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Why Europe Is Getting Tough on China  
And What It Means for Washington  
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Over the past two years, Washington has come to embrace a policy of strategic competition with China. The Trump administration's [National Defense Strategy](#) <sup>[1]</sup> and [National Security Strategy](#) <sup>[2]</sup> make clear that the United States sees China as a great power rival not only militarily but also in a contest for economic and technological supremacy.

As a result, an effective coalition to manage China's rise can no longer center on Asian security partnerships alone but must now include the world's principal concentrations of economic power, technological progress, and liberal democratic values. Among these are many of the United States' partners in the Indo-Pacific, such as Australia, India, and Japan. But the European Union and its major member states are also becoming increasingly critical U.S. counterparts in dealing with China.

As next week's EU-China summit approaches, Europe has begun to fundamentally rethink its China policies. The shift is so substantial that even seasoned Asia hands have described it as a "[revolution.](#)" <sup>[3]</sup> Despite differences among the EU member states, the overall thrust of the change is in convergence with the new U.S. approach. As recently as three years ago, member states resisted even modest changes to strengthen EU trade defense instruments, despite the flood of Chinese steel imports. The notion of an EU-level mechanism to scrutinize Chinese investments was still anathema to most European leaders. If the United States in early 2016 had suggested closer coordination in restricting Chinese access to Western technologies, a common public front on China's non-market practices, or cooperation on infrastructure financing as a counterbalance to China's Belt and Road Initiative (BRI), European allies would have responded with a bemused rebuff.

The same logic that has driven the U.S. policy shift, however, has led Europe to change its stance. In March, European heads of state debated a new European Commission strategy paper that describes China as an "economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance." The proposals in the paper would change policies in areas ranging from procurement to data, antitrust rules to telecommunications, industrial strategy to artificial intelligence.

To be sure, no European politician is likely to take as publicly hawkish a stance on China as U.S. Vice President Mike Pence did in his 2018 speech at the Hudson Institute, where his all-fronts critique of China's behavior raised the prospect of a new Cold War [4]. But the continent's leaders increasingly agree on certain underlying principles: namely, that competition with China now requires a comprehensive overhaul of policy instruments, and that the period of asymmetric openness to China is over. French President Emmanuel Macron, ahead of the recent European summit, characterized the moment as one of "European awakening."

## WHY NOW?

What accounts for the shift in European thinking? No doubt political and security developments have played a role—from China's deepening authoritarianism under President Xi Jinping to its efforts to extend political influence in Europe. The strongest drivers of the change, however, are economic. Europe has lost hope that China will reform its economy or allow greater access to its markets, and at the same time, China's state-backed and state-subsidized actors have advanced in sectors that Europe considers critical to its economic future. The implementation of Made in China 2025 (a ten-year plan to speed the development of high-tech industries), a spate of sensitive Chinese takeovers in Europe, and the BRI's export of China's domestic economic practices to third countries suggest a threat that is coalescing with real immediacy.

When it comes to China, commercial and ideological concerns are often intertwined. The deepening reach of the Chinese Communist Party into the private sector, the export of China's surveillance and Internet norms through its technology companies, the use of economic coercion against European states and companies, and the impact of Chinese finance on the political and economic situation of EU accession countries are among many examples of such a blurring of lines. European politicians commonly refer to China as a "systemic competitor," [5] a term coined not by human rights advocates or grand strategists but by the Federation of German Industries. The old story was that European business interests precluded taking a tougher stance on China. Nowadays, the changing calculus of economic and commercial benefits is precisely what has hardened Europe's position.

The idea that Europe has become more hawkish on China may appear counterintuitive: after all, Italy has just become the first G-7 member to sign on to Belt and Road. And the European Union certainly has its divisions on the issue. Member states disagree on the relative weight that should be accorded to detentions in Xinjiang, the South China Sea, the risks attached to Chinese investment, the presence of Chinese companies in European telecommunications networks, and other China-related issues. Spoilers, such as Hungary and Greece, have been known in certain cases to block what would otherwise have been consensus positions.

