, FDP
- European Union: EPP, Renew
- Netherlands: GroenLinks (Greens/EFA), VVD (Renew)

Does your country have a sectoral China strategy?

- Czech Republic
- Germany
- Greece
- Italy
- Norway
- Slovakia
- Spain
- UK

Does your country have an inter-ministerial China coordination group for China?

- Austria: Inter-ministerial group for China coordinators
- Belgium: Unofficial
- Finland: Valtionhallinnon Kiina-verkosto
- Germany: Meeting at state-secretary level of relevant ministries
- Netherlands: Interdepartementaal China Beraad (ICB) & Interdepartementaal Directeurenoverleg China
- Norway: Various groups and policy fields
- Poland: Inter-Ministerial Team for the Coordination of Activities for the Development of the Strategic Partnership with China
- Spain: Inter-ministerial coordination committee
- Sweden: China Network of the Government Offices
- Switzerland: Interdepartmental Working Group (IDAG)
- UK: Inter-departmental coordination

Does your country have a government-business consultation mechanism for China?

- Czech Republic: Czech-Chinese Joint Chamber of Mutual Cooperation
- Finland: Team Finland network
- Germany: Asia-Pacific Association of German Business (Ministry of economics in coordination with 5 major business associations, chaired by BDI)
- Ireland: Team Ireland in China
- Norway: Yes (no name)
- Spain: Spanish-Chinese Business Advisory Council
- Sweden: Team Sweden China
- Switzerland: Yes (no name)
- UK: Various bodies engage business and government, such as CBI or China Britain Business Council

Does your country have a national FDI screening mechanism?

Yes:

- Austria

- Belgium
- Czech Republic
- Denmark
- European Union
- Finland
- Germany
- Hungary
- Italy
- Latvia
- Lithuania
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Spain
- UK

Considered:

- France
- Ireland
- Sweden
- Switzerland

No:

- Bulgaria
- Greece

Does your country have a national China competence centre?

- Netherlands: Dutch China Knowledge Network (CKN)
- Sweden: Swedish National China Center

Does your country have a toolkit to mitigate foreign interference in research and innovation?

- Denmark: Commission on guidelines for international cooperation on research and innovation, 2022
- Germany: Guidelines by Ministry of Education and Science and guidelines by research institutions, 2022
- Netherlands: National Contact Point for Knowledge Security, 2022
- Norway: Various tools
- Switzerland: Towards Responsible International Collaborations: A Guide for Swiss Higher Education Institutions, 2022
- UK: Various tools

Does your country's government have a China information or contact point for municipalities?

- Finland: China desk at the MFA

- Germany: plans to establish coordination mechanism on China with subnational levels
- Netherlands: Informatie- en Contactpunt (ICP) voor verzoeken uit China

Has your country's government done an assessment of strategic dependencies on China?

Yes, an official report was published:

- European Union
- Finland
- Netherlands

Assessment only for internal purposes:

- France
- Latvia
- Lithuania

Assessment in progress:

- Czech Republic
- Germany
- Norway
- Poland

No assessment planned yet:

- Austria
- Greece
- Ireland
- Slovakia

Rest: Don't know/unsure:

- Belgium
- Bulgaria
- Denmark
- Hungary
- Italy
- Portugal
- Romania
- Spain
- Sweden
- Switzerland
- UK

What is the highest level exchange your country has had with Taiwan in recent years (government and/or parliament)?

- Austria: Werner Amon, Parliamentarian (1994-2019), 2018
- Bulgaria: Rumén Yonchev, Ventsislav Lakov, Petya Raeva, Vladimir Toshev, Members of Bulgaria's National Assembly on a private trip during holiday period (trip paid by Taiwan), 2014
- Czech Republic: Markéta Pekarová Adamová, Speaker of the Chamber of Deputies of the Czech Parliament in 2023
- Denmark: Pia Kjaersgaard, Member of parliament, 2019

