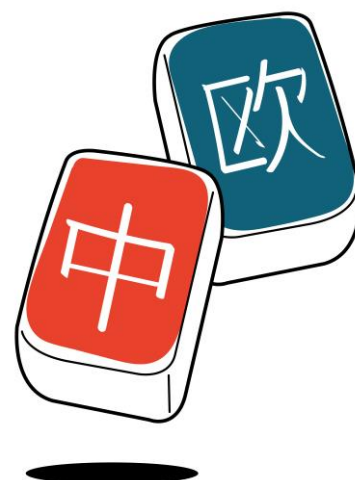


JANUARY 20, 2022

MERICs

Europe China 360°



CONTENTS

| | |
|-------------------------------------------------------------------------------------------------------------|---|
| ANALYSIS..... | 2 |
| France’s foreign-policy focused presidency may surprise Beijing..... | 2 |
| Transatlantic coordination on China: 2021 saw new high-level dialogues on tech, trade, and security..... | 5 |
| BUZZWORD OF THE WEEK..... | 7 |
| REVIEW..... | 7 |
| EU27 oppose China’s sanctions targeting Lithuania..... | 7 |
| Europe heads to the slopes..... | 8 |
| SHORT TAKES..... | 9 |

ANALYSIS

France's foreign-policy focused presidency may surprise Beijing

France recently assumed the EU's rotating presidency, following on from Slovenia.

Although China isn't a prominent feature on France's ambitious program, Paris' agenda will significantly affect the dynamics of EU-China relations. Despite Beijing's hopes for more cooperation with France, the EU and China may diverge further over the coming months as Paris plans to enhance the EU's strategic defenses, promote the European socio-economic model and expand engagement with the Indo-Pacific and Africa.

The grand vision

Paris wants to give the European project a new lease of life and bolster the bloc internally, and more importantly, externally, as described in the Presidency's motto of "recovery, strength and a sense of belonging." The timing is right, as several important EU legislative proposals and initiatives are scheduled to be developed or concluded during France's term.

During its term Paris will have to navigate transitions in digital and green policies by concluding the legislative processes of the [Digital Services Act and Digital Markets Act](#). It will also develop the Commission's climate policy proposals package [Fit for 55](#) and the [Carbon Border Adjustment Mechanism](#), which has been criticized by several of the bloc's partners, including China. The EU's global standing and its economic security depend on the success of these policies.

Paris' international agenda will seek to mold and energize the EU's common foreign and security policy through seeking consensus over the EU's Strategic Compass, an attempt to improve coordination of member states' foreign and defense policies.

Relations with the Indo-Pacific and Africa will be at the heart of the Presidency's foreign policy ambitions. The two regions are top of the preliminary agendas of the upcoming meetings of the [Foreign Affairs Council](#) and will be the focus of dedicated events in February: the EU-African Union Summit and a ministerial forum that will bring together European and Indo-Pacific partners.

The overarching goal appears to be to give the EU a greater sense of agency and to shape a more coordinated, confident and assertive European bloc. Still, the impressive level of ambition present in the French agenda must be taken with a pinch of salt as it is undoubtedly being used to strengthen Emmanuel Macron's presidential re-election bid.

The China-element in the foreign policy agenda

France is notably one of the most US-skeptic actors in the EU, something Beijing will see as an opportunity to distance the EU from the US. Overall, Paris appears to take a softer approach towards China. Economic relations between the two are often overlooked.



Busy schedule for the French EU Presidency

Significant events and legislation that may impact EU-China relations



FEBRUARY 2022

Feb 17-18: EU-Africa Union Summit in Brussels
Investment, trade, migration and climate goals to be set

Feb 22: EU-Indo Pacific ministerial forum
Security, digital and connectivity goals to be set

MARCH 2022

Mar 24-25: European Council Summit
Dedicated to the European Strategic Compass

Before the end of March: EU-China Summit

APRIL 2022

Apr 10: French Presidential elections

JUNE 2022

June: Conference on the Western Balkans
Focused on regional cooperation and stability

Jun 26-28: G7 Summit
Conducted under the German Presidency

Jun 29-30: NATO Summit in Madrid

Late June: Digital Assembly
EU high-level ministerial conference on digital policies

