



The sum and substance of the EU's China dilemma

Context:

- The article analyzes the evolving nature of EU-China relations.

Europe-China partnership:

- Europe and China have been major partners for a generation.
- **Europe championed China's case for World Trade Organization (WTO) membership** and China supported the 'European Project'.
- **China is also critical for European prosperity.**
- Between 1995 and 2012, Germany, Europe's economic powerhouse, enhanced its industrial value by 37%, the largest chunk of which came from **supply chains in China.**



Relation in the aftermath of the pandemic:

- The COVID-19 pandemic has strained EU-China relations.
- China's early handling of COVID-19 has received worldwide criticism including from European countries that have had to bear the brunt of the pandemic.
- The pandemic has also triggered **calls for diversifying European businesses away from an overreliance on any single market.**
- Despite the strains in the relationship, there have been efforts made to sustain the relation.
- The European Union's High Representative for Foreign Affairs and Security Policy has reiterated China's status as a key global player and expressed the EU's intention to engage with China to achieve objectives, based on mutual interests and values.

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- There have been also statements issued by European leaders that they will not choose sides between the United States and China. This seems to indicate that the EU will not follow the U.S. in 'de-coupling' or join an 'against-China' camp.
- The European Union Chamber of Commerce in China, which recently released its Business Confidence Survey 2020, notes that **European companies still regard China as the biggest potential market**. European companies hope that China's administration will use this pandemic to make fundamental reforms in the economy opening up further economic opportunities.
- Though the above developments seem to indicate that there is unlikely to be any change in the Europe-China relationship after the novel coronavirus pandemic, the article argues that such a presumption requires closer examination.

Political and security dimensions:

- In March 2019, the EU Commission published "A Strategic Outlook", describing **China as, simultaneously, a cooperative partner, an economic competitor and a systemic rival promoting alternative models of governance**.
- Lately, the political and security dimensions have taken precedence over the economic dimension that had been the primary determinant of China-EU ties for nearly two decades.
- The balance of challenges and opportunities presented by China seems to be shifting as China's economic power and political influence has grown with unprecedented scale and speed, and in ways that threaten European and global security.
- China has made efforts to cultivate separate **European sub-constituencies like the 16+1 Format with the Central and Eastern European States** and has also made efforts to cultivate relations with the Nordic and the Southern European nations separate from the EU platform.
- The PLA Navy has conducted joint exercises with Russia in the Baltic Sea in 2017.

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- China has been blamed for carrying out information operations in European countries.
- China has made **targeted acquisitions of key high-technology companies such as Kuka in Germany or key ports like Piraeus in Greece.**
- China's economic and financial practices backed by strategic motives have threatened European unity.
- China's aggressive actions in the South China Sea, on the Line of Actual Control with India, and in Hong Kong, among others, have also gained European eyeballs, even though China remains critical to European economic health.
- The "Strategic Outlook" document of the EU recommended that the EU should shift towards a more realistic, assertive and multifaceted approach to China.
- China also views the EU as increasingly antagonistic to Chinese views.

EU's dilemma:

- A major dilemma for the EU with respect to its relations with China is the fact that Europe's relations with China are simultaneously one of the most strategically important and one of the most challenging that Europe has to deal with.
- Europe will have to **balance economic co-dependency and co-prosperity with China's strategic global intentions and efforts** to seek military supremacy and its bearing on European security.
- Though China is critical to European economic health, the evolving political and security dimensions seem set to alter the existing relation.

India-EU relation:

- The current circumstances provide an **opportune time for India-EU relations.** The opportunity for India and the EU to build a **partnership that is both economic and strategic** is there for the taking in a post-COVID-19 strategic scenario.
- Political conditions are favourable especially after the withdrawal of the United Kingdom from the EU.

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- The Europeans recognise India's role in helping provide peace and prosperity in the Indo-Pacific. They see great potential in working together on technologies and issues of the future.
- The deteriorating relationship between China and the U.S. is causing many new investors to look for alternative investment spaces.

Challenges:

- India is not the only economic alternative for Europe in the aftermath of COVID-19. There are countries competing to attract foreign investment.
- The **Broad-based Trade and Investment Agreement** between India and the EU is still under negotiations.

Way forward:

- India and the EU can consider a **new investment agreement** to promote and facilitate investment in India.
- India should be ready to **join high-technology collaboration** with western countries including in 5G and artificial intelligence.
- The **negotiations on the Broad-based Trade and Investment Agreement will need accommodative stand from both sides.**