But Europe has also shown unity on China in crucial areas. In recent years, Brussels has strengthened its powers to act against subsidies and price dumping, allowing it to impose higher tariffs on excessively cheap Chinese imports. Europe has also refused to grant China its coveted market-economy status at the WTO, set up a new process to coordinate the screening of investments for national security threats, and designed a connectivity initiative to compete with the BRI. In some of these cases, Europe adopted its position in

the teeth of intense Chinese pressure. To the extent that some of the big member states have privileged bilateral relationships with China that may undercut larger European efforts, leaders are finally starting to remedy the problem. Macron invited EU Commission President Jean-Claude Juncker and German Chancellor Angela Merkel to join his meetings with Xi during last week's bilateral visit. The EU-China summit that Germany hosts next year will also be the first to include heads of government from all EU member states, a change meant to address the concerns from smaller countries about their lack of face time with senior Chinese leaders. (This concern was one of the main factors behind the establishment of the divisive 16+1 summit process between China and 16 central and eastern European states.)

Some European politicians will continue to dabble periodically with overtly friendly policies toward Beijing, whether for the sake of poking Brussels in the eye or in the hope of eliciting a couple of additional investments. But when the experiment proves costly, politicians have proved ready to discard it. The United Kingdom seems to have ended its “golden era <sup>[6]</sup>” of relations with China in light of security concerns. Central European states have become disillusioned with the lack of economic benefits on offer and now coordinate the 16+1 far more closely with the European Union. Even Italy, when signing a political agreement on the BRI, simultaneously made moves <sup>[7]</sup> that would enable Rome to exclude Huawei from its 5G networks. China's political reach and influence in Europe are undoubtedly growing, but the roots of these relationships are shallow.

For Europe the stakes are no longer confined to the traditional realm of foreign policy, or China policy as such. For this reason, coalitions are emerging that don't map neatly onto a scale of relative friendliness to Beijing. The battle lines on issues such as industrial policy, export controls, and data pooling for artificial intelligence research, say, cross each other as often as they align. Hungary initially raised objections to the mechanism that will scrutinize Chinese investments—but then swallowed its disagreement upon determining the instrument useful in dealing with Russia. European countries agree that Chinese behavior requires significant changes to Europe's approach but the resulting debates reflect deeper questions about the future of the European model and the single market, not just relations with Beijing.

## **A POWERFUL PARTNER**

In principle, Europe's new posture toward China should make it a partner of far greater value to the United States. But even if Europe does manage to fully rebalance its approach over the coming year, building a more effective transatlantic coalition on the issue will be difficult.

For more than a decade, the United States and Europe have attempted to coordinate more closely on China. The need for such coordination became particularly clear in 2005, when the European Union made an abortive effort to lift its arms embargo on China, despite U.S. opposition. Since then, Washington, Brussels, and certain European capitals, particularly Berlin, Paris, and London, have regularly consulted one another on China. But although a few U.S. officials tried to build these channels into an expansive framework <sup>[8]</sup> for cooperation, for the most part, U.S. policymakers perceived the European Union as a

second-tier actor when it came to Beijing. China rarely appeared on the agendas of transatlantic summit- or cabinet-level meetings and was perennially an “important but not urgent” issue.

But as the United States rebalances its own approach to China, it must bring Europe into sharper focus than it has over the past decade. On issues of trade, technology, investment, finance, and development aid, Europe is often the single most powerful U.S. counterpart. The United States can deal far more effectively with Chinese industrial overcapacity and subsidies, for example, if it does so in conjunction with the world’s largest trading bloc. To finance a counterweight to the BRI will also be much easier with the world’s largest source of development aid and foreign direct investment on board.

Working with Europe not only increases U.S. leverage but helps ensure that U.S. policy won’t be undermined by lack of consensus among allies. The United States can, for instance, unilaterally limit the access that Chinese investors, companies, and researchers have to U.S. advanced technologies—through the 2018 Foreign Investment Risk Review Modernization Act, say, revised export controls, or other new regulations. But the measure would have diminished effect if China could still access similar technologies from Germany or the United Kingdom. Meanwhile, any role that Europe decides to grant Chinese firms in 5G networks and other critical infrastructure such as ports will directly affect transatlantic intelligence and security cooperation, from information transfers to NATO’s mobilization capacity.