TBD: Trade and Technology Council meeting

SELECTED IN-PROGRESS LEGISLATIONS THAT WILL INFLUENCE EU-CHINA RELATIONS

- Anti-Coercion Instrument
- Carbon Border Adjustment Mechanism
- Chips Act
- Digital Market Act
- Digital Service Act
- Foreign Subsidies Regulation
- Due-diligence mechanism
- International Procurement Instrument
- Strategic Compass

Source: MERICS

© MERICS

France has acted smarter than others. For example, in March 2019, when Italy joined the Belt and Road Initiative, France signed a total of [15 deals](#), one being an Airbus deal worth EUR 30 billion. Despite their size and involvement of key sectors like transport, France's agreements did not receive the same amount of criticism that Italy's smaller and less concrete agreements did.

There are areas of potential friction with China in the French Presidency's agenda. One area is Africa. The continent plays an important role both for the EU and China. Ursula von der Leyen's French Presidency [inauguration speech](#) highlights that "it is a geopolitical, economic and demographic space that will be essential in tomorrow's world." China has been taking an increasingly larger slice of that space by building close relationships with African countries, establishing a military base, fostering relationships with suppliers of raw materials and investing in the region's infrastructures. These are all taken into consideration when the EU thinks about its future relationship with the continent.

Paris will seek to address security issues in the Indo-Pacific region while also developing connectivity cooperation through the Global Gateway initiative. The Presidency program highlights plans to pursue this direction in parallel to deepening its dialogue with the US "concerning China and the Indo-Pacific region." France's drive for larger engagement with the area amplifies potential frictions with China, which has already signaled that it does not view more active Western presence in the area favorably.

Furthermore, Paris' ability in its role of EU President to handle the Sino-Lithuanian crisis on the Eastern flank of the EU will be an important indicator of its approach to China. It will define how well positioned Paris really is to shape a common European China policy.

French presidency does not guarantee warmer relations with Beijing

China hopes for a US-skeptic French leadership of the EU and if such hopes come to fruition, Beijing is likely to be open to and engage with any goodwill emanating from Paris. This has the potential to create a platform for constructive EU-China engagement in the beginning of 2022.

But items on the agenda such as engagement in the African continent and the Indo-Pacific strategy may limit such expectations. Beijing's expectations may not be met, and how Paris chooses to coordinate its response to China's economic coercion of Lithuania will inevitably influence the overall relationship. The unravelling of the tensions between Lithuania and China coupled with the Presidential elections in France are only two of the numerous developments that may still cause trouble.

Read more:

- French Presidency of the Council of the European Union: [Programme of the Presidency](#)
- European Parliament: [MEPs debated the French Presidency's priorities with Emmanuel Macron](#)
- Rfi.fr: [China woos France with high-level meeting in bid to mend ties with EU](#)

Transatlantic coordination on China: 2021 saw new high-level dialogues on tech, trade, and security, by Michael Laha

TECHNOLOGY: “China doesn't share our values. They don't share our values around privacy. They don't share our values around human rights protections or our strong and free democracy, and free and open society. So, we, together with Europe, need to write the rules of the road.” That is what the US Commerce Secretary Gina Raimondo said in an interview at the EU-US Summit on June 15, 2021. The belief that the US and Europe had closer views on the ethical uses of technology than either did with China, was a primary motivation behind the creation of the new EU-US Trade and Technology Council (TTC). However, it did not take long for the transatlantic partners to disagree on what those rules should be. Later that year, Raimondo criticized a twin set of new European laws governing the behavior of large digital companies. This tension will be an enduring feature of transatlantic coordination on China and technology.

TRADE: The United States and Europe have had long standing disagreements across a range of trade issues. Even with a brand-new consultation framework, the TTC, in place, it will be tricky to develop a common approach vis-a-vis China. However, over the past several months, China has escalated a campaign of intimidation against EU member state Lithuania and applied a harsh export blockade. This incident may be added to the transatlantic trade agenda where the two sides could find some common ground.

SECURITY: A new trilateral security agreement between Australia, the United Kingdom and the United States, the AUKUS deal, has heightened anxieties in European capitals that the US is unwilling to include European views when it comes to defense. That has provided fresh fodder for Emmanuel Macron who has long advocated for European “strategic autonomy.” To accommodate European desires for independent defense and to align them with NATO, a new EU-US Dialogue on Security and Defense was launched. It will meet for the first time in 2022.