- Finland: Petri Peltonen, Under Secretary of State, Ministry of Economic Affairs and Employment, 2022
- France: Alain Richard, Vice-President of the Senate and Head of the Senate-Taiwan study and exchange group. Former Minister of Defense, 2023
- Germany: Bettina Stark-Watzinger, Minister of Education and Science, 2023
- Ireland: Parliamentarians John McGuinness (FF), Brendan Smith (FF), Cathal Berry (Independent) and senators Seán Kyne (FG), Martin Conway (FG), 2023
- Italy: Interparliamentary friendship group, 2016
- Latvia: Parliamentary delegation of Baltic states, 2021
- Lithuania: Aušrinė Armonaitė - Minister Economy and Innovation, 2023
- Netherlands: Rudmer Heerema, Chair of the Parliamentary Committee on Foreign Affairs, 2023
- Poland: Grzegorz Piechowiak, Deputy Minister of Economic Development and Technology, 2022
- Romania: Catalin Tenita, Member of Parliament (Chamber of Deputies), 2023
- Slovakia: Peter Gerhart, Deputy Minister of Economy in 2022, Milan Laurenčík, Deputy Speaker of Parliament in 2022
- Spain: Rosa Romero Sánchez, Chair of the Health Commission - Congress of Deputies, 2023
- Sweden: Håkan Jevrell, State secretary to Minister for International Development Cooperation and Foreign Trade Johan Forssell., December 2022
- Switzerland: Fabian Molina, National Councilor (Co-President Parliamentary Friendship Group Switzerland-Taiwan), 2023
- UK: Trade Minister Greg Hands, 2022
- N/A: Hungary, Belgium, Portugal, Greece, Norway

Is your country part of the China-CEEC Cooperation Mechanism (14+1)?

Yes, my country is part of the China-CEEC Cooperation Mechanism.

- Czech Republic
- Greece
- Hungary
- Poland
- Slovakia

Yes, but my country has downgraded participation (e.g. from prime minister to cabinet minister).

- Bulgaria
- Romania

My country was part of the China-CEEC Cooperation mechanism, but is not anymore.

- Latvia
- Lithuania

No, my country was never part of the China-CEEC Cooperation Mechanism.

- France
- Germany
- Ireland
- European Union
- Switzerland
- Sweden

- UK
- Finland
- Denmark
- Spain
- Netherlands
- Austria
- Belgium
- Italy
- Portugal
- Norway

Does your country have a BRI cooperation agreement?

Yes, there is a high-level BRI cooperation agreement.

- Italy
- Portugal
- Lithuania
- Latvia
- Bulgaria
- Romania
- Poland
- Slovakia
- Czech Republic
- Hungary
- Greece

Yes, there are sectoral BRI cooperation agreements.

- Switzerland
- Austria

No, there is no BRI cooperation agreement.

- France
- Germany
- Ireland
- European Union
- Sweden
- UK
- Finland
- Denmark
- Spain
- Netherlands
- Belgium
- Norway

Does your country participate in the Asian Infrastructure Investment Bank (AIIB)?

Yes:

- Austria
- Belgium
- Denmark

- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Netherlands
- Norway
- Polska
- Portugal
- Romania
- Spain
- Sweden
- Switzerland
- UK

No:

- European Union
- Bulgaria
- Czech Republic
- Latvia
- Lithuania
- Slovakia

Endnotes

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- 73 | Such as Schengen and Eurozone entry; the eradication of Russian influence and state capture, especially in the energy sector; the official stance on providing military support and weapons to Ukraine.
- 74 | According to CEIAS EU-China Academic Engagement Tracker, there are 110 recorded bilateral academic links but only 2 Bulgarian institutions appear to have a screening mechanism: <https://academytracker.ceias.eu/map/eu/Bulgaria>
- 75 | There are no official statistics on the current number of Mandarin language students in Bulgaria. According to CRI Bulgaria, back in 2013 active learners amounted to 1649 people. By 2022, these numbers have increased substantially with 21 language centers opened across the country by the Confucius Institute since 2006. Early Chinese language education is offered at kindergartens and schools not only in big cities (Sofia, Plovdiv, Veliko Tarnovo, Burgas, Stara Zagora, Ruse) but also smaller municipalities such as Sliven, Targovishte, Popovo, Bobov dol, Ispernih, Tutrakan. A Chinese language summer camp is regularly hosted in the village of Momchilovtsi in the Rodopi mountain which has a long established relationship with a Chinese dairy company using the village's name for its branding of yoghurt products building a narrative around longevity

- and long life expectancy. University degrees in Chinese Studies and related linguistic disciplines are taught at Sofia University, Plovdiv University and the University of Veliko Tarnovo. See: *Общо 21 учебни центъра е открил Институт Конфуций у нас, китайски се учи в детски градини, училища и университети* [In total 21 language centers has opened the Confucius Institute in Bulgaria, Chinese is taught in kindergardens, schools and universities], BTA: 22 January 2023, available at <https://www.bta.bg/bg/news/bulgaria/394111-obshto-21-uchebni-tsentara-e-otkril-institut-konfutsiy-u-nas-kitayski-se-uchi-v>
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