## **OVERCOMING MISTRUST**

European leaders, from Macron to Juncker, have queued up to tell the U.S. president that the European Union and the United States should mount a common front against the economic threat from China. A letter in June 2018, co-signed by every EU ambassador in Washington, named Chinese market distortions as one of the principal areas on which the two sides should cooperate. The Trump administration responded with limited enthusiasm, however. U.S. Trade Representative Robert Lighthizer has worked with his European and Japanese counterparts to coordinate approaches on China’s non-market practices, but those efforts have largely been overshadowed by the United States imposing 232 tariffs on steel and aluminum, threatening to impose auto tariffs, and breaking with its allies over WTO reform.

Distrust of the current U.S. administration has further inhibited European cooperation on China. European states have ample grounds already to exclude Huawei from its future 5G networks in favor of homegrown suppliers. But some European officials fear <sup>[9]</sup> that if they take a hard public stance on the issue, Trump will end up cutting a deal with Beijing and leave them exposed to Chinese retaliation. As long as the U.S. president is unwilling to distinguish between partners and competitors—his response to Macron’s pitch for a joint approach on Chinese economic issues was that the EU “is worse than China” <sup>[10]</sup>—the scope of cooperation will inevitably be limited in the short term. For now, the thrust of European efforts is to improve the EU’s own capacity to compete with Beijing, not to build a joint approach with the United States.

Even so, in some areas, cooperation has advanced further than it did under previous U.S. administrations. The United States and Europe largely share the same concerns about China, and each side increasingly needs the other in order to pursue an effective policy. Moreover, European leaders understand the shift in U.S. China policy to be bipartisan in nature, and expect it to continue, so they are laying the groundwork for deeper cooperation further down the line. The United States and Europe together opposed the extension of market economy status to China at the WTO, where they have also lodged parallel complaints on Chinese forced technology transfers. The two sides are quietly cooperating <sup>[11]</sup> to ensure closer alignment between their respective investment screening mechanisms and on political influence issues, with China the primary target. And they are exploring linking the economic strand of the U.S. free and open Indo-Pacific strategy to the European Union's Asia connectivity strategy <sup>[12]</sup>, in order to mobilize hundreds of billions of dollars in energy, digital, and infrastructure investments as an alternative to the BRI.

## **A NEW TRANSATLANTIC RELATIONSHIP**

China has long been an afterthought for all but a handful of U.S. Atlanticists, and Europe has long been an afterthought for most U.S. China experts. Predictably, this gap has produced a corresponding gap in analysis, as well as a reactive approach to many critical policy decisions, with U.S. interventions sometimes coming unhelpfully late in European debates and with mixed success.

Nowhere is the need for, and the difficulty of, coordination clearer than in the recent transatlantic exchanges over the 5G issue. The United States is struggling to formulate its own policy on a matter that cuts across security, technology, and economics; but it must also mount a coherent campaign to influence political choices in Europe. Other issues concerning China and the transatlantic relationship affect multiple spheres in a similar way, and Washington has not always proved deft at navigating the domestic European political debates and overlapping institutions that these issues affect.

The United States has begun to address the problem. Washington recently sent broad interagency delegations to Europe to talk China, recognizing that the two sides must deal with economic, financial, development, defense, and security issues in an integrated fashion rather than in separate lanes. Cabinet-level officials now raise China more directly and frequently during meetings with European counterparts, including countries where prior exchanges on the subject were minimal or nonexistent. Transatlantic institutions have begun to put China on their agendas: NATO, for example, is poised to assess the security implications of Chinese investments in Europe's digital and physical infrastructure.

Yet the real test will be whether Europe and the United States are able to rethink the transatlantic relationship itself in light of China's rise. Bilateral issues that once had little to do with China are now heavily affected by it. A more ambitious China-driven agenda would encompass trade architecture, data flows, the defense industrial base, the maintenance of leadership in key technologies, the sharing of security burdens, and the specific challenges that Chinese economic and technological power pose for democracy and human rights worldwide. In short, it would examine where the advanced industrial democracies need to integrate more closely, how open their systems should be, and how

they should improve their offer in the developing world. Unfortunately, the conditions are far from ripe for this broader reassessment. Transatlantic mistrust runs too high. But the need for an effective coalition to respond to Beijing is not going away. Over the last decade, the United States has enjoyed one of its greatest successes in drawing new partners—most notably, India—into a shared framework that takes China as its essential reference point. Much depends on whether Washington can now do the same with Europe.

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#### Links

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