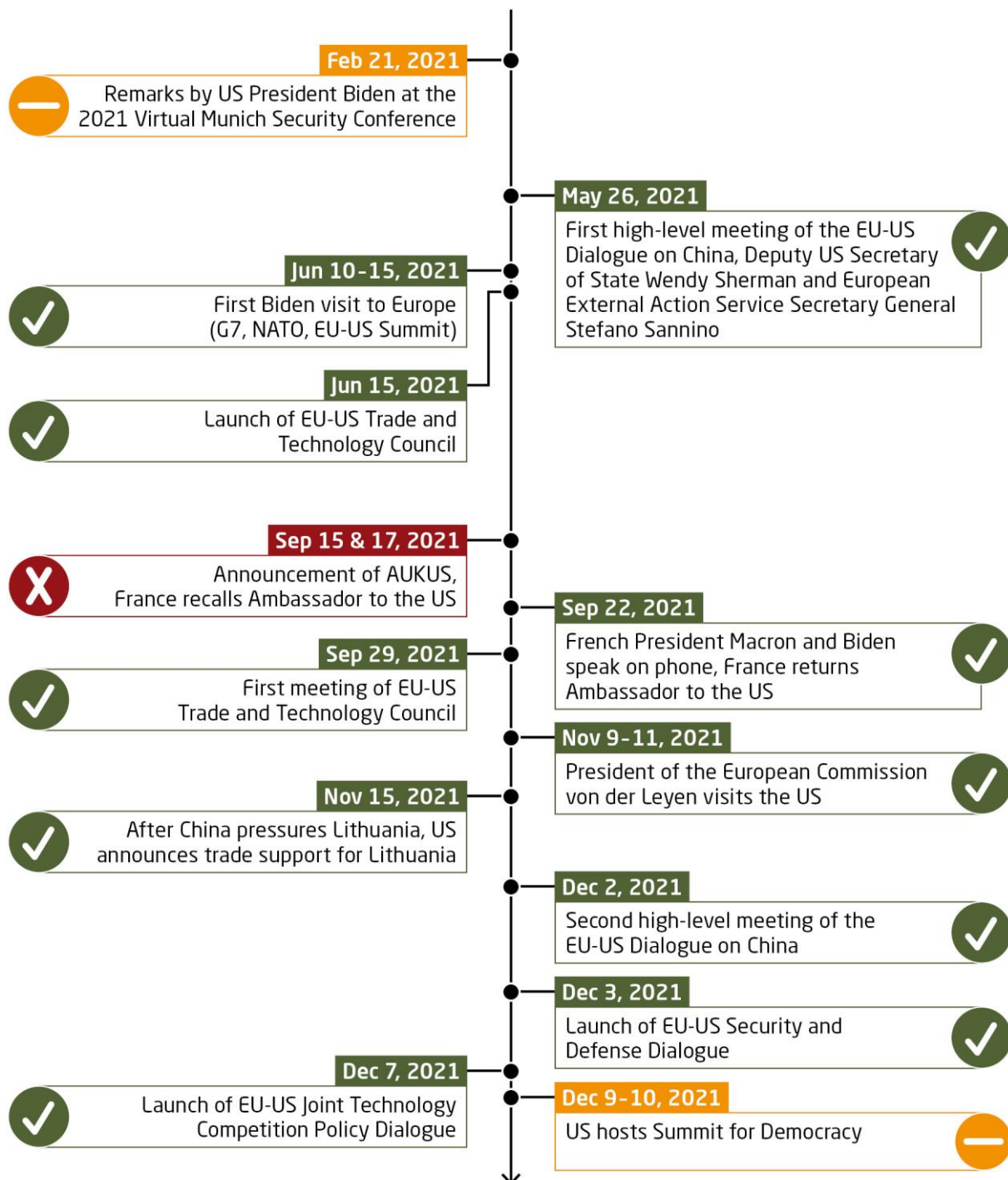
Read the full analysis [here](#).

Transatlantic coordination on China in 2021: a consultation framework takes shape

Major events and initiatives



- ✓ Consultations between or joint statements by EU/EU member state leaders & US counterparts
- Independent policies, events, or statements where views at least partially align across the Atlantic
- ✗ Area where disagreement or challenges in coordination emerged



Source: MERICs

© MERICs

BUZZWORD OF THE WEEK

TRADE DEFICIT

According to data from Chinese customs, in 2021, the EU trade deficit with China has grown 57 percent. This is not necessarily a worrying signal, as it reflects the more vibrant dynamic of consumption in Europe than in China. However, the composition of China's exports to the EU indicates a deepening of European dependency on China, with for instance booming high-tech exports to the EU. In 2020, 36 percent of the EU's high-tech imports came from China, and 2021 data are likely to show an even higher number.

Read more:

- MERICS: [Mapping and recalibrating Europe's economic interdependence with China](#).
- Eurostat: [Production and international trade in high-tech products](#).

REVIEW

EU27 oppose China's sanctions targeting Lithuania

Member states discuss support for Lithuania amid Beijing's unofficial sanctions against Vilnius over the opening of a Taiwan Representative Office. The measures include secondary sanctions that threaten the functioning of the EU's single market by targeting European companies using Lithuanian components.

What you need to know:

- **Taiwan's offer:** Over the last couple of weeks Taipei unveiled two new initiatives aimed at supporting Vilnius – a USD 200 million investment fund for Lithuania's strategic sectors and a USD 1 billion fund for joint Lithuania-Taiwan projects.
- **Domestic controversy:** Lithuanian President Gitanas Nausėda called the opening of the representative office under the name Taiwan (as opposed to Taipei) “a mistake” and a government-sponsored December poll shows that 60 percent of Lithuanians view the country's China policy negatively.
- **EU response:** During an informal EU foreign ministers meeting in Brest, member states voiced support for Lithuania and expressed hopes for de-escalation, but no concrete measures were agreed. Separately, in a dedicated letter 41 MEPs [urged](#) the EU leaders to devise a united EU response to China's coercive measures to avoid “embolden[ing] [Beijing] to engage in further coercion.”
- **To be continued:** Slovenian Prime Minister Janez Janša also [indicated](#) his country's interest in expanding ties with Taiwan.

Quick take: The outcome of the Brest meeting is an acknowledgement by the EU27 that there is no way to wait out the spat and that an EU-level response to China's coercion is necessary. Devising an immediate operational solution is even more pressing as other member states are contemplating expanding ties with Taiwan. However, at this stage the legal mechanisms available to the EU remain scarce. A lengthy WTO case would be unlikely to resolve the situation soon and the EU's Anti-Coercion Instrument is still months away. That is why in the meantime the EU27 should explore ways to cushion the impact of Chinese sanctions on Lithuania and continue to voice clear opposition to Beijing's economic coercion, by using the agenda-setting process for the upcoming EU-China summit to communicate the EU's stance to Chinese authorities.

Read more:

- CHOICE: [Vilnius the Valiant No More?](#)
- Bloomberg: [Taiwan Plans \\$1 Billion Fund for Lithuania Projects as China Anger Mounts](#)
- SCMP: [EU seeks 'de-escalation' of Lithuania-China feud but takes no further action](#)

Europe heads to the slopes

Months before the beginning of the Beijing 2022 Winter Olympics Games, countries began to debate whether to boycott the sporting event in protest of Beijing's violations of human rights. So far, Lithuania, Denmark, Estonia and Belgium are the only EU countries to have announced a diplomatic boycott of the Olympics but as things stand, most member states have not communicated their official decision yet in the hope of the adoption of a common EU position.

What you need to know:

- **A diplomatic boycott:** Government officials usually accompany their nation's athletes to the Olympic games. This time however, countries that decide to boycott the games are still sending athletes to compete but will not send government representatives. The objective is to signal their disapproval of China's human rights record without imposing a cost on their own athletes. So far, the US, the UK, Canada, and Australia officially boycotted the Olympics and Paralympics. Japan and New Zealand also decided not to send their representatives, but without labelling the move a boycott.
- **Where does the EU stand:** Brussels has not taken an official position, and member states have been waiting to see what others would do before taking a decision. The French Presidency of the Council aims to facilitate a coordinated position of all 27 countries. However, the division is palpable. Only four countries have announced a diplomatic boycott (Estonia, Denmark, Lithuania and Belgium). Austria, Slovenia, Sweden and the Netherlands will not send government representatives due to the risks posed by the pandemic. Others, like Finland and Italy are not joining the diplomatic boycott nor are they using the pandemic card. Czech President Miloš Zeman has criticized the politicization of the games, and the Polish President

Andrzej Duda has announced his intention to participate. And France itself has previously signaled it has no intention to sign up to the boycott before vowing to find a common EU position.

- **Where Hong Kong and the Olympics meet:** Today (January 20) the European Parliament votes on a resolution on Hong Kong calling for the introduction of sanctions on individuals who violated human rights and for "Commission, Council and Member States to decline invitations made to government representatives and diplomats to attend the Beijing 2022 Winter Olympics".

Quick take: EU member states' differing views over how to approach China have represented themselves in diplomatic attendance of the Winter Olympics. While some member states have already announced their decisions, others are still waiting and hoping for an unlikely common EU position. France's flip-flopping on its approach to the diplomatic boycotts illustrates the difficulties the EU has been facing to find a common approach. Initially France stated it would not be participating in a diplomatic boycott, but just as other member states began to announce their diplomatic boycotts, and once France had assumed EU Presidency, it vowed to look for a common position. The resolution from the European Parliament will not facilitate this task, and following a decision over participation from Brussels the risk of member states breaking ranks is high.

Read more:

- Politico: [EU countries skate around Winter Olympics boycott](#)
- German Marshall Fund: [The 2022 Winter Olympics, Calls for Boycotts, and the Role of Sports in China](#)
- Euractiv: [Beijing Olympics boycott: France vows to coordinate EU position](#)

SHORT TAKES

German Chancellor Olaf Scholz received congratulations on his recent appointment from Chinese Premier Li Keqiang, who also aimed to stress the importance of Sino-German relations.

- [DE] [Chancellor Scholz holds a phone call with Chinese Premier Li Keqiang](#)
- MFA of the People's Republic of China: [Li Keqiang Speaks with German Chancellor Olaf Scholz on the Phone](#)

Estonian Foreign Minister Eva-Maria Liimets held a phone call with her Chinese counterpart Wang Yi in a move that signals that the Baltic country wants to maintain stable relations with the PRC.

- MFA of the Republic of Estonia: [Liimets discussed cooperation and bilateral relations with her Chinese counterpart](#)
- MFA of the People's Republic of China: [Wang Yi Holds a Virtual Meeting with Estonian Foreign Minister Eva-Maria Liimets at Request](#)

The European Commission released a guidebook on preventing foreign interference and espionage of national research institutions and universities. China was listed among key actors of concern.

- Science Business: [EU issues guidelines on foreign interference in research](#)

A report from the Danish Security and Intelligence Service warned against China and Russia's espionage activity related to competition in the Arctic.

- Reuters: [Denmark accuses Russia, China, Iran of espionage threat](#)

The Hungarian government started negotiations with Chinese partners on a new high-speed railway project that could be agreed upon by the end of the year. The negotiations may be disrupted should the April elections result in governmental transition in Hungary.

- [HUN] Infostart: [Hungary and China are starting talks on high-speed rail cooperation](#)

Following the departure of the controversial Ambassador Gui Congyou, on January 12 Sweden officially received a new Chinese envoy, Cui Aimin.

- Embassy of the People's Republic of China in Sweden: [Ambassador Cui Aimin Presents Letter of Credence](#)

News emerged that at the end of the last year the Czech public TV broadcaster Česká televize purchased elements for the operation of computer networks, disk arrays for data storage or security firewalls for protection against cyberattacks.

- [CZ] E15.CZ: [Czech Television bought technology from Huawei for tens of millions](#)

Spanish police arrested 63 individuals (60 Chinese, 2 Spanish, 1 Pakistani) breaking up a human trafficking gang that trafficked Chinese women into Spain and forced them into prostitution.

- [ES] Associated Press: [Spain disrupts network of enslavement of Chinese women](#)

AUTHORS

Francesca Ghiretti, Analyst, MERICS

Grzegorz Stec, Analyst, MERICS

Michael Laha, German Chancellor Fellow, MERICS

EDITORIAL TEAM

Managing editor: Claudia Wessling,

Director Communications and Publications, MERICS

Editors: Fiona Bewley, Project and Publications Manager, MERICS

Alexander Davey, Editor, MERICS

PUBLISHER

MERICS | Mercator Institute for China Studies

Klosterstraße 64

10179 Berlin

Tel.: +49 30 3440 999 0

Mail: info@merics.de

www.merics.org